

FINAN- CIAL REPORT 2022

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Consolidated financial statements

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Consolidated statement of financial position

in CHF	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and balances with central banks	1	4,492,342,779	5,589,152,222
Treasury bills and other eligible bills	1	1,165,904,963	242,290,309
Due from banks	1/4	1,627,923,294	1,335,970,068
Derivative financial instruments	2	109,201,988	92,688,397
Trading assets	3	2,684,024	5,856,891
Loans	5	814,331,758	819,593,923
Investment securities	6	1,722,032,893	737,203,239
Investment in joint venture	7	4,460,572	11,159,753
Deferred income tax assets	15a	1,393,649	3,839,967
Intangible assets	8	55,784,621	44,527,773
Information technology systems	9	75,258,028	56,764,930
Property, plant and equipment	10	72,506,590	69,966,293
Other assets	11	74,570,589	44,821,745
Total assets		10,218,395,748	9,053,835,510
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	366,399,780	247,605,557
Derivative financial instruments	2	57,835,148	53,210,953
Financial liabilities designated at fair value	12	71,313,623	–
Due to customers	13	8,860,519,759	7,955,232,932
Other liabilities	14	90,092,881	151,486,773
Current income tax liabilities	15c	23,048,468	18,160,514
Deferred tax liabilities	15b	1,582,439	1,670,869
Provisions	16	6,475,556	11,008,579
Total liabilities		9,477,267,654	8,438,376,177
Equity			
Ordinary shares	18.1	3,065,634	3,065,634
Share premium		57,833,801	56,422,625
Share option reserve	18.2	5,338,134	3,154,374
Other reserve	18.3	(9,828,340)	(18,837,928)
Treasury shares	18.4	(40,106,180)	(27,656,922)
Retained earnings	18.5	724,825,045	599,311,550
Total equity		741,128,094	615,459,333
Total liabilities and equity		10,218,395,748	9,053,835,510

The notes on pages 26 to 116 are an integral part of these financial statements.

Consolidated income statement

in CHF	Notes	2022	2021
Fee and commission income	19	197,650,607	289,730,497
Fee and commission expense	19	(21,067,568)	(26,495,997)
Net fee and commission income		176,583,039	263,234,500
Interest income	20	64,629,024	29,569,468
Interest expense (incl. negative interest on assets)	20	(22,479,551)	(31,707,840)
Other interest income	20	35,410,382	19,242,635
Other interest expense	20	(4,089,863)	(1,292,422)
Net interest income		73,469,992	15,811,841
Net trading income	21	158,093,438	192,756,198
Operating income		408,146,469	471,802,539
Credit loss (expense) / release		(103,578)	667,749
Operating expenses	22	(214,956,557)	(247,534,287)
Net result from investment in joint venture	7	(6,699,181)	(1,594,094)
Operating profit		186,387,153	223,341,907
Income tax expense	15d	(28,993,396)	(30,228,758)
Net profit		157,393,757	193,113,149
SHARE INFORMATION			
Earnings per share	23	10.51	12.96
Diluted earnings per share	23	10.45	12.82

The notes on pages 26 to 116 are an integral part of these financial statements.

Consolidated statement of comprehensive income

in CHF	Notes	2022	2021
NET PROFIT		157,393,757	193,113,149
Other comprehensive income:			
Gains/(losses) recognised directly in equity			
Items that may be reclassified to the income statement			
Investment securities measured at fair value through other comprehensive income (FVOCI):			
Net realised gains/(losses) reclassified to the income statement from equity		–	(6,535)
Income tax effect		–	850
Currency translation differences	18.3	(4,694,327)	(1,695,957)
Total other comprehensive income that may be reclassified to the income statement		(4,694,327)	(1,701,642)
Items that will not be reclassified to the income statement			
Investment securities measured at fair value through other comprehensive income (FVOCI equities):			
Net realised/unrealised gains/(losses)		(2,272,079)	1,661,942
Income tax effect		299,914	(216,053)
Defined benefit obligation:			
Remeasurement	17b	18,060,000	(4,167,000)
Income tax effect		(2,383,920)	541,710
Total other comprehensive income that will not be reclassified to the income statement		13,703,915	(2,179,401)
Other comprehensive income for the period (net of tax)		9,009,588	(3,881,043)
Total comprehensive income for the period		166,403,345	189,232,106

The notes on pages 26 to 116 are an integral part of these financial statements.

Consolidated statement of changes in equity

in CHF	Notes	Ordinary shares	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
BALANCE AS AT 1 JANUARY 2022		3,065,634	56,422,625	3,154,374	(18,837,928)	(27,656,922)	599,311,550	615,459,333
Net profit of the period		–	–	–	–	–	157,393,757	157,393,757
Investment securities FVOCI equities	6	–	–	–	(2,272,079)	–	372,746	(1,899,333)
Remeasurement of defined benefit obligation	17b	–	–	–	18,060,000	–	–	18,060,000
Income tax effect (aggregated)		–	–	–	(2,084,006)	–	(49,202)	(2,133,208)
Currency translation differences	18.3	–	–	–	(4,694,327)	–	–	(4,694,327)
Total comprehensive income for the period		–	–	–	9,009,588	–	157,717,301	166,726,889
Dividend	18.5	–	–	–	–	–	(33,022,905)	(33,022,905)
Employee stock option plan:								
Amortisation of services	18.2	–	–	3,002,859	–	–	–	3,002,859
Stock options exercised, lapsed or forfeited	18.2	–	–	(819,099)	–	–	819,099	–
Treasury shares:								
Purchase	18.4	–	–	–	–	(17,420,411)	–	(17,420,411)
Sale/remittance	18.4	–	1,411,176	–	–	4,971,153	–	6,382,329
Balance as at 31 December 2022		3,065,634	57,833,801	5,338,134	(9,828,340)	(40,106,180)	724,825,045	741,128,094

The notes on pages 26 to 116 are an integral part of these financial statements.

Consolidated statement of changes in equity (continued)

in CHF	Notes	Ordinary shares	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
BALANCE AS AT 1 JANUARY 2021		3,065,634	54,437,365	2,557,489	(14,956,885)	(31,718,631)	426,796,466	440,181,438
Net profit of the period		–	–	–	–	–	193,113,149	193,113,149
Investment securities FVOCI & FVOCI equities	6	–	–	–	1,655,407	–	–	1,655,407
Remeasurement of defined benefit obligation	17b	–	–	–	(4,167,000)	–	–	(4,167,000)
Income tax effect (aggregated)		–	–	–	326,507	–	–	326,507
Currency translation differences	18.3	–	–	–	(1,695,957)	–	–	(1,695,957)
Total comprehensive income for the period		–	–	–	(3,881,043)	–	193,113,149	189,232,106
Dividend	18.5	–	–	–	–	–	(22,327,073)	(22,327,073)
Employee stock option plan:								
Amortisation of services	18.2	–	–	2,325,893	–	–	–	2,325,893
Stock options exercised, lapsed or forfeited	18.2	–	–	(1,729,008)	–	–	1,729,008	–
Treasury shares:								
Purchase	18.4	–	–	–	–	(6,396,434)	–	(6,396,434)
Sale/remittance	18.4	–	1,985,260	–	–	10,458,143	–	12,443,403
Balance as at 31 December 2021		3,065,634	56,422,625	3,154,374	(18,837,928)	(27,656,922)	599,311,550	615,459,333

The notes on pages 26 to 116 are an integral part of these financial statements.

Consolidated statement of cash flows

in CHF	Notes	2022	2021
Cash flow from/(used in) operating activities:			
Fee and commission received		183,873,821	290,896,229
Fee and commission paid		(21,126,027)	(26,249,835)
Interest received		88,259,799	54,174,608
Interest paid		(30,418,484)	(34,901,537)
Net trading income received		157,908,033	191,104,216
Income tax paid		(23,754,700)	(19,125,689)
Payments to employees		(121,026,135)	(103,345,931)
Payments to suppliers		(109,759,201)	(70,208,675)
Cash flow from operating profit before changes in operating assets and liabilities		123,957,106	282,343,386
Net change in operating assets and liabilities:			
Treasury bills and other eligible bills (above 3 months)		(13,761,420)	118,505,645
Due from banks (above 3 months)		(293,416,747)	(3,617,211)
Derivative financial instruments (assets)		(16,513,591)	20,714,727
Trading assets		2,292,301	(308,157)
Loans		17,455,823	(268,296,747)
Derivative financial instruments (liabilities)		2,068,901	(14,238,165)
Issuance/repayment of financial liabilities designated at fair value		79,699,624	–
Due to customers		589,977,727	1,407,990,676
Net cash from operating activities		491,759,724	1,543,094,154
Cash flow from/(used in) investing activities:			
Purchase of property, plant and equipment and information technology systems	9/10	(51,730,560)	(28,019,691)
Proceeds from sale and reimbursement of investment securities		134,123,926	81,510,516
Purchase of investment securities		(1,123,706,365)	(339,610,684)
Purchase of subsidiary, net of cash acquired	8	299,844,443	–
Purchase of a joint venture		–	(5,500,000)
Net cash from/(used in) investing activities		(741,468,556)	(291,619,859)
Cash flow from/(used in) financing activities:			
Repayment of lease liabilities		(3,699,363)	(2,636,295)
Purchase of treasury shares		(17,420,411)	(6,396,434)
Sale of treasury shares		5,542,580	11,723,842
Dividend and reimbursement from reserves	18.5	(33,022,905)	(22,327,073)
Net cash from/(used in) financing activities		(48,600,099)	(19,635,960)
Net increase in cash and cash equivalents		(298,308,931)	1,231,838,335
Cash and cash equivalents as at 1 January	1	6,354,966,064	5,122,953,383
Exchange difference on cash and cash equivalents		(8,643,693)	174,346
Cash and cash equivalents as at 31 December ¹	1	6,048,013,440	6,354,966,064
Cash and cash equivalents:			
Cash and balances with central banks		4,492,342,779	5,589,152,222
Treasury bills and other eligible bills (less than 3 months)		1,000,813,368	91,008,644
Due from banks (less than 3 months)		921,257,073	922,410,755
Deposits from banks		(366,399,780)	(247,605,557)
Total as at 31 December ¹	1	6,048,013,440	6,354,966,064

¹ CHF 267.1 million and CHF 305.3 million of cash and cash equivalents were restricted as at 31 December 2022 and 31 December 2021, respectively (see Note 1).

The notes on pages 26 to 116 are an integral part of these financial statements.

Notes to the consolidated financial statements

Section I: General information

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

The Group also shares 50% interest in Yuh Ltd (Gland, Switzerland). This venture markets a digital banking mobile application under a separate brand in the Swiss market (www.yuh.com).

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

The following changes occurred during the year 2022. Firstly on 19 January 2022, a new subsidiary named Swissquote Tech Hub Bucharest S.R.L. was incorporated in Romania. This fully owned subsidiary is active in computer programming, with the aim to provide software development services to the Group. Secondly on 29 April 2022, the Group acquired Keytrade Bank Luxembourg SA, which was

subsequently merged with another group entity. Reference is made to Note 8. And thirdly, the Group further expanded its geographical footprint by opening a new subsidiary in Cyprus called Swissquote Capital Markets Ltd offering eForex services mostly to a retail clientele.

The Group employed 1,056 employees (full-time equivalent) at the end of December 2022 (31 December 2021: 952) and 538,946 customers were using the platforms and apps of Swissquote (31 December 2021: 487,847).

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

The issued share capital as at 31 December 2022 consisted of 15,328,170 ordinary shares of CHF 0.20 nominal value each (2021: 15,328,170 ordinary shares of CHF 0.20 nominal value). There is also a conditional capital and an authorised capital. Details are provided in Note 18.1.

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

	2022			2021		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	11.56%	0.09%	11.65%	11.53%	0.10%	11.63%
Paolo Buzzi	10.41%	0.05%	10.46%	10.48%	0.05%	10.53%
PostFinance AG	5.00%	–	5.00%	5.00%	–	5.00%
ACE Core Convictions Ltd	<3%	–	<3%	3.53%	–	3.53%
Treasury shares:						
Swissquote Group Holding Ltd (Note 18.4)			2.52%			2.24%

Except for the above-mentioned shareholders, no other shareholder registered in the share register or announced to SIX Swiss Exchange owns 3% or more of the issued share capital as at 31 December 2022. All shares are freely tradable. SIX Swiss Exchange regulations, however, provide that individual shareholdings exceeding 5% (save for, inter alia, certain investment funds) are deemed to be permanent

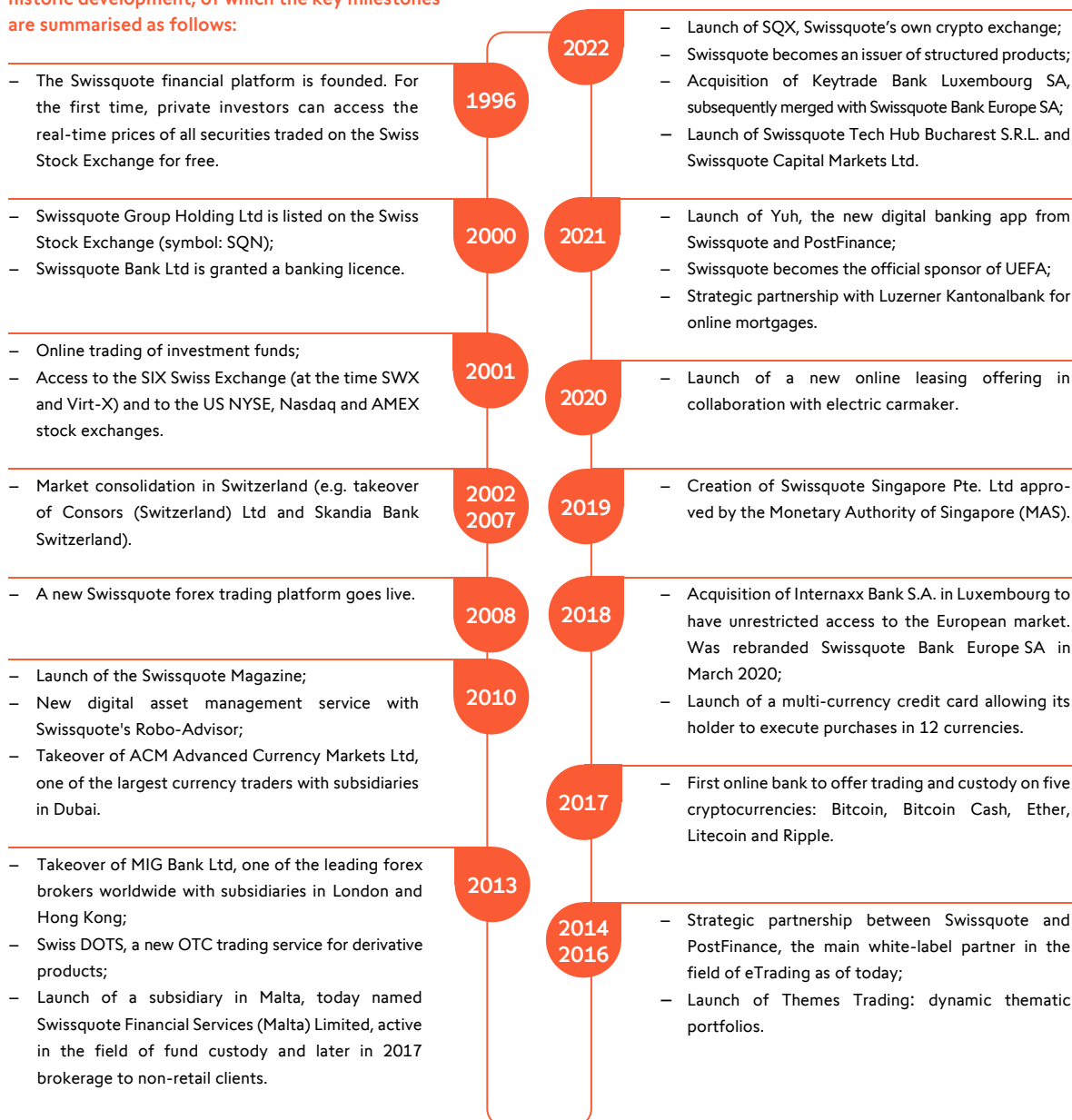
investments and are to be excluded from the free float. In accordance with SIX Swiss Exchange regulations, the free float as at 31 December 2022 is 73.03% (2021: 72.99%).

The consolidated financial statements were approved for publication by the Board of Directors on 15 March 2023.

Notes to the consolidated financial statements

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

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



Notes to the consolidated financial statements

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

As at 31 December 2022, the Group's operations consisted of operating a digital online bank that accepts multi-currency deposits/withdrawals (including crypto assets) and that provides:

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

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

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

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

The Group is not involved in the following banking activities:

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

Notes to the consolidated financial statements

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

Reportable segments

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

IFRS 8 requires entities to disclose information in a manner consistent with the basis of internal reporting provided to the chief operating decision maker (CODM) and used by the CODM to evaluate segment results and allocate resources.

The management information system of the Group is designed and constantly amended in order to reflect the development of the business model of the Group and hence to support the strategic and operating processes.

Historically, the Group acts as a leader in the online securities trading market and has progressively extended its activities not only by increasing the level of assistance to its customers (Robo-Advisory) but also by adding products and services such as Lombard loans, crypto assets trading and online car leasing. In the securities trading segment, the Group operates in a number of geographic markets and is regulated by different financial regulators.

The Group gained a critical mass in the leveraged forex segment (eForex) through both internal and external growth. In this segment, the Group offers to its clientele access to over-the-counter (OTC) foreign exchange markets through technology platforms. The Group primarily operates what is referred to as an agency model to execute client trades. In the leveraged forex segment, the regulations also affect how the Group is able to market and provide its services to customers. If the regulations are continually evolving, the regulatory environment is less restrictive in comparison to the securities trading segment. The Group revenues are mainly generated by adding a mark-up to the price provided by the market.

The Group manages financial risks and business activities on a group-wide portfolio basis and a large portion of costs are incurred centrally. These costs are not allocated to individual reportable segments for decision-making purposes and accordingly these costs are not allocated to reportable segments.

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

- Securities trading;
- Leveraged forex (eForex).

Notes to the consolidated financial statements

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

Based thereon, the analysis of reportable segments for 2022 and 2021 is as follows:

in CHF	2022	2021
OPERATING INCOME BY GEOGRAPHY		
Securities trading		
Switzerland	277,102,996	321,113,914
Europe	18,677,603	16,465,374
Middle East	6,596,210	11,358,715
Asia Pacific	1,850,315	1,559,180
Subtotal securities trading	304,227,124	350,497,183
Leveraged forex		
Switzerland	84,650,945	99,681,718
Europe	1,865,247	2,746,092
Middle East	10,528,263	11,625,113
Asia Pacific	6,874,890	7,252,433
Subtotal leveraged forex	103,919,345	121,305,356
Total operating income	408,146,469	471,802,539
Total unallocated expenses	(221,759,316)	(248,460,632)
Operating profit	186,387,153	223,341,907

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

in CHF	2022	2021
OPERATING INCOME BY PRODUCT		
Securities trading		
Cash and fixed income	77,795,219	19,263,447
Shares	58,007,140	87,874,375
Foreign exchange	54,449,131	70,432,877
Crypto assets	27,695,135	102,084,288
Structured products and derivatives	24,543,370	26,492,834
Funds and similar vehicles	22,591,681	22,522,403
Others	39,145,448	21,826,959
Subtotal securities trading	304,227,124	350,497,183
Leveraged forex		
Foreign exchange	60,433,810	62,657,325
Contracts-for-differences	23,699,240	34,058,914
Precious metals	19,786,295	24,589,117
Subtotal leveraged forex	103,919,345	121,305,356
Total operating income	408,146,469	471,802,539
Total unallocated expenses	(221,759,316)	(248,460,632)
Operating profit	186,387,153	223,341,907

The diversified sources of revenues and the higher share of non-transaction-based revenues led to an improved split by product in 2022. Comparative figures for 2021 were changed accordingly.

Notes to the consolidated financial statements

Section III: Adoption of new and revised International Financial Reporting Standards

The consolidated financial statements for the year 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS).

Additional information required by national regulations is included where appropriate.

A Standards, amendments and interpretations effective on or after 1 January 2022

There are no IFRS or IFRIC interpretations, effective for the first time for the financial year beginning 1 January 2022, with a material impact on the Group.

B Standards and interpretations issued, but not yet effective

Certain new accounting standards and interpretations published are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

C Early adoption of standards

The Group did not early adopt new or amended standards in 2022.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

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

A Basis of presentation

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

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

B Consolidation

B1 Subsidiaries and investments in associates/joint ventures

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

Interests in entities where the Group has significant influence over the financial and operating policies of the entity but does not have control are classified as investments

in associates/joint ventures and accounted for under the equity method of accounting. Typically, the Group has significant influence when it holds or has the ability to hold between 20% and 50% of a company's voting rights. Investments in associates/joint ventures are initially recognised at cost, and the carrying amount is increased or decreased after the date of acquisition to recognise the Group's share of the investee's profit or loss and any impairment losses. The net investment in an associate/joint venture is impaired if there is objective evidence of a loss event and the carrying amount of the investment in the associate/joint venture exceeds its recoverable amount. The Group's share of the investee's profit or loss is recognised in the Group's income statement.

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

B2 Acquisition

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

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

B3 List of group entities

Group entities	Office/country	Status	Interest as at 31 December	
			2022	2021
Swissquote Bank Ltd	Gland/Switzerland	Active	100%	100%
Swissquote Bank Europe SA	Luxembourg/Luxembourg	Active	100%	100%
Swissquote Financial Services (Malta) Ltd	Valletta/Malta	Active	100%	100%
Swissquote Ltd	London/UK	Active	100%	100%
Swissquote Capital Markets Ltd	Limassol/Cyprus	Active	100%	–
Swissquote Tech Hub Bucharest S.R.L.	Bucharest/Romania	Active	100%	–
Swissquote MEA Ltd	Dubai/UAE	Active	100%	100%
Swissquote Pte. Ltd	Singapore/Singapore	Active	100%	100%
Swissquote Asia Ltd	Hong Kong/China	Active	100%	100%
Swissquote Trade Ltd	Gland/Switzerland	Dormant	100%	100%
Yuh Ltd	Gland/Switzerland	Active	50%	50%

On 19 January 2022, a new subsidiary named Swissquote Tech Hub Bucharest S.R.L. was incorporated in Romania. This fully owned subsidiary is active in computer programming, with the aim to provide software development services to the Group. Moreover, with the purpose of further developing its eForex activity in Europe, the Group incorporated a fully owned subsidiary in Cyprus called Swissquote Capital Markets Ltd. This entity obtained its Cyprus Investment Firm licence on 6 December 2022 from the Cyprus Securities Exchange Commission (CySEC) and is expected to deliver over-the-counter trading of foreign exchange and contracts-for-differences mainly to a retail European clientele.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

C Foreign currency translation

C1 Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates ("functional currency"). The consolidated financial statements

are presented in CHF, which is the functional and presentation currency of Swissquote Group Holding Ltd and Swissquote Bank Ltd. The functional and presentation currencies of foreign subsidiaries are EUR, GBP, HKD, RON, SGD and USD.

Foreign currency translation	2022		2021	
	Closing rates	Average rates	Closing rates	Average rates
AED	0.2517	0.2596	0.2483	0.2491
AUD	0.6303	0.6604	0.6630	0.6838
CAD	0.6824	0.7311	0.7211	0.7301
CNY	0.1336	0.1411	0.1433	0.1420
DKK	0.1331	0.1348	0.1396	0.1451
EUR	0.9898	1.0029	1.0379	1.0792
GBP	1.1183	1.1739	1.2340	1.2574
HKD	0.1185	0.1217	0.1170	0.1177
JPY	0.0070	0.0073	0.0079	0.0083
NOK	0.0945	0.0993	0.1035	0.1060
RON	0.2001	0.2033	n/a	n/a
SEK	0.0888	0.0941	0.1008	0.1061
SGD	0.6895	0.6918	0.6766	0.6810
TRY	0.0495	0.0578	0.0689	0.1029
USD	0.9245	0.9535	0.9121	0.9149

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

C2 Transactions and balances

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

C3 Group entities

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

- Assets and liabilities for each balance sheet item presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses of each income statement are translated at average exchange rates;

- All resulting foreign exchange differences are recognised in the statement of comprehensive income.

D Segment reporting

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

The Group discloses its operating segments by the nature of the business activities as managed internally and presented to the Executive Management and Board of Directors. The set-up of the Group's operations implies that the Group operates in two reported operating segments:

- Securities trading;
- Leveraged forex.

E Offsetting financial instruments

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

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

F Financial assets

F1 Classification

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

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

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

F2 Recognition, modification and derecognition

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

F3 Measurement

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

Debt instruments

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

- Amortised cost: assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interests (SPPI test), are measured at amortised cost using the effective interest rate method. These assets are subject to impairment. Any gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the cash flows represent solely payments of principal and interest (SPPI test), are measured at FVOCI. Interest income, foreign exchange revaluation and impairment losses/reversals are recognised in the income statement and computed in the same manner as for amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to income statement.
- FVTPL: assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Changes in fair value are recognised in the income statement.

Equity instruments

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

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

Finance lease receivables

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

Other financial assets

All other financial assets are measured at FVTPL and consist of held-for-trading assets, assets mandatorily measured on a fair value basis and derivative financial instruments, except to the extent that they are designated in a hedging relationship

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Section IV: Summary of significant accounting policies

(in which case the IAS 39 hedge accounting requirements continue to apply).

G Impairment of financial assets

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

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

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

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

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

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

Significant increase of credit risk (SICR)

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

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

- Treasury bills and other eligible bills, Due from banks and Investment securities: exposures which have experienced a significant downgrade in external credit

rating or significant widening of credit spreads undergo a significant increase of credit risk and hence become stage 2 are considered as a backstop by the Group. Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for SICR and hence for transfer to stage 2.

- Loans: the loans provided to customers are mainly Lombard loans, which are collateralised by portfolios of securities. The value of the collateral is taken into account when calculating the ECL, which minimises the probability that a stage 1 exposure needs to be transferred to stage 2. Lombard loans in stage 2 are loans which, according to the policy, are above closed-out trigger, but have been decided to be maintained by taking a higher credit risk.

Default and credit impairment

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

Write-off and recovery

Financial assets are written off, in part or in full, where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

When the Group reaches settlement agreements with counterparties whose balances were previously considered as stage 3, it can recover these balances in part or in full. The recovered amount is credited to Credit loss (expense)/release, whereas the remaining amount is generally written off.

Simplified approach

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

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Section IV: Summary of significant accounting policies

H Derivative financial instruments and hedging activities

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

The Group may designate certain derivatives as either:

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

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

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

a Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security, except for FVOCI equities where there is no recycling.

b Cash flow hedge

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

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

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

I Intangible assets

Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable and separately recognised. In that sense, goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in Intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

J Information technology systems

J1 Software third-party licences

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

J2 Proprietary software

Costs associated with maintaining computer software programs are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond their original

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Section IV: Summary of significant accounting policies

specifications and lives is recognised as a capital improvement and added to the original cost of the software under the item "Proprietary software". Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

Computer software internally generated by the Group is recognised as an asset if the cost of development is reliably measurable and an analysis shows that future benefits from using the software application exceed the cost. Cost is defined as development costs incurred to make each computer software application ready for use. The cost of

development consists primarily of direct remuneration and other directly attributable development costs. Expenses incurred in the planning phase are not capitalised, but expensed when incurred.

J3 Hardware & telecom systems

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

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

K Property, plant and equipment

K1 Land and buildings

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

K2 Right-of-use assets

Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group. The assets and liabilities from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual

lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement (Interest expense) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability, any initial direct costs, any lease incentives received and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

K3 Leasehold improvements and equipment

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

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

¹ Or duration of the lease if shorter

Notes to the consolidated financial statements

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

L Impairment of tangible and intangible assets

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

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

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

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

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to

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

M Due to customers

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

N Financial liabilities

Financial liabilities are measured either at amortised cost or at fair value through profit or loss (FVTPL). All issued structured products are designated as Financial liabilities designated at fair value. The fair value option is applied to these issued products to reduce the accounting mismatch between the related investment securities at amortised cost or at fair value through profit or loss and related derivative financial instruments (total return swaps). Changes in the fair value of financial liabilities designated at fair value attributable to changes in the own credit risk, if any, is presented in other comprehensive income. The remaining amount of the gain or loss is included in the income statement.

O Deferred income taxes

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

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

Deferred tax related to fair value remeasurement of FVOCI investments, which is charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently

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(in the case of sale) recognised in the income statement, or transferred to retained earnings, together with the deferred gain or loss.

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

P Pension obligations

As at 31 December 2022, the Group operates various post-employment schemes, including defined benefit and defined contribution pension plans (2021: same situation).

Switzerland (defined benefit plan)

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

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

For IFRS purposes, pension obligations and expenses are determined according to the projected unit credit method when qualifying as defined benefit plans. The corresponding calculations are made by third-party actuaries on a periodical basis. The potential liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan's assets, together with adjustments for unrecognised past-service costs. The present value of the defined benefit obligation is determined by discounting the

estimated future outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits are paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Foreign locations (defined contribution plan)

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

Q Provisions

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

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

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

R Share capital/transaction costs

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

S Employee Share and Option Plan (ESOP)

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

Notes to the consolidated financial statements

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

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

T Treasury shares (equity)

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

U Net fee and commission income

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

Fee and commission income for services provided over time are generally recorded as a percentage of the average amount of relevant assets during the period when the service

is rendered and is recognised in profit or loss as performance obligations being met.

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

V Net interest income

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

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W Net trading income

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

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

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

Holdings in crypto assets: the Group offers crypto assets trading and custody services to its clients. The Group holds all crypto assets credited to the client accounts solely as a nominee (fiduciary capacity) on behalf of its clients, who remain the legal and beneficial owners of such holdings. The Group itself has no claim to the crypto assets, as they are assets belonging to its clients. Segregation and compliance to segregation requirements are key elements in determining whether the holdings in crypto assets have to be recognised in the statement of financial position or not. Swiss laws provide (among other) clear rules for the segregation of crypto assets in the event of bankruptcy of the custodian.

Y Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity including: cash and balances with central banks, amounts due from other banks and other short-term highly liquid investments (classified under Treasury bills and other eligible bills). Cash and balances with central banks comprise deposits with Swiss National Bank and Banque centrale du Luxembourg, which are available on demand. Reverse repurchase agreements with Swiss National Bank are also presented in Cash and balances with central banks.

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

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

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

As at 31 December 2022, the Group believes the assumptions that have been made are appropriate under the circumstances and that the consolidated financial statements are fairly presented in all material aspects.

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

A Impairment test in respect of goodwill

As at 31 December 2022, the carrying amount of goodwill amounted to CHF 55.8 million (2021: CHF 44.5 million). During the year under review, the Group acquired Keytrade Bank Luxembourg SA, whose goodwill was allocated to the existing cash-generating unit of Swissquote Bank Europe SA (see Note 8).

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

The impairment test is performed for each segment for which goodwill is allocated and compares the recoverable amount (based on its value in use) to the carrying amount of the cash-generating unit. An impairment charge is recognised if the carrying amount exceeds the recoverable amount. The impairment test is based on assumptions (see Note 8).

The recoverable amounts are determined using a discounted cash flow (DCF) model or a dividend discount model (DDM), which incorporates assumptions (such as growth rate and the amount and timing of expected future cash flows for example) relevant to the banking business and its regulatory environment. The recoverable amount is the

sum of the discounted earnings from the forecasted years and the terminal value. The terminal value, reflecting all periods beyond the forecasted years, is calculated on the basis of the last forecasted year earnings. Valuation parameters used for the impairment test model are linked to external market information, where applicable. The discount rate is determined by applying a capital-asset-pricing model-based approach, as well as considering quantitative and qualitative inputs. Key assumptions used to determine the recoverable amounts are tested for sensitivity by applying a reasonably possible change to those assumptions.

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

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

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

B Employee benefits

As at 31 December 2022, the defined benefit obligation amounted to CHF 85.5 million (2021: CHF 101.2 million) which resulted in a net liability of CHF 9.1 million (2021: CHF 28.8 million) after deduction of the fair value of the plan's assets.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations (see Note 17).

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

Notes to the consolidated financial statements

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

rates of high-quality bonds maturities approximating the terms of the related pension obligations.

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

C Measurement of the expected credit loss and impairment allowance

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

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

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

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

The expected credit losses are a discounted product of the PDs, EADs and LGDs. PDs are based on historical data and quantitative estimates supplied by third parties. The EADs represent an estimate of the exposure to credit risk at time of potential default. The LGDs represent an estimate of the loss at the time of a potential default. In general, the Group leverages the models used in determining the parameters under Basel III framework. In certain cases, the Group may use a simplified approach (finance lease receivables).

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Section VI: Financial risk management

A Introduction

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

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

A1 Financial risk factors

The Group activities expose it to a range of financial risks:

- Credit risk;
- Liquidity risk;
- Market risks (including foreign exchange risk and interest rate risk);
- Operational risk.

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

A2 Risk governance and risk organisation

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

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

The objectives of risk management are to protect the Group's financial strength and reputation, while ensuring that capital is well deployed to support business activities. These business activities are constrained by the capital that is available to cover risk-weighted assets resulting inter alia from the risks underlying the activities and the size of the balance sheet assets. These constraints represent a link between the strategy, the risks generated by the activities

and the balance sheet and capital resources that are available to absorb those risks. The Group's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are managed within limits set in a transparent and timely manner. The Board of Directors is responsible for the strategic direction, supervision and control of the Group's activities as well as the definition of the overall tolerance for risk. The Audit & Risk Committee is responsible for assisting the Board of Directors in its responsibilities by monitoring the Group's approach with respect to financial reporting, internal controls, accounting, compliance and internal audit.

The Board of Directors provides written principles for the overall risk management, as well as written policies covering the following main risk areas:

- Asset and liability management and treasury policies (covering inter alia currency and maturity mismatching risks);
- Credit risk (including margining of collateral risks);
- Liquidity risk;
- Market risks (comprising the scope of assets considered for investment and provisions on market, interest rate and liquidity risks);
- Capital management policies;
- Operational risk.

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

A3 Climate-related financial risks

Climate risks are becoming more important for companies. In this regard, a new climate reporting legislation was adopted in 2022 by the Swiss Federal Council under the name of Ordinance on Climate Disclosures. This legal regime will enter into force on 1 January 2024 for large Swiss companies and make the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") binding. The Group is currently assessing the impacts and implications in terms of governance, strategy, risk management and objectives.

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Section VI: Financial risk management

B Financial assets and liabilities categorisation

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

in CHF	Amortised cost	FVTPL	FVOCI equities	Total	Fair value
CLASSES OF FINANCIAL ASSETS					
Cash and balances with central banks	4,492,342,779	–	–	4,492,342,779	4,492,342,779
Treasury bills and other eligible bills	1,165,904,963	–	–	1,165,904,963	1,165,904,963
Due from banks	1,627,923,294	–	–	1,627,923,294	1,627,923,294
Derivative financial instruments	–	109,201,988	–	109,201,988	109,201,988
Trading assets	–	2,684,024	–	2,684,024	2,684,024
Loans	814,331,758	–	–	814,331,758	814,331,758
Investment securities	1,656,665,440	46,540,664	18,826,789	1,722,032,893	1,647,898,794
Other assets	44,015,047	–	–	44,015,047	44,015,047
Total financial assets	9,801,183,281	158,426,676	18,826,789	9,978,436,746	9,904,302,647
Investment in joint venture	–	–	–	4,460,572	–
Deferred income tax assets	–	–	–	1,393,649	–
Intangible assets	–	–	–	55,784,621	–
Information technology systems	–	–	–	75,258,028	–
Property, plant and equipment	–	–	–	72,506,590	–
Other assets (precious metals)	–	–	–	30,555,542	–
Total non-financial assets	–	–	–	239,959,002	–
Total assets as at 31 December 2022	–	–	–	10,218,395,748	–

in CHF	Amortised cost	FVTPL	Total	Fair value
CLASSES OF FINANCIAL LIABILITIES				
Deposits from banks	366,399,780	–	366,399,780	366,399,780
Derivative financial instruments	–	57,835,148	57,835,148	57,835,148
Financial liabilities designated at fair value	–	71,313,623	71,313,623	71,313,623
Due to customers	8,860,519,759	–	8,860,519,759	8,860,519,759
Other liabilities	90,092,881	–	90,092,881	90,092,881
Total financial liabilities	9,317,012,420	129,148,771	9,446,161,191	9,446,161,191
Current income tax liabilities	–	–	23,048,468	–
Deferred tax liabilities	–	–	1,582,439	–
Provisions	–	–	6,475,556	–
Total non-financial liabilities	–	–	31,106,463	–
Total liabilities as at 31 December 2022	–	–	9,477,267,654	–
Net balance as at 31 December 2022	–	–	741,128,094	–

Notes to the consolidated financial statements

Section VI: Financial risk management

B Financial assets and liabilities categorisation (continued)

in CHF	Amortised cost	FVTPL	FVOCI & FVOCI equities	Total	Fair value
CLASSES OF FINANCIAL ASSETS					
Cash and balances with central banks	5,589,152,222	–	–	5,589,152,222	5,589,152,222
Treasury bills and other eligible bills	242,290,309	–	–	242,290,309	242,290,309
Due from banks	1,335,970,068	–	–	1,335,970,068	1,335,970,068
Derivative financial instruments	–	92,688,397	–	92,688,397	92,688,397
Trading assets	–	5,856,891	–	5,856,891	5,856,891
Loans	819,593,923	–	–	819,593,923	819,593,923
Investment securities	707,478,548	10,101,608	19,623,083	737,203,239	742,363,998
Other assets	18,061,969	–	–	18,061,969	18,061,969
Total financial assets	8,712,547,039	108,646,896	19,623,083	8,840,817,018	8,845,977,777
Investment in joint venture	–	–	–	11,159,753	–
Deferred income tax assets	–	–	–	3,839,967	–
Intangible assets	–	–	–	44,527,773	–
Information technology systems	–	–	–	56,764,930	–
Property, plant and equipment	–	–	–	69,966,293	–
Other assets (precious metals)	–	–	–	26,759,776	–
Total non-financial assets	–	–	–	213,018,492	–
Total assets as at 31 December 2021	–	–	–	9,053,835,510	–

in CHF	Amortised cost	FVTPL	Total	Fair value
CLASSES OF FINANCIAL LIABILITIES				
Deposits from banks	247,605,557	–	247,605,557	247,605,557
Derivative financial instruments	–	53,210,953	53,210,953	53,210,953
Due to customers	7,955,232,932	–	7,955,232,932	7,955,232,932
Other liabilities	151,486,773	–	151,486,773	151,486,773
Total financial liabilities	8,354,325,262	53,210,953	8,407,536,215	8,407,536,215
Current income tax liabilities	–	–	18,160,514	–
Deferred tax liabilities	–	–	1,670,869	–
Provisions	–	–	11,008,579	–
Total non-financial liabilities	–	–	30,839,962	–
Total liabilities as at 31 December 2021	–	–	8,438,376,177	–
Net balance as at 31 December 2021	–	–	615,459,333	–

Notes to the consolidated financial statements

Section VI: Financial risk management

C Fair value of financial assets and liabilities

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

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

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

Fair value hierarchy

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

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

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

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

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

Classification within the fair value hierarchy

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

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

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

Notes to the consolidated financial statements

Section VI: Financial risk management

C Fair value of financial assets and liabilities (continued)

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

in CHF	Level 1	Level 2	Level 3	Fair value	Carrying amount
AS AT 31 DECEMBER 2022					
Assets measured at fair value					
Derivative financial instruments	48,336,674	60,865,314	–	109,201,988	109,201,988
Trading assets	2,684,024	–	–	2,684,024	2,684,024
Investment securities	34,664,971	30,702,482	–	65,367,453	65,367,453
Other assets (precious metals)	30,555,542	–	–	30,555,542	30,555,542
Total assets measured at fair value	116,241,211	91,567,796	–	207,809,007	207,809,007
Assets not measured at fair value					
Cash and balances with central banks					4,492,342,779
Treasury bills and other eligible bills					1,165,904,963
Due from banks					1,627,923,294
Loans					814,331,758
Investments securities	563,240,550	1,093,424,890	–	1,582,531,341	1,656,665,440
Investment in joint venture					4,460,572
Deferred income tax assets					1,393,649
Intangible assets					55,784,621
Information technology systems					75,258,028
Property, plant and equipment					72,506,590
Other assets					44,015,047
Total assets not measured at fair value	563,240,550	1,093,424,890	–	1,582,531,341	10,010,586,741
Total assets	679,481,761	1,184,992,686	–	1,790,340,348	10,218,395,748
Liabilities measured at fair value					
Derivative financial instruments	6,880,174	50,954,974	–	57,835,148	57,835,148
Financial liabilities designated at fair value	–	71,313,623	–	71,313,623	71,313,623
Total liabilities measured at fair value	6,880,174	122,268,597	–	129,148,771	129,148,771
Liabilities not measured at fair value					
Deposits from banks					366,399,780
Due to customers					8,860,519,759
Other liabilities					90,092,881
Current income tax liabilities					23,048,468
Deferred tax liabilities					1,582,439
Provisions					6,475,556
Total liabilities not measured at fair value	–	–	–	–	9,348,118,883
Total liabilities	6,880,174	122,268,597	–	129,148,771	9,477,267,654

Notes to the consolidated financial statements

Section VI: Financial risk management

C Fair value of financial assets and liabilities (continued)

Assets measured at fair value

Investment securities measured at fair value comprise financial assets at fair value through profit or loss (31 December 2022: CHF 46.6 million of which CHF 24.5 million is classified as level 2) and financial assets at fair value through other comprehensive income equities (31 December 2022: CHF 18.8 million of which CHF 6.2 million is classified as level 2).

Assets and liabilities not measured at fair value

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

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Section VI: Financial risk management

C Fair value of financial assets and liabilities (continued)

in CHF	Level 1	Level 2	Level 3	Fair value	Carrying amount
AS AT 31 DECEMBER 2021					
Assets measured at fair value					
Derivative financial instruments	44,301,852	48,386,545	–	92,688,397	92,688,397
Trading assets	5,856,891	–	–	5,856,891	5,856,891
Investment securities	13,991,763	15,732,928	–	29,724,691	29,724,691
Other assets (precious metals)	26,759,776	–	–	26,759,776	26,759,776
Total assets measured at fair value	90,910,282	64,119,473	–	155,029,755	155,029,755
Assets not measured at fair value					
Cash and balances with central banks					5,589,152,222
Treasury bills and other eligible bills					242,290,309
Due from banks					1,335,970,068
Loans					819,593,923
Investments securities	302,155,982	405,322,566	–	712,639,307	707,478,548
Investment in joint venture					11,159,753
Deferred income tax assets					3,839,967
Intangible assets					44,527,773
Information technology systems					56,764,930
Property, plant and equipment					69,966,293
Other assets					18,061,969
Total assets not measured at fair value	302,155,982	405,322,566	–	712,639,307	8,898,805,755
Total assets	393,066,264	469,442,039	–	867,669,062	9,053,835,510
Liabilities measured at fair value					
Derivative financial instruments	7,042,897	46,168,056	–	53,210,953	53,210,953
Total liabilities measured at fair value	7,042,897	46,168,056	–	53,210,953	53,210,953
Liabilities not measured at fair value					
Deposits from banks					247,605,557
Due to customers					7,955,232,932
Other liabilities					151,486,773
Current income tax liabilities					18,160,514
Deferred tax liabilities					1,670,869
Provisions					11,008,579
Total liabilities not measured at fair value	–	–	–	–	8,385,165,224
Total liabilities	7,042,897	46,168,056	–	53,210,953	8,438,376,177

Notes to the consolidated financial statements

Section VI: Financial risk management

C Fair value of financial assets and liabilities (continued)

Financial assets measured at fair value

Investment securities measured at fair value comprise financial assets at fair value through profit or loss (31 December 2021: CHF 10.1 million of which CHF 8.7 million is classified as level 2) and financial assets at fair value through other comprehensive income equities (31 December 2021: CHF 19.6 million of which CHF 7.1 million is classified as level 2).

Financial assets and liabilities not measured at fair value

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

Notes to the consolidated financial statements

Section VI: Financial risk management

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

D1 Capital management framework (unaudited)

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

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

The Group and Swissquote Bank Ltd are both subject to FINMA regulation.

The capital levels of the Group are subject to quantitative and qualitative judgements by FINMA about the components of capital, risk weightings and other factors.

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

As at 31 December 2022, Swissquote Group is classified in the supervisory category 4 (category 1 being the one with the highest requirements). Banks included in supervisory category 4 are obliged to hold 8.0% of total capital ratio and an additional 3.2%, known as "capital conservation buffer" (total: 11.2%). Banks included in category 4 are not required, under conditions, to publish the exhaustive range of disclosures set in FINMA circulars (partial disclosure).

To enter into the next supervisory category (category 3), the Group would have to meet or exceed a total balance sheet amount of CHF 15 billion and total capital requirements of CHF 250 million. Category 3 banks must also hold 8.0% of total capital ratio, but the "capital conservation buffer" is set at 4.0%, totaling 12.0%.

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

31 December 2022 and 2021	
Credit risk	International Standard Approach – AS-BRI
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

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

Notes to the consolidated financial statements

Section VI: Financial risk management

D2 Risk-weighted assets (unaudited)

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

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

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

Operational risk reflects the capital requirements for the risk of loss resulting from inadequate internal processes, people and systems or from external events. Under the basic indicator approach, operational risk requirement is calculated as the average over the previous three years of 15% of positive annual gross income.

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

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

in CHF	Risk-weighted assets		Required capital	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Credit risk:				
Sovereign	17,351,000	61,004,000	1,388,080	4,880,320
Banks	747,511,000	483,137,000	59,800,880	38,650,960
Corporates	365,590,000	253,383,000	29,247,200	20,270,640
Other institutions	72,563,000	69,342,000	5,805,040	5,547,360
Retail	218,443,000	158,326,000	17,475,440	12,666,080
Others	126,379,000	124,914,500	10,110,320	9,993,160
Non-counterparty risk	147,764,618	126,731,222	11,821,169	10,138,498
Market risk	157,662,500	93,975,500	12,613,000	7,518,040
Operational risk	763,303,938	655,323,455	61,064,315	52,425,876
Total	2,616,568,056	2,026,136,677	209,325,444	162,090,934

Notes to the consolidated financial statements

Section VI: Financial risk management

D3 Eligible capital and capital ratios (unaudited)

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

in CHF

	31 December 2022	31 December 2021
ELIGIBLE CAPITAL		
Ordinary shares	3,065,634	3,065,634
Share premium	57,833,801	56,422,625
Share option reserve	5,338,134	3,154,374
Other reserve	(9,828,340)	(18,837,928)
Treasury shares	(40,106,180)	(27,656,922)
Retained earnings	724,825,045	599,311,550
Subtotal	741,128,094	615,459,333
Adjustments		
Future expected dividend	(33,721,974)	(33,721,974)
Intangible assets	(55,784,621)	(44,527,773)
Others	(2,304,859)	(6,723,342)
Total common equity tier 1 capital (CET1 capital)	649,316,640	530,486,244
Total tier 2 capital (T2)	420,170	1,307,644
Total eligible capital	649,736,810	531,793,888

	Capital ratios		Minimum requirements		
	31 December 2022	31 December 2021	Basel III minimum requirement	Capital conservation buffer	Total minimum requirement
Common equity tier 1 ratio (CET1)	24.8%	26.2%	4.5%	2.9%	7.4%
+ Additional tier 1 capital ratio (AT1)	–	–	1.5%	0.1%	1.6%
+ Tier 2 capital ratio (T2)	–	–	2.0%	0.2%	2.2%
Capital ratio (%)	24.8%	26.2%	8.0%	3.2%	11.2%
CET1 available after meeting Basel III minimum requirement (8.0%)	16.8%	18.2%			
CET1 available after meeting total minimum requirement (11.2%)	13.6%	15.0%			

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D4 Leverage ratio (unaudited)

The FINMA Circular 2015/3 "Leverage ratio" clarifies the calculation of the leverage ratio as per guidelines set forth in the Basel III minimum standards. Total leverage ratio exposure corresponds to total assets adjusted by tier 1 capital deductions and off-balance sheet items.

in CHF thousand, except where indicated	31 December 2022	31 December 2021
Tier 1 capital	649,317	530,486
Total leverage ratio exposure	10,363,511	9,211,292
Leverage ratio (%)	6.3%	5.8%
Minimum requirement (%)	3.0%	3.0%

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

D5 Liquidity coverage ratio (unaudited)

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

Liquidity Coverage Ratio (LCR) is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets to allow them to survive a period of significant liquidity stress lasting 30 days. LCR comprises two components: (1) the value of specifically defined high-quality liquid assets in stressed conditions and (2) the total net cash outflows calculated according to parameters.

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

in CHF thousand, except where indicated	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2021
Total high-quality liquid assets (HQLA)	5,755,862	5,419,422	5,183,936	5,542,174	5,248,093
Cash outflows	2,396,149	2,219,423	2,091,153	2,019,692	2,031,627
Cash inflows	(686,021)	(592,168)	(724,959)	(739,278)	(419,357)
Net cash outflows	1,710,128	1,627,255	1,366,194	1,280,414	1,612,270
Liquidity Coverage Ratio (LCR in %)	337%	333%	379%	433%	326%
Minimum requirement (%)	100%	100%	100%	100%	100%

During 2022, the LCR was influenced by two factors: the amount of high-quality liquid assets (HQLA) and the mix of weightings to be applied to customer cash balances (due to customers and deposits from banks) when determining the cash outflows.

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D6 Net stable funding ratio (unaudited)

Swissquote Bank Ltd is required to disclose its Net Stable Funding Ratio (NSFR), as per FINMA Circular 2016/1 "Disclosure – banks". The reporting requirement does not apply on a consolidated basis. The NSFR ratio presents the proportion of long term assets that are funded by stable source of funding. The NSFR of Swissquote Bank Ltd is presented in the table below.

in CHF thousand, except where indicated

	31 December 2022	31 December 2021
Available stable funding	7,070,778	6,162,667
Required stable funding	2,637,844	1,869,198
Net stable funding ratio (NSFR in %)	268%	330%
Minimum requirement (%)	100%	100%

Complementing the short-term liquidity (LCR) and structural liquidity (NSFR) ratios, observation ratios form part of the liquidity regulations set out in Basel III. Observation ratios are used as liquidity monitoring tools and contrary to the LCR

and NSFR ratios, no minimum requirements apply to the various observation ratios.

Swissquote Bank Ltd and Swissquote Bank Europe SA are also subject to liquidity requirement regulations.

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E Compliance with depositor protection rules

E1 Switzerland

The Swiss Federal Law on Banks and Savings Banks states that in the event of a bank collapsing, deposits up to CHF 100,000 per depositor will be treated as "preferential debt", thus taking priority over the claims of other creditors. This preferential status means that these "privileged deposits" will be paid out of the insolvent bank's assets and will therefore take priority over claims by other (non-preferential) creditors. In order to secure these privileged deposits, banks are required to hold 125% of total privileged deposits in adequate eligible assets. Swissquote Bank Ltd met those requirements as at 31 December 2022, with a coverage of 184% (31 December 2021: 200%).

E2 Luxembourg

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

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

F Credit risk

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

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

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

F1 Credit risk measurement

(I) Loans

Loans are principally in the form of:

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

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

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

Other types of margin loans may be granted by the Group in the field of options and futures. Margin requirements are calculated for each customer throughout the trading day. Customers are alerted in their account when approaching margin breaches and if a customer's equity falls below the required level, positions are liquidated to bring the account into margin compliance. By permitting customers to exercise leverage with option and future positions, the Group is subject to risks inherent in extending credit, especially during periods of volatility spikes or rapidly declining markets in which the value of the collateral held could fall below the amount of a customer's indebtedness.

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F1 Credit risk measurement (continued)

(I) Loans (continued)

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

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

(II) Due from banks

Due from banks comprises:

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

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

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

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

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

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

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

(IV) Derivative financial instruments

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

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

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F2 Risk limit control and mitigation policies

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

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

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

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

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

F3 Expected credit loss measurement (impairment)

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

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

IFRS 9 3-stage model

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

Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime-expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

The key judgements and assumptions adopted by the Group in addressing the requirements of IFRS 9 are discussed in Section V.

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

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

in CHF	IFRS 9 staging				2021
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
CREDIT RISK EXPOSURE RELATING TO FINANCIAL ASSETS SUBJECT TO IMPAIRMENT:					
Cash and balances with central banks	4,492,342,779	–	–	4,492,342,779	5,589,152,222
Treasury bills and other eligible bills	1,165,937,641	–	–	1,165,937,641	242,371,499
Due from banks	1,629,104,211	–	396,836	1,629,501,047	1,336,827,345
Loans	814,700,048	–	48,762,756	863,462,804	867,782,729
Investment securities	1,720,891,701	2,132,528	–	1,723,024,229	737,835,639
Gross carrying amount (A)	9,822,976,380	2,132,528	49,159,592	9,874,268,500	8,773,969,434
ECL allowance	(2,495,443)	(77,778)	(49,159,592)	(51,732,813)	(49,759,673)
Carrying amount	9,820,480,937	2,054,750	–	9,822,535,687	8,724,209,761
CREDIT RISK EXPOSURE RELATING TO FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT:					
Derivative financial instruments	109,201,988	–	–	109,201,988	92,688,397
Others (trading assets and other assets)	46,699,071	–	–	46,699,071	23,918,860
Carrying amount (B)	155,901,059	–	–	155,901,059	116,607,257
Total financial assets as at 31 December	9,976,381,996	2,054,750	–	9,978,436,746	8,840,817,018
CREDIT RISK EXPOSURE RELATING TO OFF-BALANCE SHEET ASSETS ARE AS FOLLOWS:					
Capital expenditure commitments	–	–	–	107,976,618	–
Loan commitments (depositor protection contribution – Art. 37H BA)	–	–	–	40,268,000	36,744,000
Funding commitments	–	–	–	9,500,000	9,500,000
Finance lease commitments	–	–	–	–	1,329,316
Total credit exposure off-balance sheet (C)	–	–	–	157,744,618	47,573,316
Total credit exposure (A) + (B) + (C) as at 31 December	9,978,877,439	2,132,528	49,159,592	10,187,914,177	8,938,150,007

As at 31 December 2022, 44.6% of total credit exposure is related to Swiss National Bank and Banque centrale du Luxembourg (2021: 62.5%), for which no ECL allowance was required.

During 2022, the Group did not purchase any credit-impaired financial assets.

As at 31 December 2022, there is no impairment allowance impact related to off-balance sheet exposures.

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F5 Collateral

The Group employs a range of policies and practices to mitigate risk. The most common of these is accepting collateral for funds advanced (e.g. Lombard loans). Lombard loans are not granted to customers based on their financial capacity of reimbursement but rather on the quality of the underlying collaterals.

The Group provides credit Lombard loans to clients enabling them to purchase securities with leverage at prevailing debit interest rates against equity collateral held on their account and in custody with the Group.

in CHF	2022	2021
Collateral at fair value to support loans	1,841,539,561	2,290,414,672
Collateral at fair value to support reverse repurchase transactions	2,100,157,451	13,682,408
Cash deposits to support derivative financial instruments	459,847,036	436,859,878
Total as at 31 December	4,401,544,048	2,740,956,958

F6 Due from banks and loans

in CHF	31 December 2022		31 December 2021	
	Due from banks	Loans	Due from banks	Loans
Neither past due nor impaired	1,629,104,211	814,236,430	1,336,435,819	819,551,893
Past due but not impaired	–	463,618	–	147,539
Impaired	396,836	48,762,756	391,526	48,083,297
Gross balance	1,629,501,047	863,462,804	1,336,827,345	867,782,729
Impairment allowance	(1,577,753)	(49,131,046)	(857,277)	(48,188,806)
Net balance	1,627,923,294	814,331,758	1,335,970,068	819,593,923

Due from banks are spread over 68 distinct counterparties (2021: 69). Loans are spread over 34,484 distinct customers (2021: 31,244), 81.2% of whom are domiciled in Switzerland (2021: 81.9%).

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F6 Due from banks and loans (continued)

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

in CHF	External rating	Sight/less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Gross amount
INVESTMENT GRADE	From AAA to AA–	250,806,764	194,617,432	–	–	445,424,196
	From A+ to A–	243,265,858	270,696,697	–	–	513,962,555
	From BBB+ to BBB–	135,372,042	43,126,192	24,712,297	–	203,210,531
SPECULATIVE GRADE	From BB+ to BB–	–	–	–	–	–
	From B+ to B–	2,089,226	–	–	–	2,089,226
	From CCC+ to CCC–	–	–	–	–	–
	From CC+ to C–	–	–	–	–	–
UNRATED	Not applicable	289,270,514	173,966,272	–	–	463,236,786
Total as at 31 December 2022		920,804,404	682,406,593	24,712,297	–	1,627,923,294

As at 31 December 2022, the balance of CHF 2.1 million identified as speculative grade entirely consists of balances with European banks. Unrated counterparties relate mainly to Swiss cantonal banks for CHF 290.7 million (2021: CHF 211.4 million) and to various Swiss and Luxembourg based financial institutions for CHF 107.7 million (2021: CHF 115.3 million).

No credit limits were exceeded during 2022 and 2021.

At year-end, up to CHF 267.1 million (2021: CHF 305.3 million) of the exposure is explained by amounts pledged in favour of third-party banks mainly in order to secure the settlement of client transactions (collateral deposits).

in CHF	External rating	Sight/less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Gross amount
INVESTMENT GRADE	From AAA to AA–	194,924,538	159,371,508	–	–	354,296,046
	From A+ to A–	326,833,358	104,468,649	–	–	431,302,007
	From BBB+ to BBB–	130,160,078	32,133,109	–	–	162,293,187
SPECULATIVE GRADE	From BB+ to BB–	–	–	–	–	–
	From B+ to B–	–	–	–	–	–
	From CCC+ to CCC–	–	–	–	–	–
	From CC+ to C–	–	–	–	–	–
UNRATED	Not applicable	270,145,756	117,933,072	–	–	388,078,828
Total as at 31 December 2021		922,063,730	413,906,338	–	–	1,335,970,068

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F7 Investment securities, treasury bills and other eligible bills

Investment securities (CHF 1,722.0 million), treasury bills and other eligible bills (CHF 1,165.9 million) are analysed as follows:

in CHF	External rating	Less than 1 year	1 to 2 years	2 to 5 years	Above 5 years	Gross amount
	From AAA to AA–	295,131,072	356,765,325	378,488,575	145,871,129	1,176,256,101
INVESTMENT GRADE	From A+ to A–	162,820,063	196,618,891	140,194,781	27,403,326	527,037,061
	From BBB+ to BBB–	67,555,170	133,927,360	22,383,704	4,697,490	228,563,724
	From BB+ to BB–	–	2,052,802	–	–	2,052,802
SPECULATIVE GRADE	From B+ to B–	309,712	–	–	–	309,712
	From CCC+ to CCC–	–	–	–	–	–
	From CC+ to C–	–	–	–	–	–
UNRATED	Not applicable	918,401,650	26,895,376	7,502,234	919,196	953,718,456
Total as at 31 December 2022		1,444,217,667	716,259,754	548,569,294	178,891,141	2,887,937,856
Cash and balances with central banks						4,492,342,779
Other assets than cash and balances with central banks, investment securities and treasury bills and other eligible bills						2,838,115,113
Total assets as at 31 December 2022						10,218,395,748

The balance identified as unrated mainly consists of tradable money market debt issued by Swiss National Bank for CHF 799.6 million (2021: nil) and loans to Swiss municipalities and cantons for CHF 91.5 million (2021: CHF 79.9 million) which are classified as treasury bills and other eligible bills.

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

As at 31 December 2022, investment securities, treasury bills and other eligible bills for an amount of CHF 538.6 million (2021: CHF 412.6 million) are pledged up in favour of third parties (collateral deposits).

in CHF	External rating	Less than 1 year	1 to 2 years	2 to 5 years	Above 5 years	Gross amount
	From AAA to AA–	162,658,622	140,140,840	135,470,157	75,612,639	513,882,258
INVESTMENT GRADE	From A+ to A–	46,835,069	56,964,478	46,669,934	3,830,407	154,299,888
	From BBB+ to BBB–	28,049,324	88,956,768	55,169,331	6,020,899	178,196,322
	From BB+ to BB–	998,165	289,420	1,301,970	–	2,589,555
SPECULATIVE GRADE	From B+ to B–	–	–	–	–	–
	From CCC+ to CCC–	–	–	–	–	–
	From CC+ to C–	–	–	–	–	–
UNRATED	Not applicable	112,185,458	7,991,338	10,348,729	–	130,525,525
Total as at 31 December 2021		350,726,638	294,342,844	248,960,121	85,463,945	979,493,548
Cash and balances with central banks						5,589,152,222
Other assets than cash and balances with central banks, investment securities and treasury bills and other eligible bills						2,485,189,740
Total assets as at 31 December 2021						9,053,835,510

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F8 Geographical concentration of financial assets

The Group has credit exposures outside Switzerland:

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

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

in CHF	Switzerland	Europe	Rest of the world	Total
Cash and balances with central banks	4,383,784,080	108,558,201	498	4,492,342,779
Treasury bills and other eligible bills	945,966,268	164,527,377	55,411,318	1,165,904,963
Due from banks	894,723,664	642,966,252	90,233,378	1,627,923,294
Derivative financial instruments	34,255,535	22,031,450	52,915,003	109,201,988
Trading assets	2,684,024	–	–	2,684,024
Loans	547,043,154	115,831,034	151,457,570	814,331,758
Investment securities	505,397,564	565,869,086	650,766,243	1,722,032,893
Other assets	37,547,169	6,167,851	300,027	44,015,047
Total financial assets as at 31 December 2022	7,351,401,458	1,625,951,251	1,001,084,037	9,978,436,746

in CHF	Switzerland	Europe	Rest of the world	Total
Cash and balances with central banks	5,535,682,353	53,459,045	10,824	5,589,152,222
Treasury bills and other eligible bills	94,896,790	97,252,875	50,140,644	242,290,309
Due from banks	765,541,134	464,841,824	105,587,110	1,335,970,068
Derivative financial instruments	28,162,483	21,006,756	43,519,158	92,688,397
Trading assets	5,856,891	–	–	5,856,891
Loans	564,424,171	115,971,360	139,198,392	819,593,923
Investment securities	290,190,543	159,042,489	287,970,207	737,203,239
Other assets	15,656,190	1,955,572	450,207	18,061,969
Total financial assets as at 31 December 2021	7,300,410,555	913,529,921	626,876,542	8,840,817,018

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F9 Industry sector concentration of assets

The industry sector concentration is analysed below and reflects industry sector categories used for nostro credit risk management as at balance sheet date. Comparative figures have been amended accordingly.

in CHF	Cash and treasury bills	Derivative finan- cial instruments	Due from banks and loans	Investment securities	Total as at 31 December 2022	Total as at 31 December 2021
Financials	149,675,608	45,760,009	1,639,079,295	547,080,110	2,381,595,022	1,754,026,954
Central banks	5,291,889,392	–	–	–	5,291,889,392	5,589,152,222
Sovereign and municipalities	216,682,742	–	7,000,000	647,457,473	871,140,215	364,869,623
Subtotal	5,658,247,742	45,760,009	1,646,079,295	1,194,537,583	8,544,624,629	7,708,048,799
Communications	–	–	–	36,100,471	36,100,471	23,102,001
Consumer Discretionary	–	–	50,029,561	67,423,204	117,452,765	52,740,805
Consumer Staples	–	–	–	124,408,619	124,408,619	52,753,048
Energy	–	–	–	11,469,244	11,469,244	13,005,336
Healthcare	–	–	–	98,931,208	98,931,208	41,726,462
Individuals	–	63,441,979	746,146,196	–	809,588,175	816,671,277
Industrials	–	–	–	63,345,753	63,345,753	30,908,392
Materials	–	–	–	41,592,971	41,592,971	34,760,827
Real Estate	–	–	–	2,117,918	2,117,918	–
Supranational	–	–	–	25,559,820	25,559,820	1,418,424
Technology	–	–	–	32,293,192	32,293,192	25,265,507
Utilities	–	–	–	24,252,910	24,252,910	16,497,280
Subtotal	–	63,441,979	796,175,757	527,495,310	1,387,113,046	1,108,849,359
Other assets with no industry sector concentration	–	–	–	–	286,658,073	236,937,352
Total assets	–	–	–	–	10,218,395,748	9,053,835,510

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F10 Offsetting

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

in CHF	Gross amounts of recognised financial assets	Presented in statement of financial position	Related amounts not set off/collateral (Due to customers)	Net credit exposure
DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)				
Currency forwards, precious-metals forwards and CFD derivatives	93,169,327	93,169,327	459,847,036	5,720,577
Foreign exchange swaps	15,440,032	15,440,032	2,628,808	12,811,224
Currency options	381,588	381,588	–	381,588
Total return swaps	211,041	211,041	–	211,041
Credit default swaps	–	–	–	–
Balance as at 31 December 2022	109,201,988	109,201,988	462,475,844	19,124,430
Currency forwards, precious-metals forwards and CFD derivatives	82,920,641	82,920,641	436,859,878	8,251,170
Foreign exchange swaps	9,418,376	9,418,376	1,485,705	7,932,671
Currency options	349,380	349,380	–	349,380
Credit default swaps	–	–	–	–
Balance as at 31 December 2021	92,688,397	92,688,397	438,345,583	16,533,221

in CHF	Gross amounts of recognised financial liabilities	Presented in statement of financial position
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)		
Currency forwards, precious-metals forwards and CFD derivatives	31,919,164	31,919,164
Foreign exchange swaps	21,791,078	21,791,078
Currency options	397,270	397,270
Total return swaps	3,694,726	3,694,726
Credit default swaps	32,910	32,910
Balance as at 31 December 2022	57,835,148	57,835,148
Currency forwards, precious-metals forwards and CFD derivatives	30,270,649	30,270,649
Foreign exchange swaps	22,458,410	22,458,410
Currency options	312,449	312,449
Credit default swaps	169,445	169,445
Balance as at 31 December 2021	53,210,953	53,210,953

Currency forwards, precious-metals forwards and CFD derivatives recognised as derivative financial instruments mainly correspond to open positions from leveraged forex (eForex) clients that are authorised to trade with a maximum leverage of their equity. Corresponding collateral margin deposits are recognised in Due to customers for the amount of CHF 459.8 million (2021: CHF 436.9 million).

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Section VI: Financial risk management

F11 Impairment loss allowance (IFRS 9)

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

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

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

in CHF	Stage 1	Stage 2	Stage 3	Total	2022	2021
MOVEMENTS, GROSS OF TAX, THAT DO REDUCE THE CARRYING AMOUNT OF FINANCIAL ASSETS:						
Impairment allowance under IFRS 9 as at 1 January 2022	1,176,398	108,452	48,474,823	49,759,673	–	–
Addition through acquisition	410,636	–	981,364	1,392,000	–	–
Transfers from stage 1 to stage 3	–	–	1,604,088	1,604,088	(1,604,088)	(11,135)
Transfers from stage 1 to stage 2	(2,251)	17,453	–	15,202	(15,202)	(86,662)
Derecognitions and new purchases	1,177,797	(7,095)	–	1,170,702	(1,170,702)	(24,551)
Changes in assumptions (PD, EAD and LGD)	(367,137)	(41,032)	–	(408,169)	408,169	144,584
Write-offs	–	–	(896,653)	(896,653)	–	–
Recoveries and other movements	100,000	–	(1,004,030)	(904,030)	2,278,245	645,179
Impairment allowance under IFRS 9 as at 31 December 2022	2,495,443	77,778	49,159,592	51,732,813	–	–
MOVEMENTS, GROSS OF TAX, THAT DO NOT REDUCE THE CARRYING AMOUNT OF FINANCIAL ASSETS:						
Impairment allowance under IFRS as at 1 January 2022	–	–	–	–	–	–
Derecognitions	–	–	–	–	–	334
Changes in assumptions (PD, EAD and LGD)	–	–	–	–	–	–
Total as at 31 December 2022	2,495,443	77,778	49,159,592	51,732,813	–	–
Total as at 1 January 2022	1,176,398	108,452	48,474,823	49,759,673	–	–
Credit loss (expense) / release					(103,578)	667,749

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

Client credit risk only arises when the markets and instruments gap and the movement in the value of a customer leveraged portfolio exceeds the value of the collateral that the customer has held at the Group, leaving the customer's account in the negative. Stage 3 captures the risk associated with a client defaulting on its obligations due to the Group.

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Section VI: Financial risk management

G Liquidity risk

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

G1 Liquidity risk management process

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

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

G2 Non-derivative cash flows

The table below presents the balances payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows except where the carrying amounts are assessed to be reasonable approximations of these cash flows.

in CHF	On demand/ less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2022						
Non-derivative financial liabilities						
Deposits from banks	366,399,780	–	–	–	–	366,399,780
Financial liabilities designated at fair value	652,339	1,508,926	44,368,199	24,784,159	–	71,313,623
Due to customers	8,860,519,759	–	–	–	–	8,860,519,759
Other liabilities	76,603,085	–	791,336	8,192,349	4,506,111	90,092,881
Total non-derivative financial liabilities (contractual maturity dates) – (A)	9,304,174,963	1,508,926	45,159,535	32,976,508	4,506,111	9,388,326,043
Derivative financial instruments						57,835,148
Non-financial liabilities						31,106,463
Total liabilities						9,477,267,654
Commitments (B)	55,041,622	–	–	93,497,754	9,205,242	157,744,618
Total maturity grouping (A) + (B)	9,359,216,585	1,508,926	45,159,535	126,474,262	13,711,353	9,546,070,661
Total non-derivative financial assets (expected maturity dates)	(6,800,133,678)	(536,596,079)	(1,057,072,515)	(1,296,541,345)	(178,891,141)	(9,869,234,758)
Net balance	2,559,082,907	(535,087,153)	(1,011,912,980)	(1,170,067,083)	(165,179,788)	(323,164,097)

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Section VI: Financial risk management

G2 Non-derivative cash flows (continued)

in CHF	On demand/ less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2021						
Non-derivative financial liabilities						
Deposits from banks	247,605,557	–	–	–	–	247,605,557
Due to customers	7,955,232,932	–	–	–	–	7,955,232,932
Other liabilities	136,155,499	136,483	191,890	6,294,938	8,707,963	151,486,773
Total non-derivative financial liabilities (contractual maturity dates) – (A)	8,338,993,988	136,483	191,890	6,294,938	8,707,963	8,354,325,262
Derivative financial instruments						53,210,953
Non-financial liabilities						30,839,962
Total liabilities						8,438,376,177
Commitments (B)	42,573,316	–	–	5,000,000	–	47,573,316
Total maturity grouping (A) + (B)	8,381,567,304	136,483	191,890	11,294,938	8,707,963	8,401,898,578
Total non-derivative financial assets (expected maturity dates)	(7,194,799,754)	(298,122,930)	(614,399,027)	(555,342,965)	(85,463,945)	(8,748,128,621)
Net balance	1,186,767,550	(297,986,447)	(614,207,137)	(544,048,027)	(76,755,982)	(346,230,043)

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G3 Derivative cash flows

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

in CHF	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2022						
Assets						
Derivatives held for trading						
Currency forwards	49,981,513	3,665,086	12,033,829	–	–	65,680,428
Precious-metals forwards	15,621,919	–	–	–	–	15,621,919
Foreign exchange swaps	10,882,205	2,412,994	2,144,833	–	–	15,440,032
CFD derivatives	11,866,980	–	–	–	–	11,866,980
Currency options	11,030	14,155	356,403	–	–	381,588
Total return swaps	3,636	5,917	186,549	14,939	–	211,041
Credit default swaps	–	–	–	–	–	–
Total	88,367,283	6,098,152	14,721,614	14,939	–	109,201,988
Liabilities						
Derivatives held for trading						
Currency forwards	9,306,660	3,963,563	11,797,604	–	–	25,067,827
Precious-metals forwards	5,168,930	–	–	–	–	5,168,930
Foreign exchange swaps	16,484,564	3,785,991	1,520,523	–	–	21,791,078
CFD derivatives	1,682,407	–	–	–	–	1,682,407
Currency options	17,797	23,844	355,629	–	–	397,270
Total return swaps	271,192	548,023	2,294,966	580,545	–	3,694,726
Credit default swaps	–	–	21,299	11,611	–	32,910
Total	32,931,550	8,321,421	15,990,021	592,156	–	57,835,148

Currency forwards, precious-metals forwards and CFD derivatives (indices, stocks, bonds and commodities) are mainly related to open transactions of leveraged forex clientele as at 31 December 2022. These transactions have to be classified in the category “Less than 1 month”.

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Section VI: Financial risk management

G3 Derivative cash flows (continued)

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

in CHF	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2021						
Assets						
Derivatives held for trading						
Currency forwards	45,885,038	7,169,743	9,150,360	–	–	62,205,141
Precious-metals forwards	15,636,093	–	–	–	–	15,636,093
Foreign exchange swaps	2,742,288	1,590,804	5,085,284	–	–	9,418,376
CFD derivatives	5,079,407	–	–	–	–	5,079,407
Currency options	53,512	128,674	167,194	–	–	349,380
Credit default swaps	–	–	–	–	–	–
Total	69,396,338	8,889,221	14,402,838	–	–	92,688,397
Liabilities						
Derivatives held for trading						
Currency forwards	8,096,981	6,853,825	8,708,010	–	–	23,658,816
Precious-metals forwards	4,888,204	–	–	–	–	4,888,204
Foreign exchange swaps	10,757,367	4,344,261	6,859,723	497,059	–	22,458,410
CFD derivatives	1,723,629	–	–	–	–	1,723,629
Currency options	11,874	116,496	184,079	–	–	312,449
Credit default swaps	–	–	50,828	118,617	–	169,445
Total	25,478,055	11,314,582	15,802,640	615,676	–	53,210,953

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G4 Off-balance sheet cash flows

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

in CHF	No later than 1 year	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2022				
Capital expenditure commitments	5,273,622	93,497,754	9,205,242	107,976,618
Loan commitments	40,268,000	–	–	40,268,000
Funding commitments	9,500,000	–	–	9,500,000
Total	55,041,622	93,497,754	9,205,242	157,744,618
AS AT 31 DECEMBER 2021				
Loan commitments	36,744,000	–	–	36,744,000
Funding commitments	4,500,000	5,000,000	–	9,500,000
Finance lease commitments	1,329,316	–	–	1,329,316
Total	42,573,316	5,000,000	–	47,573,316

Capital expenditure commitments

These commitments comprise payments relating to the extension of the Group's headquarters in Gland, Switzerland. For further information, reference is made to Note 25.

Loan commitments

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

Funding commitments

Funding commitments represent the additional funding that Swissquote is likely to provide to the investment in joint venture Yuh Ltd as per the joint venture agreement and the business plan signed with PostFinance AG. Similar funding contributions shall be expected from the other venturer.

Finance lease commitments

Finance lease commitments represent unused but firm and irrevocable commitments to grant finance lease credits.

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H Market risk

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

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

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

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

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

H1 Foreign exchange risk

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

Transactional foreign exchange risk

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

Leveraged forex business

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

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

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H1 Foreign exchange risk (continued)

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2022. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

in CHF	CHF	USD	EUR	Others	Total
AS AT 31 DECEMBER 2022					
Assets					
Cash and balances with central banks	4,383,729,476	16,794	108,588,619	7,890	4,492,342,779
Treasury bills and other eligible bills	945,966,268	111,962,066	107,976,629	–	1,165,904,963
Due from banks	554,063,960	547,678,763	381,285,405	144,895,166	1,627,923,294
Derivative financial instruments	36,907,807	51,680,309	5,668,321	14,945,551	109,201,988
Trading assets	2,903,294	247,326	(483,096)	16,500	2,684,024
Loans	388,358,167	201,971,525	177,585,691	46,416,375	814,331,758
Investment securities	597,905,522	521,443,089	561,042,160	41,642,122	1,722,032,893
Other assets	26,894,315	9,627,408	4,010,331	3,482,993	44,015,047
Total financial assets	6,936,728,809	1,444,627,280	1,345,674,060	251,406,597	9,978,436,746
Liabilities					
Deposits from banks	30,270,686	200,152,472	78,215,899	57,760,723	366,399,780
Derivative financial instruments	36,018,420	15,988,787	702,281	5,125,660	57,835,148
Financial liabilities designated at fair value	62,778,075	6,011,595	2,523,953	–	71,313,623
Due to customers	4,206,341,239	2,269,936,214	1,860,021,019	524,221,287	8,860,519,759
Other liabilities	72,670,447	3,946,385	8,782,394	4,693,655	90,092,881
Total financial liabilities	4,408,078,867	2,496,035,453	1,950,245,546	591,801,325	9,446,161,191
Net	2,528,649,942	(1,051,408,173)	(604,571,486)	(340,394,728)	532,275,555
Off-balance sheet notional position and credit commitments	(1,836,086,855)	1,050,772,243	604,243,570	338,815,660	157,744,618
Net exposure	692,563,087	(635,930)	(327,916)	(1,579,068)	690,020,173

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H1 Foreign exchange risk (continued)

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2021. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

in CHF	CHF	USD	EUR	Others	Total
AS AT 31 DECEMBER 2021					
Assets					
Cash and balances with central banks	5,535,627,017	16,519	53,491,453	17,233	5,589,152,222
Treasury bills and other eligible bills	68,258,632	74,645,747	72,764,155	26,621,775	242,290,309
Due from banks	604,871,300	406,881,620	162,288,367	161,928,781	1,335,970,068
Derivative financial instruments	12,880,847	57,358,247	1,758,462	20,690,841	92,688,397
Trading assets	3,392,645	100,202	2,354,321	9,723	5,856,891
Loans	270,056,071	307,933,792	193,360,608	48,243,452	819,593,923
Investment securities	318,605,452	232,980,110	158,930,741	26,686,936	737,203,239
Other assets	13,489,065	1,464,801	2,488,568	619,535	18,061,969
Total financial assets	6,827,181,029	1,081,381,038	647,436,675	284,818,276	8,840,817,018
Liabilities					
Deposits from banks	14,067,607	76,587,854	89,533,099	67,416,997	247,605,557
Derivative financial instruments	20,593,856	14,906,590	9,780,202	7,930,305	53,210,953
Due to customers	3,404,131,295	2,243,449,780	1,714,404,152	593,247,705	7,955,232,932
Other liabilities	131,192,069	4,214,700	11,845,636	4,234,368	151,486,773
Total financial liabilities	3,569,984,827	2,339,158,924	1,825,563,089	672,829,375	8,407,536,215
Net	3,257,196,202	(1,257,777,886)	(1,178,126,414)	(388,011,099)	433,280,803
Off-balance sheet notional position and credit commitments	(2,772,966,109)	1,247,645,068	1,177,147,830	395,746,527	47,573,316
Net exposure	484,230,093	(10,132,818)	(978,584)	7,735,428	480,854,119

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H2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fluctuations of market interest rates on both its fair value and cash flow risks.

Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

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

in CHF	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2022					
Assets					
Cash and balances with central banks	4,492,342,779	–	–	–	4,492,342,779
Treasury bills and other eligible bills	1,000,801,340	165,103,623	–	–	1,165,904,963
Due from banks	920,804,404	682,406,593	24,712,297	–	1,627,923,294
Derivative financial instruments	94,465,435	14,721,614	14,939	–	109,201,988
Trading assets	2,684,024	–	–	–	2,684,024
Loans	807,331,758	–	7,000,000	–	814,331,758
Investment securities	108,494,180	209,562,299	1,225,085,273	178,891,141	1,722,032,893
Other assets	44,015,047	–	–	–	44,015,047
Total financial assets	7,470,938,967	1,071,794,129	1,256,812,509	178,891,141	9,978,436,746
Liabilities					
Deposits from banks	366,399,780	–	–	–	366,399,780
Derivative financial instruments	41,252,971	15,990,021	592,156	–	57,835,148
Financial liabilities designated at fair value	2,161,265	44,368,199	24,784,159	–	71,313,623
Due to customers	8,860,519,759	–	–	–	8,860,519,759
Other liabilities	76,603,085	791,336	8,192,349	4,506,111	90,092,881
Total financial liabilities	9,346,936,860	61,149,556	33,568,664	4,506,111	9,446,161,191
Net	(1,875,997,893)	1,010,644,573	1,223,243,845	174,385,030	532,275,555
Off-balance sheet notional position and credit commitments	–	–	–	–	–
Net exposure	(1,875,997,893)	1,010,644,573	1,223,243,845	174,385,030	532,275,555

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Section VI: Financial risk management

H2 Interest rate risk (continued)

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

in CHF	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2021					
Assets					
Cash and balances with central banks	5,589,152,222	–	–	–	5,589,152,222
Treasury bills and other eligible bills	90,996,031	151,294,278	–	–	242,290,309
Due from banks	922,063,730	413,906,338	–	–	1,335,970,068
Derivative financial instruments	78,285,559	14,402,838	–	–	92,688,397
Trading assets	5,856,891	–	–	–	5,856,891
Loans	807,553,923	–	12,040,000	–	819,593,923
Investment securities	71,393,203	46,213,022	534,133,069	85,463,945	737,203,239
Other assets	18,061,969	–	–	–	18,061,969
Total financial assets	7,583,363,528	625,816,476	546,173,069	85,463,945	8,840,817,018
Liabilities					
Deposits from banks	247,605,557	–	–	–	247,605,557
Derivative financial instruments	36,792,637	15,802,640	615,676	–	53,210,953
Financial liabilities designated at fair value	–	–	–	–	–
Due to customers	7,955,232,932	–	–	–	7,955,232,932
Other liabilities	136,291,982	191,890	6,294,938	8,707,963	151,486,773
Total financial liabilities	8,375,923,108	15,994,530	6,910,614	8,707,963	8,407,536,215
Net	(792,559,580)	609,821,946	539,262,455	76,755,982	433,280,803
Off-balance sheet notional position and credit commitments	–	–	–	–	–
Net exposure	(792,559,580)	609,821,946	539,262,455	76,755,982	433,280,803

Notes to the consolidated financial statements

Section VI: Financial risk management

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

a Analysis of sensitivity to foreign exchange risk

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

in CHF thousand	Sensitivity analysis		
AS AT 31 DECEMBER 2022			
+ 5% variation	USD	EUR	Others
Net impact before income tax expense	(32)	(16)	(79)
– 5% variation			
Net impact before income tax expense	32	16	79
in CHF thousand	Sensitivity analysis		
AS AT 31 DECEMBER 2021			
+ 5% variation	USD	EUR	Others
Net impact before income tax expense	(507)	(49)	387
– 5% variation			
Net impact before income tax expense	507	49	(387)

The sensitivity analysis assumes normal market conditions, in particular with regard to liquidity and volatility and factors for which the automatic close-out system used by the Group for leveraged product offering provides a sufficient degree of protection to eliminate the risk that client losses will exceed margin deposits. The sensitivity analysis did not result materially in other changes in equity (2021: unchanged).

Notes to the consolidated financial statements

Section VI: Financial risk management

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

b Analysis of sensitivity to interest rate risk

The Group has implemented the FINMA-mandated scenarios on the interest rate risk in the banking book. These stress scenarios include the impacts of variation in income statement (profitability effect) as well as the fluctuations in the equity (net present value effect) arising from changes in interest rates.

in CHF thousand	Sensitivity analysis			
	Parallel shift up		Parallel shift down	
	Income statement (profitability effect)	Equity (net present value effect)	Income statement (profitability effect)	Equity (net present value effect)
AS AT 31 DECEMBER 2022				
CHF	68,970	32,671	(36,552)	(30,829)
EUR	11,534	1,781	(5,120)	1,093
USD	20,271	14,559	(19,110)	(12,981)
Others	2,814	(2,218)	(3,532)	2,225
Total impact before income tax expense	103,589	46,793	(64,314)	(40,492)
As at 31 December 2021	63,500	15,584	(16,253)	(11,241)

Parallel shift up/down scenarios are performed on the basis of a variation in interest rates of ± 150 basis points on CHF and ± 200 basis points on EUR and USD.

The results of the sensitivity analysis may be dependent on the evolution of interest rate environment and related decisions made by the Group with regard to interests served on client accounts.

The Group does not have a regulatory requirement to hold capital against interest rate risk. The economic impacts of adverse shifts in interest rates from the above scenarios are significantly below the 15% threshold required by FINMA.

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

H4 Equity market risk

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

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

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

Notes to the consolidated financial statements

Section VI: Financial risk management

H5 Issuer credit risk

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

H6 Market liquidity risk

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

I Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. 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, third-party 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 Group activities, implemented through a conceptual framework and an effective controlling and risk function.

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

The identification, assessment and controlling of operational risks is an ongoing process that is organised with two lines of defence. On the one hand, each head of department is primarily responsible that operational risks related to the activities deployed by their units are identified,

assessed, mitigated and controlled. Any risk event has to be escalated to the Controlling & Risk department, the Chief Risk Officer, the Executive Management and/or the Board of Directors depending on its nature and magnitude. On the other hand, the Controlling & Risk department maintains a transversal risk analysis, where each risk is 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, analysing and controlling all the operational risks incurred by the Group. 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 Group, which includes among others the areas of technology, information security and Business Continuity Management.

I1 Fiduciary activities

The Group provides fiduciary capacities that result in the holding or placing of assets on behalf of clients. These services are mainly rendered through its web portal and therefore the Group is exposed to the operational risks associated with the use of this technology. At the balance sheet date, the Group clients' financial assets under custody, excluding cash portion as well as assets from other banks, amount to CHF 35.3 billion (2021: CHF 40.5 billion) while fiduciary placements with third-party institutions amount to CHF 4.0 billion (2021: CHF 2.3 billion).

Notes to the consolidated financial statements

Section VI: Financial risk management

12 Cryptocurrencies/crypto exchange trading, custody and staking services

The Group operates a crypto exchange that provides liquidity by aggregating and matching buy and sell orders combined with custody services. Cryptocurrencies are natively digital, real-time and operate globally on a 24/7/365 basis. Transactions on cryptocurrencies are settled through processes that are dependent on a peer-to-peer network protocol. These protocols could be subject to modifications and upgrades if a majority of users consent to it (e.g. forks). 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 a private key and public key pair associated with a network address (commonly referred as wallet). To transfer cryptocurrencies held, the transaction must be signed and this consists of the private key of the wallet from where the cryptocurrencies are transferred and the public key of the wallet of destination.

These particular characteristics make cryptocurrencies a target for cyber-attacks because the stolen data has instant value and transactions are not reversible. These vulnerabilities are managed by the Group for the cryptocurrencies it holds in direct custody through effective security encompassing not only cybersecurity but also the establishment of recognised security standards for offline (cold) cryptocurrencies storage and multi-signature wallets. Cold storage involves placing the private keys in offline media, such as disconnected computer memory. Multi-signature wallets involve assigning cryptocurrencies to public addresses that are linked to multiple private keys, each separately stored, a subset of which are needed to effectuate any transfer. In addition to its own direct custody, the Group selected Bitstamp and Coinbase as liquidity providers and sub-custodians. When selecting an intermediary in the field of cryptocurrencies, the Group reviews in particular its creditworthiness, its reputation and the reputation of the country of domicile. Bitstamp and Coinbase are regulated in their respective jurisdictions and are audited by reputable audit firms. Both intermediaries use qualified custodian purpose-built infrastructure to store cryptocurrencies held in trust for the benefit of customers.

Certain cryptocurrencies enable holders to earn rewards by participating in the governance protocol of their blockchain network, such as through staking activities. In this context, the Group may delegate to third-party service providers the staking services. These third-party service providers operate staking nodes on blockchain networks utilising cryptocurrencies and pass through rewards received to our customers.

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Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

1 Cash and cash equivalents

in CHF	2022	2021
Cash and balances with central banks	4,492,342,779	5,589,152,222
Treasury bills and other eligible bills	1,165,904,963	242,290,309
Due from banks	1,627,923,294	1,335,970,068
Deposits from banks	(366,399,780)	(247,605,557)
Total net	6,919,771,256	6,919,807,042
Less: treasury bills and other eligible bills (above 3 months)	(165,103,623)	(151,294,278)
Less: due from banks (above 3 months)	(707,118,890)	(413,906,338)
Plus: impairment allowance	464,697	359,638
Cash and cash equivalents as at 31 December	6,048,013,440	6,354,966,064

Cash and balances with central banks comprise CHF 2.3 billion deposits with Swiss National Bank (2021: CHF 5.5 billion), CHF 108.6 million with Banque centrale du Luxembourg (2021: CHF 53.5 million) and CHF 2.1 billion reverse repurchase agreements transacted with Swiss National Bank (2021: nil). These reverse repurchase agreements show maturities usually of one day to one week and ensure an interest rate that is close to the central bank policy rate.

Treasury bills and other eligible bills comprise CHF 799.6 million of Swiss National Bank bills (designated as "SNB bills") (2021: nil) and CHF 91.5 million of short-term receivables (below 12 months) from Swiss municipalities and cantons (2021: CHF 79.9 million). The SNB bills are money

market debt register claims issued by the Swiss National Bank, with a 2-4-week term in general.

The Group has relationships with a number of banking counterparties that provide banking services (such as prime brokerage, custodian services, etc.). In that context, Due from banks comprise CHF 267.1 million (2021: CHF 305.3 million) of cash collateral deposits in favour of third-party banks that are used to provide access to certain exchanges and markets.

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

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

2 Derivative financial instruments

in CHF	Fair value		Contract notional amount
	Assets	Liabilities	
Derivatives held for trading			
Currency forwards	65,680,428	25,067,827	2,746,715,570
Precious-metals forwards	15,621,919	5,168,930	669,945,320
Foreign exchange swaps	15,440,032	21,791,078	3,039,187,463
CFD derivatives	11,866,980	1,682,407	440,122,097
Currency options	381,588	397,270	3,411,793
Total return swaps	211,041	3,694,726	74,726,843
Credit default swaps	–	32,910	115,563,750
Total as at 31 December 2022	109,201,988	57,835,148	7,089,672,836

Currency forwards, precious-metals forwards, currency options and CFD derivatives (indices, stocks, bonds and commodities) are mainly related to clients' transactions.

Foreign exchange swaps, credit default swaps and total return swaps are mainly related to the Group's own transactions. Foreign exchange swaps are derivative

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

in CHF	Fair value		Contract notional amount
	Assets	Liabilities	
Derivatives held for trading			
Currency forwards	62,205,141	23,658,816	4,337,884,068
Precious-metals forwards	15,636,093	4,888,204	652,145,488
Foreign exchange swaps	9,418,376	22,458,410	3,505,069,034
CFD derivatives	5,079,407	1,723,629	299,856,052
Currency options	349,380	312,449	10,784,813
Credit default swaps	–	169,445	43,782,720
Total as at 31 December 2021	92,688,397	53,210,953	8,849,522,175

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

3 Trading assets

in CHF	2022	2021
Investment funds	1,882,326	2,340,462
Equities	302,412	2,652,207
Structured products and other trading assets	499,286	864,222
Total trading assets as at 31 December	2,684,024	5,856,891

4 Due from banks

in CHF	2022	2021
Due from banks	1,629,501,047	1,336,827,345
Impairment allowance	(1,577,753)	(857,277)
Total due from banks as at 31 December	1,627,923,294	1,335,970,068

5 Loans

a. Loans

in CHF	2022	2021
Lombard loans and similar loans	653,386,663	711,935,180
Finance lease receivables	99,846,850	44,799,957
Others (including loans to public authorities)	110,229,291	111,047,592
Impairment allowance	(49,131,046)	(48,188,806)
Total loans as at 31 December	814,331,758	819,593,923

Lombard loans and similar loans mainly consist of advances covered by the pledging of the customers portfolio consisting of cash, securities and crypto assets.

b. Finance lease receivables

The Group acts as a lessor for electric car leases. The following table represents a maturity analysis of the finance lease receivables as required by IFRS 16.

in CHF	Total minimum lease payments ¹	Unearned finance income	Present value
2023	16,140,255	2,553,066	13,587,189
2024-2027	91,438,531	5,178,870	86,259,661
Total as at 31 December 2022	107,578,786	7,731,936	99,846,850
Total as at 31 December 2021	48,333,948	3,533,991	44,799,957

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

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

6 Investment securities

in CHF	31 December 2022	
	Carrying value	Fair value
FVTPL bonds	46,540,664	46,540,664
FVOCI equities	18,826,789	18,826,789
Amortised cost bonds	1,656,665,440	1,582,531,341
Total as at 31 December	1,722,032,893	1,647,898,794

in CHF	31 December 2021	
	Carrying value	Fair value
FVTPL bonds	10,101,608	10,101,608
FVOCI equities	19,623,083	19,623,083
Amortised cost bonds	707,478,548	712,639,307
Total as at 31 December	737,203,239	742,363,998

The increase in investment securities was mainly driven by purchases of high credit quality bonds, bringing the average duration of the investment securities portfolio to approximately 3 years. The difference between the carrying value and the fair value is mainly explained by the impact of the changes in interest rate environment.

7 Investment in joint venture

As at 31 December 2022, the Group holds 50% interest in a Swiss-based company designated as Yuh Ltd (2021: 50%). The investment in the joint venture is considered not material in regards to the Group's consolidated financial figures. The carrying amount of the investment in the consolidated financial statements is presented below:

in CHF	2022		2021	
Carrying amount as at 1 January	11,159,753		–	
Additions	–		12,753,847	
Net result from investment in joint venture	(6,699,181)		(1,594,094)	
Carrying amount as at 31 December	4,460,572		11,159,753	

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

8 Intangible assets and business combination

in CHF	Goodwill	Customer relationships	Total
GROSS VALUE			
As at 1 January 2021	44,760,816	3,300,000	48,060,816
Addition	–	–	–
Currency translation differences	(233,043)	–	(233,043)
Other changes	–	(3,300,000)	(3,300,000)
As at 31 December 2021	44,527,773	–	44,527,773
Addition	11,940,800	–	11,940,800
Currency translation differences	(683,952)	–	(683,952)
Other changes	–	–	–
As at 31 December 2022	55,784,621	–	55,784,621
ACCUMULATED DEPRECIATION			
As at 1 January 2021	–	(2,532,039)	(2,532,039)
Depreciation/amortisation	–	(767,961)	(767,961)
Other changes	–	3,300,000	3,300,000
As at 31 December 2021	–	–	–
Depreciation/amortisation	–	–	–
Other changes	–	–	–
As at 31 December 2022	–	–	–
Net book value as at 31 December 2022	55,784,621	–	55,784,621
Net book value as at 31 December 2021	44,527,773	–	44,527,773

The addition of CHF 11.9 million relates to the acquisition of Keytrade Bank Luxembourg SA (see next page).

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

8 Intangible assets and business combination (continued)

Acquisition of Keytrade Bank Luxembourg SA

On 29 April 2022, the Group completed the acquisition of 100% of the share capital of Keytrade Bank Luxembourg SA ("Keytrade"). Keytrade was subsequently merged with Swissquote Bank Europe SA ("SQBE"), an existing Group entity also incorporated in Luxembourg. At the same time, Keytrade's customers were migrated to Swissquote's platform.

The business combination was carried out as part of the European growth strategy of the Group. With approximately 8,000 customers and total client assets of CHF 1.7 billion, this acquisition enabled the Group to establish its regional footprint and gain market share in the European Union.

Consideration agreed for the acquisition was EUR 35.2 million (CHF 36.1 million) and was paid fully in cash at closing date. The result of the acquisition is detailed as follows:

in CHF	Fair value
Cash and balances with central bank	235,472,767
Due from banks	100,511,541
Loans	15,173,537
Deferred income tax assets	152,339
Other assets	103,488
Due to customers	(325,594,228)
Other liabilities	(690,926)
Current income tax liabilities	(720,525)
Provisions	(208,928)
Net assets acquired	24,199,065
Goodwill (intangible assets)	11,940,800
Total consideration	36,139,865
of which satisfied by cash	36,139,865
Purchase consideration settled in cash	36,139,865
Cash and cash equivalents in subsidiary acquired	335,984,308
Cash inflow on acquisition	299,844,443

The Group measured separately the recognisable identified assets acquired and the liabilities assumed as of the acquisition date in accordance with the requirement of IFRS 3. The total identifiable net assets of Keytrade were measured at CHF 24.2 million and the goodwill was valued at CHF 11.9 million (EUR 11.6 million). None of the goodwill recognised is expected to be deductible for income tax purposes.

For the purpose of impairment testing, the goodwill related to Keytrade business combination was allocated to the existing cash-generating unit of SQBE, which is expected to benefit from the synergies of the corresponding business combination.

Acquisition-related costs amounted to approximately CHF 1.2 million and were recognised in operating expenses (out of which CHF 0.8 million in 2022).

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

8 Intangible assets and business combination (continued)

The Group performed impairment tests of goodwill at the end of the 2021 and 2022 financial years. For the purpose of impairment testing, goodwill has been allocated to the relevant cash-generating unit which is expected to benefit from the synergies of the corresponding business combination.

The impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and financial budgets. Cash beyond the considered

period is extrapolated using estimated long-term growth rates (if applicable). Future cash flows are discounted based on the weighted average cost of capital (WACC) or cost of equity respectively, taking into account risks that are specific to the cash-generating unit tested for impairment and historical industry average. As at 31 December 2022, the discount rates used were based on relevant observable market long-term government bonds plus a risk premium.

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

Type	Goodwill	
Date of acquisition	2010, 2013	2019, 2022
Business acquired	ACM Advanced Currency Markets Ltd MIG Bank Ltd	Swissquote Bank Europe SA ¹ and Keytrade Bank Luxembourg SA ¹
Carrying amount	CHF 38,989,066 (2021: same)	CHF 16,795,555 (2021: CHF 5,538,707)
Depreciation method	Indefinite useful life	Indefinite useful life
Reportable segment	Leveraged forex (eForex)	Securities trading
Cash-generating units (CGUs)	Leveraged forex (eForex)	Swissquote Bank Europe SA
Basis for recoverable amount	Value in use	Value in use
Cash flow projections	5 years + terminal value	5 years + terminal value
Long-term growth rate of free cash flows	1.00%	2.00%
Discount rate	9.01% (2021: 7.50%)	9.97% (2021: 7.50%)
Other important assumptions	Transaction volume Revenue margin (CHF per million of volume) Net revenues Operating costs	Number of trades Commission per trade Net interest income Operating costs

¹ Formerly named Internaxx Bank S.A.

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

As at 31 December 2022, the estimated recoverable amount exceeds the carrying amount (2021: same).

Sensitivity analysis

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

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

9 Information technology systems

in CHF	Software third-party licences	Proprietary software	Hardware & telecom systems	Total
GROSS VALUE				
As at 1 January 2021	6,504,072	97,269,707	7,962,174	111,735,953
Addition and others	680,528	22,838,987	2,722,473	26,241,988
Disposal	–	(6,930,847)	–	(6,930,847)
Other changes	(1,511,798)	(15,623,351)	(2,382,057)	(19,517,206)
As at 31 December 2021	5,672,802	97,554,496	8,302,590	111,529,888
Addition and others	2,209,610	37,751,859	3,845,789	43,807,258
Other changes	(1,134,376)	(16,797,777)	(1,985,582)	(19,917,735)
As at 31 December 2022	6,748,036	118,508,578	10,162,797	135,419,411
ACCUMULATED DEPRECIATION				
As at 1 January 2021	(1,850,836)	(45,440,884)	(3,651,583)	(50,943,303)
Depreciation/amortisation	(1,325,159)	(19,315,851)	(2,697,851)	(23,338,861)
Other changes	1,511,798	15,623,351	2,382,057	19,517,206
As at 31 December 2021	(1,664,197)	(49,133,384)	(3,967,377)	(54,764,958)
Depreciation/amortisation	(1,311,376)	(20,920,537)	(3,082,247)	(25,314,160)
Other changes	1,134,376	16,797,777	1,985,582	19,917,735
As at 31 December 2022	(1,841,197)	(53,256,144)	(5,064,042)	(60,161,383)
Net book value as at 31 December 2022	4,906,839	65,252,434	5,098,755	75,258,028
Net book value as at 31 December 2021	4,008,605	48,421,112	4,335,213	56,764,930

Proprietary software comprises software development costs and purchased software in connection with the design and improvements of the products, services and systems of the Group. As at 31 December 2022, additions to information technology systems include an amount of CHF 25.0 million (2021: CHF 14.5 million) representing own costs capitalised according to IAS 38.

Other changes of CHF 19.9 million (2021: CHF 19.5 million) are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

10 Property, plant and equipment

in CHF	Land and buildings	Right-of-use assets	Leasehold improvements	Equipment	Total
GROSS VALUE					
As at 1 January 2021	73,304,148	17,153,283	3,391,883	2,651,078	96,500,392
Addition	–	4,643,040	963,409	812,888	6,419,337
Other changes	–	(915,162)	(145,581)	(118,079)	(1,178,822)
As at 31 December 2021	73,304,148	20,881,161	4,209,711	3,345,887	101,740,907
Addition and others	3,523,782	2,070,199	3,064,555	1,334,965	9,993,501
Other changes	–	(376,950)	(96,028)	(91,721)	(564,699)
As at 31 December 2022	76,827,930	22,574,410	7,178,238	4,589,131	111,169,709
ACCUMULATED DEPRECIATION					
As at 1 January 2021	(20,242,616)	(3,593,200)	(829,605)	(864,727)	(25,530,148)
Depreciation/amortisation	(3,209,070)	(2,896,379)	(621,050)	(462,501)	(7,189,000)
Other changes	–	680,874	145,581	118,079	944,534
As at 31 December 2021	(23,451,686)	(5,808,705)	(1,305,074)	(1,209,149)	(31,774,614)
Depreciation/amortisation	(2,100,697)	(3,814,470)	(906,256)	(631,781)	(7,453,204)
Other changes	–	376,950	96,028	91,721	564,699
As at 31 December 2022	(25,552,383)	(9,246,225)	(2,115,302)	(1,749,209)	(38,663,119)
Net book value as at 31 December 2022	51,275,547	13,328,185	5,062,936	2,839,922	72,506,590
Net book value as at 31 December 2021	49,852,462	15,072,456	2,904,637	2,136,738	69,966,293

As at 31 December 2022, right-of-use assets mainly comprise of CHF 13.2 million (2021: CHF 14.9 million) relating to leased office space.

Other changes of CHF 0.6 million (2021: CHF 1.2 million) are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use. In the specific case of right-of-use assets, other changes relate to leases that have matured or been terminated during the period.

Reference is made to Note 25 for the contractual capital expenditure commitments relating to the extension of the Group's headquarters in Gland, Switzerland.

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Section VII: Other notes to the consolidated financial statements

11 Other assets

in CHF	2022	2021
Trade receivables	21,063,121	6,122,695
Accrued income	13,522,394	3,842,015
Prepaid expenses	5,655,993	4,464,422
Recoverable withholding tax	3,773,539	3,632,837
Precious metals	30,555,542	26,759,776
Total as at 31 December	74,570,589	44,821,745

12 Financial liabilities designated at fair value

in CHF	2022	2021
Self-issued structured products - listed	43,621,624	n/a
Self-issued structured products - unlisted	27,691,999	n/a
Total as at 31 December	71,313,623	n/a

The Group started issuing structured products in 2022, mostly barrier reverse convertibles (BRC).

As the redemption amount on the structured products is linked to changes in the underlying instruments, the Group cannot determine the difference between the carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the structured products.

13 Due to customers

in CHF	2022	2021
Securities trading accounts	8,400,672,723	7,518,373,054
Leveraged forex accounts	459,847,036	436,859,878
Total as at 31 December	8,860,519,759	7,955,232,932

14 Other liabilities

in CHF	2022	2021
Accrued expenses	33,690,435	54,781,924
Social security, pension plan and other social charges	15,447,104	42,329,029
Account payables	13,838,858	21,555,053
Lease liabilities	13,489,798	15,331,273
Withholding tax to be paid and other taxes	10,840,596	12,814,014
Deferred revenues	2,786,090	4,675,480
Total as at 31 December	90,092,881	151,486,773

Accrued expenses comprise an amount of CHF 10.1 million related to variable remuneration (2021: CHF 23.3 million).

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

15 Taxation

a Deferred income tax assets

in CHF	Sources of deferred taxes		Total
	Pension-plan-related provision	Other temporary differences	
BALANCE AS AT 1 JANUARY 2021	2,861,168	147,272	3,008,440
In connection with remeasurement of defined benefit obligation	887,640	–	887,640
In connection with remeasurement of impairment allowance and other accounting policies	–	(56,113)	(56,113)
Balance as at 31 December 2021	3,748,808	91,159	3,839,967
In connection with remeasurement of defined benefit obligation	(2,607,264)	–	(2,607,264)
In connection with remeasurement of impairment allowance and other accounting policies	–	101,125	101,125
In connection with change in tax rate	57,674	2,147	59,821
Balance as at 31 December 2022	1,199,218	194,431	1,393,649

in CHF	2022	2021
Difference in connection with remeasurement of pension plan	1,199,218	3,748,808
Difference in connection with remeasurement of impairment allowance and other accounting policies	194,431	91,159
Total	1,393,649	3,839,967

b Deferred tax liabilities

in CHF	Sources of deferred taxes	
	Temporary differences	Total
BALANCE AS AT 1 JANUARY 2021	1,230,575	1,230,575
Depreciation of fair-valued assets at date of acquisition of subsidiaries	99,660	99,660
Differences in the capitalisation, depreciation and other accounting policies	340,634	340,634
Balance as at 31 December 2021	1,670,869	1,670,869
		–
Difference in applicable tax rate	10,393	10,393
Differences in the capitalisation, depreciation and other accounting policies	(98,823)	(98,823)
Balance as at 31 December 2022	1,582,439	1,582,439

in CHF	2022	2021
Fair-valued assets of acquisition of subsidiaries (business combination)	436,947	490,175
Differences in the capitalisation, depreciations and other accounting policies ¹	1,145,492	1,180,694
Total as at 31 December	1,582,439	1,670,869

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

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

15 Taxation (continued)

c Current income tax liabilities

in CHF	2022	2021
Related to parent company	3,012,053	2,861,375
Related to Swissquote Bank Ltd	16,308,600	13,955,245
Related to other subsidiaries	3,727,815	1,343,894
Total as at 31 December	23,048,468	18,160,514

As at 31 December 2022, unrecognised tax loss carryforwards represented an equivalent amount of CHF 4.4 million and had an expiry period of at least 5 years (2021: CHF 3.2 million). The level of recognised tax assets depends on assumptions regarding available future taxable

profits that are eligible for offsetting in the same jurisdictions and the ability of the consolidated subsidiary to take advantage of the underlying tax losses. The amount of unrecognised tax loss carryforwards is subject to foreign exchange differences.

d Income tax expense

in CHF	2022	2021
Current-year income tax expense	28,844,310	29,714,700
Change in deferred income tax assets	(62,398)	289,817
Change in deferred tax liabilities	211,484	224,241
Total	28,993,396	30,228,758

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

in CHF	2022	2021
RECONCILIATION OF TAXES		
Operating profit	186,387,153	223,341,907
Income tax expense computed at average tax rate in Switzerland (13.2%)	24,603,104	29,034,448
Increase/(decrease) in income taxes resulting from:		
Higher/(lower) taxed income	140,415	219,281
Non-Swiss tax rates differing from Swiss tax rate	1,651,837	302,972
Tax effect of losses not recognised in foreign locations	118,508	(272,981)
Non-deductible tax expenses	1,219,901	667,102
Additional taxable income	197,565	277,936
Tax provision adjustment	1,100,000	–
Remeasurement of deferred tax – change in tax rate	(37,934)	–
Total	28,993,396	30,228,758

In 2022, the average tax rate was 13.2% (2021: 13.0%). The average tax rate may vary depending on the profit mix across the various jurisdictions. The effect of non-Swiss tax rates differing from Swiss tax rate is predominantly explained by the Luxembourg-based entity.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

16 Provisions

in CHF	2022	2021
BALANCE AS AT 1 JANUARY	11,008,579	8,053,334
Increase	897,597	3,571,573
Used/reversed	(5,332,977)	(520,502)
Exchange differences	(97,643)	(95,826)
Balance as at 31 December	6,475,556	11,008,579

Provisions relate to provisions for litigation, legal, regulatory and similar matters. The risk of loss associated with these matters is the result of the increasingly complex legal and regulatory environment in which the Group operates. The outcome of many of these matters, the timing of resolutions, and the potential effects of resolutions on financial results are extremely difficult to predict. In 2022, the Group could release provisions that were assessed as not economically necessary anymore due to passage of time.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

17 Pension

a Pension plan

The Group operates a defined benefit plan in Switzerland and defined contribution plans in foreign locations. All plan assets are held in trusts that are governed by local regulations and practice in each country. As at 31 December 2022, the level of benefits provided to staff located in foreign locations is not relevant for the financial reporting purposes of the Group and no further disclosures are provided.

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

- This pension plan is accounted as a defined benefit plan under IAS 19;
- The fund assets are held independently of the Group assets in separated trustee funds;

- Decisions with respect to the funds (levels of the benefits and of the contributions, as well as investment strategy) are made by a Board of Trustees in which the employees and the Group are each represented at parity;
- The pension's benefits are determined based on the contributions paid by the employees and the Group. However, in accordance with Swiss law, the part of the employees' saving accounts corresponding to the minimum required by law shall be remunerated at a minimal interest rate set by the Swiss Government. In 2022, this rate was 1.00% per annum (2021: similar).

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

	2022	2021
Discount rate	2.20%	0.25%
Rate of future increase in compensations	1.75%	1.00%
Interest rate credited on savings accounts	2.20%	1.00%
Pension indexation	0.00%	0.00%
Inflation rate	1.50%	0.75%
Mortality tables	BVG 2020GT	BVG 2020GT
Retirement age	65 (male)/64 (female)	65 (male)/64 (female)
Turnover	10.5% on average	10.5% on average

Demographic assumptions (e.g. probability of death, disability or termination) are based on the technical principles set out in the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) 2020 (cohort life tables), which draw on observations of large insurance portfolios in Switzerland over a period of several

years, and are adapted to reflect conditions specific to the Group or empirical values where necessary.

Pension obligations and costs are presented as negative amounts.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

17 Pension (continued)

b Defined benefit pension plans

in CHF thousand	Defined benefit obligation	Fair value of plan assets	Total
TOTAL AS AT 1 JANUARY 2022	(101,166)	72,329	(28,837)
Service cost	(8,999)	–	(8,999)
Interest income on plan assets/(interest cost on defined benefit obligation)	(294)	227	(67)
Administrative expense	–	(197)	(197)
Plan amendments	5,188	–	5,188
Pension cost recognised in income statement	(4,105)	30	(4,075)
Actuarial gain/(loss) from changes in financial assumptions	27,773	–	27,773
Actuarial gain/(loss) from changes in demographic assumptions	–	–	–
Actuarial gain/(loss) from other changes	(1,973)	–	(1,973)
Return on plan assets (excluding interest income)	–	(7,740)	(7,740)
Pension cost recognised in other comprehensive income	25,800	(7,740)	18,060
Employees' contributions	(4,570)	4,570	–
Employer's contributions	–	5,767	5,767
Benefit payments	(1,419)	1,419	–
Total as at 31 December 2022	(85,460)	76,375	(9,085)
Of which active employees	(77,088)		
Of which pensioners	(8,372)		

in CHF thousand	Defined benefit obligation	Fair value of plan assets	Total
TOTAL AS AT 1 JANUARY 2021	(78,390)	56,381	(22,009)
Service cost	(6,596)	–	(6,596)
Interest income on plan assets/(interest cost on defined benefit obligation)	(193)	147	(46)
Administrative expense	–	(170)	(170)
Effects of business combination	(910)	587	(323)
Pension cost recognised in income statement	(7,699)	564	(7,135)
Actuarial gain/(loss) from changes in financial assumptions	(1,319)	–	(1,319)
Actuarial gain/(loss) from changes in demographic assumptions	(206)	–	(206)
Actuarial gain/(loss) from other changes	(6,144)	–	(6,144)
Return on plan assets (excluding interest income)	–	3,502	3,502
Pension cost recognised in other comprehensive income	(7,669)	3,502	(4,167)
Employees' contributions	(3,746)	3,746	–
Employer's contributions	–	4,754	4,754
Benefit payments	(3,662)	3,382	(280)
Total as at 31 December 2021	(101,166)	72,329	(28,837)
Of which active employees	(93,682)		
Of which pensioners	(7,484)		

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

17 Pension (continued)

b Defined benefit pension plans (continued)

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

c Categories of plan assets (fair value)

in CHF thousand	2022	2021
Debt instruments (listed)	43,706	38,545
Equity instruments (listed)	18,363	14,388
Cash	6,510	12,184
Real estate (listed)	5,212	4,376
Qualified insurance policies	1,228	1,583
Commodities (listed)	1,356	1,253
Total as at 31 December	76,375	72,329

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

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

Through its defined benefit plan, the Group is exposed to a number of risks. As an example, the defined benefit obligation is calculated using a discount rate set with reference to market yields. A decrease in market yield will increase plan liabilities, although this will partially be offset by an increase in the fair value of the plan's assets. As at 31 December 2022, the discount rate is based on an average duration of 19.9 years, which corresponds to the modified duration calculated based on the future expected benefit payments.

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

As at 31 December 2022, the actuarial analysis established that an increase or a decrease of 0.25% in discount rate would lead to a maximum change of CHF 3.4 million (2021: CHF 5.6 million) in the defined benefit obligation. Other assumptions of changes do not impact the defined benefit obligation to the same extent. As an example (among others), an increase or decrease of 0.25% in interest rate credited on savings accounts would lead to an increase or a decrease of CHF 0.9 million (2021: CHF 1.5 million).

The estimates of Employer's contributions and Employees' contributions for 2023 are expected to be close to the contributions identified in 2022 with the assumption of a stable Swiss headcount scenario.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity

18.1 Share capital

a Number of shares in 2022

	1 January	Increase/ (Decrease)	Utilisation	31 December
ISSUED SHARES				
Ordinary share capital				
Number of shares	15,328,170	–	–	15,328,170
Nominal value per share (CHF)	0.20	–	–	0.20
Total nominal value (CHF)	3,065,634	–	–	3,065,634
UNISSUED SHARES				
Conditional capital				
Number of conditional shares	960,000	–	–	960,000
Nominal value per share (CHF)	0.20	–	–	0.20
Total nominal value (CHF)	192,000	–	–	192,000
Authorised capital				
Number of authorised shares	1,500,000	–	–	1,500,000
Nominal value per share (CHF)	0.20	–	–	0.20
Amount authorised (CHF)	300,000	–	–	300,000

b Number of shares in 2021

	1 January	Increase/ (Decrease)	Utilisation	31 December
ISSUED SHARES				
Ordinary share capital				
Number of shares	15,328,170	–	–	15,328,170
Nominal value per share (CHF)	0.20	–	–	0.20
Total nominal value (CHF)	3,065,634	–	–	3,065,634
UNISSUED SHARES				
Conditional capital				
Number of conditional shares	960,000	–	–	960,000
Nominal value per share (CHF)	0.20	–	–	0.20
Total nominal value (CHF)	192,000	–	–	192,000
Authorised capital				
Number of authorised shares	2,000,000	(500,000)	–	1,500,000
Nominal value per share (CHF)	0.20	0	–	0.20
Amount authorised (CHF)	400,000	(100,000)	–	300,000

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

18.2 Share option reserve (employee stock options plan)

a Components of share option reserve

in CHF	Share option reserve components		2022	2021
	Value of services to be reclassified to retained earnings when lapsed, forfeited or exercised	Value of services to be amortised through income statement over the vesting period		
BALANCE AS AT 1 JANUARY	7,036,832	(3,882,458)	3,154,374	2,557,489
Stock options lapsed, forfeited or exercised	(819,099)	–	(819,099)	(1,729,008)
Fair value of current-year allocation	4,528,691	(4,528,691)	–	–
Amortisation of services	–	3,002,859	3,002,859	2,325,893
Balance as at 31 December	10,746,424	(5,408,290)	5,338,134	3,154,374

The fair value of stock options granted during 2022 was CHF 4,528,691 when the Group recognised a share option expense of CHF 3,002,859.

in CHF	Tranche	Value of services to be reclassified to retained earnings when lapsed, forfeited or exercised	Value of services to be amortised through income statement over the vesting period	2022	2021
Allocation					
19	3/3	–	–	–	56,242
20	2/3	–	–	–	119,222
20	3/3	157,050	–	157,050	207,397
21	1/3	–	–	–	124,067
21	2/3	131,060	–	131,060	221,795
21	3/3	324,636	–	324,636	341,949
22	1/3	351,156	–	351,156	432,600
22	2/3	576,696	–	576,696	464,843
22	3/3	619,544	(127,869)	491,675	295,076
23	1/3	998,380	–	998,380	395,596
23	2/3	1,388,777	(424,243)	964,534	275,151
23	3/3	1,670,434	(897,706)	772,728	220,436
24	n/a	4,528,691	(3,958,472)	570,219	–
As at 31 December		10,746,424	(5,408,290)	5,338,134	3,154,374

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

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

b Employee stock option plan – historical allocations

The Group operates a stock option plan under which it makes options in common stock available to the Group's employees at the discretion of the Board. Since the creation of the plan in 1999, a total of 24 allocation schemes (out of which five are still unexpired) have been offered. Optionees whose work contract is terminated lose their rights to options outstanding unless the Board resolves otherwise.

Before 2022, the options were subject to a three-year vesting schedule with 1/3 of the options becoming exercisable on the first, second and third anniversaries of grant.

Since 2022, the three-year vesting schedule remains but all of the options become exercisable on the third anniversary of the grant. Also, the exercise period is two years.

The terms and maturities of the non-lapsed allocations as at 31 December 2022 are summarised below.

				Exercise period		Analysis of status		
Allocation	Tranche	Strike price (CHF)	Oustanding stock options	Start	End	In the money	In exercise period	In the money & exercise period
20	3/3	68.81	15,650	August 21	August 23	15,650	15,650	15,650
21	2/3	49.89	22,562	August 21	August 23	22,562	22,562	22,562
	3/3	49.89	57,668	August 22	August 24	57,668	57,668	57,668
22	1/3	95.00	28,276	August 21	August 23	28,276	28,276	28,276
	2/3	95.00	47,747	August 22	August 24	47,747	47,747	47,747
	3/3	95.00	53,861	August 23	August 25	53,861	–	–
23	1/3	185.00	54,326	August 22	August 24	–	54,326	–
	2/3	185.00	54,510	August 23	August 25	–	–	–
	3/3	185.00	54,498	August 24	August 26	–	–	–
24	n/a	145.00	184,920	August 25	August 27	–	–	–
Total			574,018			225,764	226,229	171,903

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

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

c Twenty-fourth allocation

The fair value of the options is determined based on the Black-Scholes valuation model. The table below summarises

the most significant inputs into the model that are the spot price at grant, the strike price, the expected life of the options and the volatility. The volatility is measured over a period of 3 years. Other inputs into the model are the risk-free interest rate and the dividend yield (1.0% for the 2022 allocation). One option grants the right to acquire one share.

Date of grant	15 August 2022
Strike price (CHF)	145.00
Start of exercise period (years from date of grant)	3
Max. duration of exercise period (years)	2
Data on options granted and option price:	
Total number of options initially granted	184,920
Of which granted to Executive Management	17,500
Of which granted to other employees	167,420
Spot price at grant (CHF)	128.00
Volatility	36.72%
Fair value per option (CHF)	24.49

Options are conditional on the employee completing at least three years of service after the grant date (vesting period).

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

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

d Movement in stock options granted

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

	Allocation								Conditional shares available for exercise
	18th	19th	20th	21st	22nd	23rd	24th	Total	
Strike price (CHF)	25.95	34.02	68.81	49.89	95.00	185.00	145.00		
Share price as at 31 December 2022 (CHF)	133.50	133.50	133.50	133.50	133.50	133.50	133.50		
BALANCE AS AT 1 JANUARY 2021	14,542	59,172	95,669	207,717	172,927	–	–	550,027	960,000
Grants	–	–	–	–	–	167,195	–	167,195	–
Exercises covered by:									
The issue of new shares	–	–	–	–	–	–	–	–	–
Treasury shares	(11,790)	(44,182)	(62,042)	(69,860)	(22,741)	–	–	(210,615)	–
Lapsed/forfeited	(2,752)	(4,289)	(1,153)	(2,512)	(3,874)	(836)	–	(15,416)	–
Balance as at 31 December 2021	–	10,701	32,474	135,345	146,312	166,359	–	491,191	960,000
BALANCE AS AT 1 JANUARY 2022	–	10,701	32,474	135,345	146,312	166,359	–	491,191	960,000
Grants	–	–	–	–	–	–	184,920	184,920	–
Exercises covered by:									
The issue of new shares	–	–	–	–	–	–	–	–	–
Treasury shares	–	(10,113)	(16,689)	(54,369)	(14,081)	–	–	(95,252)	–
Lapsed/forfeited	–	(588)	(135)	(746)	(2,347)	(3,025)	–	(6,841)	–
Balance as at 31 December 2022	–	–	15,650	80,230	129,884	163,334	184,920	574,018	960,000
Conditional shares available for exercise									960,000
Less: outstanding stock options									(574,018)
Intermediary balance (including conditional shares)									385,982
Number of treasury shares available as at 31 December 2022									386,763
Balance of shares available for future grants									772,745

As at 31 December 2022, the 574,018 outstanding options are related to employee stock option plan (out of which 171,903 are in the money and exercise period). This plan is mainly covered by treasury shares.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

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

e Movement (fair value) in stock options

in CHF	Allocation							
	18th	19th	20th	21st	22nd	23rd	24th	Total
BALANCE AS AT 1 JANUARY 2021	58,593	311,379	960,620	1,206,561	2,075,168	–	–	4,612,321
Grants	–	–	–	–	–	4,153,519	–	4,153,519
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	(47,504)	(232,518)	(622,471)	(418,173)	(282,419)	–	–	(1,603,085)
Lapsed/forfeited	(11,089)	(22,618)	(11,530)	(14,141)	(45,776)	(20,769)	–	(125,923)
Balance as at 31 December 2021	–	56,243	326,619	774,247	1,746,973	4,132,750	–	7,036,832
BALANCE AS AT 1 JANUARY 2022	–	56,243	326,619	774,247	1,746,973	4,132,750	–	7,036,832
Grants	–	–	–	–	–	–	4,528,691	4,528,691
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	–	(53,153)	(168,206)	(314,289)	(172,307)	–	–	(707,955)
Lapsed/forfeited	–	(3,090)	(1,363)	(4,262)	(27,270)	(75,159)	–	(111,144)
Balance as at 31 December 2022	–	–	157,050	455,696	1,547,396	4,057,591	4,528,691	10,746,424

f Strike value of stock options outstanding and movements

in CHF	Allocation							
	18th	19th	20th	21st	22nd	23rd	24th	Total
BALANCE AS AT 1 JANUARY 2021	377,365	2,013,031	6,582,984	10,363,001	16,428,065	–	–	35,764,446
Grants	–	–	–	–	–	30,931,075	–	30,931,075
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	(305,951)	(1,503,072)	(4,269,109)	(3,485,315)	(2,160,395)	–	–	(11,723,842)
Lapsed/forfeited	(71,414)	(145,912)	(79,338)	(125,324)	(368,030)	(154,660)	–	(944,678)
Balance as at 31 December 2021	–	364,047	2,234,537	6,752,362	13,899,640	30,776,415	–	54,027,001
BALANCE AS AT 1 JANUARY 2022	–	364,047	2,234,537	6,752,362	13,899,640	30,776,415	–	54,027,001
Grants	–	–	–	–	–	–	26,813,400	26,813,400
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	–	(344,044)	(1,148,371)	(2,712,469)	(1,337,695)	–	–	(5,542,579)
Lapsed/forfeited	–	(20,003)	(9,290)	(37,218)	(222,965)	(559,625)	–	(849,101)
Balance as at 31 December 2022	–	–	1,076,876	4,002,675	12,338,980	30,216,790	26,813,400	74,448,721

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

18.3 Other reserve

in CHF	FVOCI & FVOCI equities	Defined benefit obligation	Currency translation differences	Total
BALANCE AS AT 1 JANUARY 2021	1,425,576	(13,723,249)	(2,659,212)	(14,956,885)
Revaluation of FVOCI & FVOCI equities – gross	1,655,741	–	–	1,655,741
Revaluation of FVOCI & FVOCI equities – tax effect	(215,246)	–	–	(215,246)
IFRS 9 ECL impairment loss recognised in equity	(334)	–	–	(334)
IFRS 9 ECL impairment loss income tax effect	43	–	–	43
Remeasurement of defined benefit obligation – gross	–	(4,167,000)	–	(4,167,000)
Remeasurement of defined benefit obligation – tax effect	–	541,710	–	541,710
Currency translation differences	–	–	(1,695,957)	(1,695,957)
Balance as at 31 December 2021	2,865,780	(17,348,539)	(4,355,169)	(18,837,928)
BALANCE AS AT 1 JANUARY 2022	2,865,780	(17,348,539)	(4,355,169)	(18,837,928)
Revaluation of FVOCI equities – gross	(2,272,079)	–	–	(2,272,079)
Revaluation of FVOCI equities – tax effect	299,914	–	–	299,914
Remeasurement of defined benefit obligation – gross	–	18,060,000	–	18,060,000
Remeasurement of defined benefit obligation – tax effect	–	(2,383,920)	–	(2,383,920)
Currency translation differences	–	–	(4,694,327)	(4,694,327)
Balance as at 31 December 2022	893,615	(1,672,459)	(9,049,496)	(9,828,340)

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Equity (continued)

18.4 Treasury shares

	2022	2021
Beginning of the year (shares)	343,227	513,890
Purchase	144,734	45,076
Unit price ranging from CHF	90.75 to 183.20	87.85 to 181.20
Sale	–	–
Unit price ranging from CHF		
Remittance to optionees/grant of shares	(101,198)	(215,739)
Unit price ranging from CHF	34.02 to 200.50	25.95 to 163.60
End of the year (shares)	386,763	343,227
Total as at 31 December (CHF)	40,106,180	27,656,922
% of the issued shares	2.52%	2.24%

The balance of 386,763 treasury shares is primarily held for the purpose of covering employees' share and option plans (outstanding options: 574,018). During 2022, the Group granted and allocated for free a total of 5,946 shares (2021: 5,124) to employees (blocked for a 5-year period) and Board members (blocked for a 3-year period).

18.5 Retained earnings (payout)

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

in CHF	2022	2021	2020	2019	2018
Payout per share	2.20 ¹	2.20	1.50	1.00	1.00

¹ Proposal of the Board of Directors

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

19 Net fee and commission income

in CHF	2022	2021
Brokerage and related income	130,740,083	245,069,613
Custody and other account services fees	28,835,980	25,040,989
Management fees and referral fees	11,522,812	9,446,492
Platform, technology and support services fees	18,800,709	6,247,718
Other commission income	7,751,023	3,925,685
Total fee and commission income	197,650,607	289,730,497
Fee and commission expenses	(21,067,568)	(26,495,997)
Total net fee and commission income	176,583,039	263,234,500

In 2022, the presentation of this note was improved to better reflect the types of fee and commission income. Comparative figures for 2021 were changed accordingly.

Brokerage and related income represents revenues that are based on number of transactions or volume of transactions and recognised at a point in time.

Custody and other account services fees, Management fees and referral fees, as well as Platform, technology and support services fees consist of non-transaction-based income (typically a percentage of assets deposited or a fixed amount) and are provided over time.

Other commission income is a mix of transaction-based and non-transaction-based revenues and includes amongst others payment fees recognised at a point in time.

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

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

20 Net interest income

in CHF	Activities excluding FX swaps	FX swaps	2022	2021
Interest income				
Cash and balances with central banks	3,118,272	–	3,118,272	–
Treasury bills and other eligible bills	1,386,032	–	1,386,032	–
Due from banks	19,134,308	–	19,134,308	1,871,574
Loans and due to customers	25,997,372	–	25,997,372	21,640,335
Investment securities	14,993,040	–	14,993,040	6,057,559
Total interest income	64,629,024	–	64,629,024	29,569,468
Interest expense				
Cash and balances with central banks, treasury bills and loans	(6,133,267)	(10,718,341)	(16,851,608)	(26,142,459)
Due to banks and due from banks	(3,601,531)	–	(3,601,531)	(4,000,618)
Investment securities	(1,202,137)	–	(1,202,137)	(1,346,336)
Due to customers and others	(824,275)	–	(824,275)	(218,427)
Total interest expense	(11,761,210)	(10,718,341)	(22,479,551)	(31,707,840)
Other interest income				
Derivative financial instruments	–	35,170,312	35,170,312	18,716,385
Loans	240,070	–	240,070	526,250
Total other interest income	240,070	35,170,312	35,410,382	19,242,635
Other interest expense				
Derivative financial instruments	(1,114,469)	(2,975,394)	(4,089,863)	(1,292,422)
Total other interest expense	(1,114,469)	(2,975,394)	(4,089,863)	(1,292,422)
Total net interest income	51,993,415	21,476,577	73,469,992	15,811,841

As at 31 December 2022, negative interest impact is as follows:

in CHF	2022	2021
Negative interest on liabilities	3,507,711	3,828,043
Negative interest on assets	(20,081,513)	(30,337,918)
Total	(16,573,802)	(26,509,875)
Cost of negative interest rates (excluding FX swaps)	(5,855,461)	(7,343,462)

Net interest income benefitted from rises in market interest rates (e.g. CHF reference rates started the year at –0.75% and ended at +1.0%). In this context, negative interest impact was much lower than previous year. Negative interest on liabilities is included in interest income and negative interest on assets is part of interest expense and relates mainly to CHF.

Disaggregation of revenues: the total balance of net interest income is allocated to the reportable segment designated as “Securities trading”.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

21 Net trading income

in CHF	2022	2021
Foreign exchange revenues:		
From leveraged forex	103,919,345	121,305,356
From other foreign exchange income	54,449,131	70,432,877
Unrealised fair value gains/(losses):		
From trading assets	(590,669)	265,438
From others	(156,267)	(54,312)
Realised gains/(losses):		
From trading assets and investment securities	471,898	806,839
Net trading income	158,093,438	192,756,198

Foreign exchange revenues from leveraged forex represent mainly spreads paid by customers in respect of the opening and closing of positions in contracts-for-differences and in over-the-counter foreign exchange. Out of CHF 103.9 million (2021: CHF 121.3 million), CHF 17.8 million (2021: CHF 20.9 million) are related to the funding charges paid by clients when holding contracts and represent non-transaction based income.

Other foreign exchange income is generated by spreads applied on foreign exchange transactions performed by clients and also on foreign currency translation of monetary assets and liabilities denominated in other currencies than functional currency.

Disaggregation of revenues: of the total balance of net trading income of CHF 158.1 million, CHF 103.9 million was allocated to the reportable segment designated as "Leveraged forex" (remaining balance: Securities trading).

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

22 Operating expenses

in CHF	2022	2021
Payroll and related expenses	103,128,004	124,592,036
Other operating expenses	55,126,547	55,830,102
Depreciation and amortisation	32,767,364	31,295,822
Marketing expenses	27,015,196	29,943,672
Provisions	(3,080,554)	5,872,655
Total	214,956,557	247,534,287

During 2022, the Group could release part of the provision for litigation, legal, regulatory and similar matters.

Payroll and related expenses consist of:

in CHF	2022	2021
Wages and salaries	111,964,893	120,476,637
Social security costs	11,754,284	11,072,697
Pension costs (defined benefit and defined contribution)	4,430,176	7,509,305
Subtotal	128,149,353	139,058,639
Less: capitalised costs	(25,021,349)	(14,466,603)
Total	103,128,004	124,592,036
Headcount (FTE) - year-end average	1,004	878

With the development of international activities of the Group, wages and salaries comprise a balance of CHF 14.4 million, which is not subject to Swiss social security (2021: CHF 13.9 million).

The capitalised costs relate to internally generated computer software capitalised according to IAS 38 (Note 9). The increase in 2022 is mainly linked to the increase in the FTE in the technology-related teams, combined with the increase in the number of strategic projects during the year.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

23 Earnings per share

Basic

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

	2022	2021
Net profit (CHF)	157,393,757	193,113,149
Weighted average number of ordinary shares in issue	14,973,139	14,904,791
Earnings per share (CHF)	10.51	12.96

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options are the only type of dilutive potential ordinary shares and they have a dilutive effect only when the average market price of ordinary shares during the year exceeds the exercise price of the options (i.e. they are 'in the money'): a calculation is performed to determine the number of shares

that could have been acquired at fair value (determined at the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference between the two represents the number of dilutive potential shares to be added to the weighted average number of ordinary shares.

	2022	2021
Net profit (CHF)	157,393,757	193,113,149
Weighted average number of ordinary shares	14,973,139	14,904,791
Adjustments for share options	93,198	163,773
Weighted average number of ordinary shares for diluted earnings per share	15,066,337	15,068,564
Diluted earnings per share (CHF)	10.45	12.82

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

24 Related-party transactions

Related-party transactions are defined as transactions and balances with members of the Board of Directors and of the Executive Management and their close family members (as defined by IAS 24), transactions with shareholders with a significant influence, and with joint ventures in which the Group is a venturer.

Transactions with key management personnel

in CHF	2022	2021
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	5,425,871	6,581,930
Post-employment benefits	688,630	888,673
Total	6,114,501	7,470,603
Of which:		
Share-based payment (market value)	675,150	763,975
Loans	6,158,858	5,098,419
Due to customers	11,081,655	12,486,350
Interest income	213,607	220,587
Interest expense	301	36

Transactions are made on an arm's-length basis. Interest rate on Lombard loans and similar loans is based on a reference interest rate plus a mark-up.

Transactions with joint ventures

in CHF	2022	2021
Contributions	–	12,753,847
Outstanding receivables	11,346,330	265,643
Due to customers	11,220	5,248
Revenues	14,696,972	4,062,097
Funding commitments	9,500,000	9,500,000

Transactions with the joint venture Yuh Ltd are made on an arm's-length basis and relate mainly to contractual IT and banking services provided by Swissquote Bank Ltd.

Transaction with other related parties

Transactions are made on an arm's-length basis. The services provided to related parties are made on terms equivalent to those that prevail in arm's length transactions.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

25 Off-balance sheet commitments

in CHF	2022	2021
Capital expenditure commitments	107,976,618	–
Loan commitments	40,268,000	36,744,000
Funding commitments	9,500,000	9,500,000
Finance lease commitments	–	1,329,316
Total	157,744,618	47,573,316

Capital expenditure commitments

On 1 November 2022, Swissquote Bank Ltd entered into a contract with a construction company, which purpose is the realisation of the extension of the Group's headquarters in Gland, Switzerland.

The value of the contract is CHF 112.7 million, including applicable VAT. The construction should start at the earliest in 2024 and last three years, but is subject to the delivery by public authorities of the required construction permits. Reference is made to Note G4.

Up to 31 December 2022, the Group made an aggregate payment of CHF 4.7 million to the construction company. Swissquote has the right to withdraw from the contract at anytime, subject to the payment by Swissquote of an amount of the work already performed up to the date of withdrawal.

Loan commitments

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

Funding commitments

Funding commitments represent the additional funding that Swissquote is likely to provide to the investment in joint venture Yuh Ltd as per the joint venture agreement and the business plan signed with PostFinance AG. Similar funding contributions shall be expected from the other venturer.

Finance lease commitments

Finance lease commitments represent unused but firm and irrevocable commitments to grant finance lease credits.

Client assets

Reference is made to Note 26.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

26 Client assets

Assets under management (FINMA definition)

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

in CHF	2022	2021
Assets with management/investment advisory mandate	330,203,082	421,866,809
Assets in self-managed collective investments instruments	39,168,209	48,514,295
Total as at 31 December	369,371,291	470,381,104
Of which double counts	-	-

in CHF	2022	2021
Change attributable to net new money	(3,541,581)	49,673,005
Change attributable to market value	(97,468,232)	122,157,075
Total change in assets under management	(101,009,813)	171,830,080

Client assets

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

in CHF	2022	2021
Trading assets ¹	51,094,264,905	54,696,040,336
Saving assets	230,907,949	245,754,646
eForex assets	459,847,036	436,859,878
Robo-Advisor assets	403,949,859	511,066,186
Total client assets as at 31 December	52,188,969,749	55,889,721,046
Assets not deposited with the Group	(1,210,801,681)	(1,285,687,934)
Total assets under custody as at 31 December	50,978,168,068	54,604,033,112

¹ Of which crypto assets: CHF 1.0 billion (2021: CHF 2.8 billion)

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

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

In compliance with Art. 734d of Swiss Code of Obligations, the following table summarises all shareholdings held by each member of the Board of Directors, the Executive Management and closely related persons:

	Number of shares 2022	Number of shares 2021	Number of stock options				
			2023	2024	2025	2026	2027
SHAREHOLDINGS							
Markus Dennler, Chairman of the Board	32,549	32,148	–	–	–	–	–
Monica Dell'Anna, member of the Board	2,592	2,000	–	–	–	–	–
Demetra Kalogerou, member of the Board	232	–	–	–	–	–	–
Beat Oberlin, member of the Board	4,036	3,786	–	–	–	–	–
Jean-Christophe Pernollet, member of the Board	4,610	4,342	–	–	–	–	–
Michael Ploog, member of the Board	45,498	45,266	3,867	2,666	1,000	–	–
Paolo Buzzi, member of the Board	1,595,377	1,606,145	1,250	3,832	2,167	917	–
Martin Naville, former member	11,707	11,707	–	–	–	–	–
Marc Bürki, CEO	1,771,511	1,767,070	4,117	3,832	2,167	917	2,500
Yvan Cardenas, CFO	320	320	–	3,832	2,167	917	2,500
Gilles Chantrier, CRO	340	340	2,550	3,832	2,167	917	2,500
Alexandru Craciun, CTO	1,716	1,716	–	2,624	1,625	917	2,500
Jan De Schepper, CSO	2,093	2,093	3,583	3,832	2,167	917	2,500
Lino Finini, COO	1,820	1,820	1,250	3,832	2,167	917	2,500
Morgan Lavanchy, CLO	840	340	2,050	3,832	2,167	917	2,500
Closely related persons ¹	39,373	37,269	426	716	452	294	800
Total	3,514,614	3,516,362	19,093	32,830	18,246	7,630	18,300

¹ The data reported in the table above is based on the Group's best knowledge of the number of shares and options owned by close relatives of the members of the Board and members of the Executive Management. Close relatives consist of spouse or partner, parents, children, siblings, fathers-in-law, mothers-in-law, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law and any person (other than domestic employees and irrespective of any family bond) who shares the individual's home. As at 31 December 2022 and 31 December 2021, close relatives are mainly related to Marc Bürki (CEO) and Paolo Buzzi (member of the Board).

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Swissquote Group Holding Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 20 to 116) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

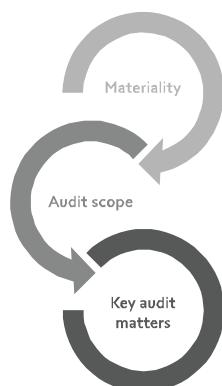
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements"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

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 9'319'000

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

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

- Goodwill impairment assessment

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Materiality

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

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

Overall Group materiality	CHF 9'319'000
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 931'900 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

Key audit matters

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

Goodwill impairment assessment

Key audit matter

The goodwill impairment assessment is considered a key audit matter due to the size of the goodwill balance (CHF 55.8 million) as well as considerable judgement with respect to the assumptions used in calculation of the value in use, including the future results of the business and the discount rate applied to future cash flow forecasts.

How our audit addressed the key audit matter

We performed the following procedures:

- We evaluated the cash flow forecasts included in the models (used to determine the value in use of the cash generating units) and the process by which they were developed (including verifying the mathematical accuracy of the underlying calculations). We also compared the forecasts to the latest budget approved by the Board of Directors. We found that the forecasts used in the value in use calculations were consistent with the Board of Directors approved budget, and that the key assumptions were subject to oversight by the members of the Board of Directors;
- We compared the current year actual results (2022) with the figures included in the prior year's forecast (2021) to consider whether they included assumptions that, with hindsight, may have been optimistic. We found that the forecast was in line with the current year results.
- With the assistance of specialists in the area of valuation, we challenged the reasonableness of Management's assumptions on the revenue and expense projections as well as on discount rate by comparing the cost income ratio and the discount rate with comparable institutions active in similar businesses. We found the assumptions on the revenue and expense projections to be consistent and in line with our expectations. Similarly, we found the discount rate used by Management consistent with market data and comparable businesses.
- We reperformed sensitivity analyses around the key assumptions (revenue growth and expense projections as well as discount rate) to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. We found that headroom remained between the stress-tested value-in-use calculations and the carrying value in the consolidated financial statements.

As a result of our procedures, we determined that the conclusions reached by Management with regard to the carrying value of goodwill were reasonable and supportable.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website: <http://expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA



Christophe Kratzer

Audit expert
Auditor in charge



Jonathan Derungs

Audit expert

Lausanne, 15 March 2023

Statutory financial statements

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Statutory balance sheet

in CHF	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and banks		242,017	245,853
Receivable from subsidiaries	1	44,912,065	84,474,418
Total current assets		45,154,082	84,720,271
Investment in subsidiaries	2	212,513,556	174,259,686
Total non-current assets		212,513,556	174,259,686
Total assets		257,667,638	258,979,957
LIABILITIES AND EQUITY			
Tax payable		3,032,957	2,881,346
Total short-term liabilities		3,032,957	2,881,346
Total liabilities		3,032,957	2,881,346
Equity			
Share capital	3	3,065,634	3,065,634
Legal capital reserves			
Reserves from capital contributions		349,776	349,776
Other capital reserves		6,109,093	6,109,093
Retained earnings	4	242,619,302	206,650,824
Net profit		42,597,056	67,580,206
Treasury shares	5	(40,106,180)	(27,656,922)
Total equity		254,634,681	256,098,611
Total liabilities and equity		257,667,638	258,979,957

The notes on pages 124 to 128 are an integral part of these financial statements.

Statutory income statement

in CHF	Notes	2022	2021
Royalties		19,040,625	22,318,932
Dividend received from subsidiaries		28,000,000	49,000,000
Other revenues		4,528,691	4,153,519
Operating expenses		(1,734,891)	(1,229,504)
Marketing expenses		(4,282,541)	(3,314,875)
Operating profit		45,551,884	70,928,072
Income tax expense		(2,954,828)	(3,347,866)
Net profit		42,597,056	67,580,206

Notes to the statutory financial statements

General information

Swissquote Group Holding Ltd (the "Company") was formed on 12 August 1999 and is registered in the Canton of Vaud, Switzerland, with headquarters in Gland. Swissquote Group Holding Ltd is the parent company of a financial group that is active in online financial services, the main operating subsidiary being Swissquote Bank Ltd. As at 31 December 2022, the Company did not employ more than 10 full-time equivalents (2021: no changes).

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

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

	2022			2021		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	11.56%	0.09%	11.65%	11.53%	0.10%	11.63%
Paolo Buzzi	10.41%	0.05%	10.46%	10.48%	0.05%	10.53%
PostFinance AG	5.00%	–	5.00%	5.00%	–	5.00%
ACE Core Convictions Ltd	<3%	–	<3%	3.53%	–	3.53%
Treasury shares:						
Swissquote Group Holding Ltd			2.52%			2.24%

The statutory financial statements were approved for issue by the Board of Directors of the Company on 15 March 2023.

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

Notes to the statutory financial statements

Summary of significant accounting policies

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

Foregoing a cash flow statement and additional disclosures in the notes

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

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

A Investments in subsidiaries

Investments in subsidiaries are valued at cost less economically necessary impairment charges.

B Treasury shares

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

Notes to the statutory financial statements

Other notes to the statutory financial statements

1 Receivables from subsidiaries

The current balance of CHF 44,912,065 (2021: CHF 84,474,418) is related to cash deposited into a bank account opened with Swissquote Bank Ltd.

2 Investments in subsidiaries

in CHF	Office/country	2022		2021	
Swissquote Bank Ltd	Gland/Switzerland	100.00%	137,560,002	100.00%	137,560,002
Swissquote Bank Europe SA	Luxembourg/Luxembourg	100.00%	70,907,430	100.00%	34,583,730
Swissquote Financial Services (Malta) Ltd	Valletta/Malta	99.90%	1,877,004	99.90%	1,877,004
Swissquote Capital Markets Ltd	Limassol/Cyprus	100.00%	1,930,170	n/a	n/a
Swissquote Trade Ltd	Gland/Switzerland	100.00%	238,950	100.00%	238,950
Total as at 31 December			212,513,556		174,259,686

During the year, the Company :

- increased the capital of Swissquote Bank Europe SA for an amount of EUR 35.0 million (CHF 36.0 million) on 16 March 2022; and
- incorporated a fully owned subsidiary in Cyprus called Swissquote Capital Markets Ltd. This entity obtained its Cyprus Investment Firm licence on 6 December 2022 from the Cyprus Securities Exchange Commission (CySEC) and is expected to deliver over-the-counter trading of foreign exchange and contracts-for-differences mainly to a retail European clientele.

Notes to the statutory financial statements

Other notes to the statutory financial statements

3 Share capital

in CHF	2022	2021
ORDINARY ISSUED SHARE CAPITAL		
Number of shares in issue	15,328,170	15,328,170
Nominal value of each share (registered shares)	0.20	0.20
Ordinary share capital (CHF)	3,065,634	3,065,634
UNISSUED SHARE CAPITAL (CHF)		
Conditional share capital (nominal value)	192,000	192,000
Authorised share capital (nominal value)	300,000	300,000

Authorised and conditional share capital

The provision ruling the utilisation of the authorised capital provides details on the capital increase process and exercise of preferential subscription rights and stipulates that the Board of Directors is authorised until 6 May 2023 to increase the share capital of the Company by a maximum of CHF 300,000 by issuing no more than 1,500,000 new registered shares with a nominal value of CHF 0.20 each. With the new company law entered in force on 1 January 2023, the concept of authorised capital will be replaced with the new concept of "capital band", which will allow the Board of Directors (subject to the General Meeting's approval) to increase or decrease the stated share capital within a set range of the registered share capital for a period not exceeding five years.

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

Shares for members of the Board of Directors

Board members were granted free shares of the Company which are subject to a blocking period. The grants performed on behalf of 2022 and 2021 were as follows:

	Shares					
	2022			2021		
	Number	Market value	Tax value	Number	Market value	Tax value
Members of the Board	1,847	246,575	207,030	1,085	217,543	182,653

Notes to the statutory financial statements

Other notes to the statutory financial statements

4 Retained earnings

in CHF	2022	2021
Retained earnings	206,650,824	188,571,649
Net profit (previous year)	67,580,206	38,420,988
1 January	274,231,030	226,992,637
Dividend paid on behalf of previous year	(33,022,905)	(22,327,073)
Realised gain on treasury shares	1,411,177	1,985,260
31 December	242,619,302	206,650,824

5 Treasury shares

in CHF	2022	2021
Beginning of the year (shares)	343,227	513,890
Purchase	144,734	45,076
Unit price ranging from CHF	90.75 to 183.20	87.85 to 181.20
Sale	–	–
Unit price ranging from CHF		
Remittance to optionees/grant of shares	(101,198)	(215,739)
Unit price ranging from CHF	34.02 to 200.50	25.95 to 163.60
End of the year (shares)	386,763	343,227
Total as at 31 December (CHF)	40,106,180	27,656,922
% of the issued shares	2.52%	2.24%

Proposed appropriation of retained earnings

Proposal of the Board of Directors for appropriation of retained earnings as at 31 December 2022

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

in CHF	2022
Net profit for the year	42,597,056
Retained earnings carried forward	242,619,302
Retained earnings available for appropriation	285,216,358

ALLOCATION OF AVAILABLE RETAINED EARNINGS

Available retained earnings as at 31 December 2022	285,216,358
Proposed dividend (CHF 2.20 per share)	(33,721,974)
Retained earnings to be carried forward	251,494,384

Amount of proposed dividend is based on the number of shares issued as at 31 December 2022. However, no distribution is allocated to the treasury shares.

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Swissquote Group Holding Ltd (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 122 to 129) comply with Swiss law and the company's articles of association.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

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

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

Overall materiality	CHF 2'277'000
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 227'700 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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Audit scope

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

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

Key audit matters

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the remuneration report and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: <http://expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

A handwritten signature in blue ink, appearing to read "C. Kratzer".

Christophe Kratzer

Audit expert
Auditor in charge

A handwritten signature in blue ink, appearing to read "J. Derungs".

Jonathan Derungs

Audit expert

Lausanne, 15 March 2023