

Report to the shareholders

Dear shareholders,

In 2018, Swissquote posted record figures in absolute terms compared to the previous year. Operating income rose by 14.3 percent to CHF 214.5 million (including credit loss expense), while net profit rose by 13.8 percent to CHF 44.6 million. The net new money inflow was up by 14.8 percent at CHF 3.115 billion. Total equity increased by 19.3 percent to CHF 352.2 million.

In addition, the value of Swissquote shares increased by 18.6 percent in 2018. The share price stood at CHF 45.25 at the end of the year.

Swissquote is determined to further expand its position as the largest and leading digital bank in Switzerland in 2019. It will therefore be channelling further investment into innovative fintech solutions and marketing activities. Furthermore, the purchase agreement for the Luxembourg-based bank Internaxx for the sum of EUR 27.7 million will take effect in 2019.

Revenues surpass the CHF 200 million mark for the first time

Operating revenues¹ rose by 16.2 percent to CHF 225.4 million (CHF 194.0 million). This figure was reduced by negative interest rates (-CHF 9.0 million) and unrealised fair value (-CHF 1.9 million), resulting in a 14.3 percent increase in **operating income**² to CHF 214.5 million (CHF 187.8 million). With one exception, all four business areas contributed to the record result.

Net fee & commission income rose on the back of higher transactions (11.9 compared to 11.0 transactions per year/client) by 16.8 percent to CHF 99.5 million (CHF 85.2 million). Successful trading in derivative products via Swiss DOTS and trading in cryptocurrencies both contributed to the good result.

Net eForex income rose by 7.7 percent to CHF 71.8 million (CHF 66.7 million). This growth was attributable to the large number of new clients (+15.4 percent to 47,972), the increase in total client assets (+11.0 percent to CHF 365.2 million) and a higher volume of transactions (+8.2 percent to USD 1.180 billion).

Net interest income increased sharply as a result of the steady rise in short-term interest rates in the US and the growing volume of client assets in foreign currencies.

By contrast, **net trading income** (currency trading excluding eForex) declined slightly by 6.5 percent to CHF 20.9 million (CHF 22.3 million).

Further increase in profitability

At CHF 160.8 million, **operating expenses** were 13.2 percent higher than the previous year (CHF 142.0 million). This rise in expenditure was due above all to persistently high investment in technology, marketing and employees, with headcount rising by 69 to 662.

While operating expenses rose by CHF 18.8 million, **operating income** rose by CHF 26.8 million. In keeping with this expenditure/income development, all profit figures advanced sharply: **operating profit** was up by 17.4 percent to CHF 53.8 million (CHF 45.8 million) and the operating profit margin rose to 25.1 percent (24.4 percent), while **net profit** increased by 13.8 percent to CHF 44.6 million (CHF 39.2 million) and the net profit margin remained stable at 20.8 percent (20.9 percent).

The **capital ratio** amounted to 29.0 percent (26.1 percent). Accordingly, Swissquote remains one of Switzerland's best-financed banks.

Total equity increased by 19.3 percent to CHF 352.2 million (CHF 295.1 million). Of this amount, EUR 27.7 million will be withdrawn as the purchase price for Luxembourg-based Internaxx Bank, which was acquired in August 2018. The purchase agreement should take effect before the end of the first quarter of 2019, following approval of the transaction by the Luxembourg and European supervisory authorities.

¹ Operating revenues exclude cost of negative interest rates (CHF 9.0 million) and unrealised fair value impact (CHF 1.9 million).

² Including credit loss expense.

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High new money inflow of more than CHF 3 billion

Despite a high **net new money inflow** of CHF 3.115 billion (CHF 2.714 billion), **client assets** declined slightly by 1.2 percent to CHF 23.822 billion (CHF 24.112 billion) as a result of general market developments. As at the end of 2018, clients held assets of CHF 22.959 billion (-0.1 percent) in trading accounts, CHF 306.3 million (-49.0 percent) in saving accounts, CHF 191.7 million (-5.6 percent) in Robo-Advisory accounts and CHF 365.2 million (+11.0 percent) in eForex accounts.

The **total number of accounts** grew by 19,814 (+6.4 percent) to 329,100 (309,286). The breakdown of accounts is as follows: 256,565 trading accounts (+8.3 percent), 21,831 saving accounts (-24.6 percent), 2,732 Robo-Advisory accounts (+43.9 percent) and 47,972 eForex accounts (+15.4 percent).

Redesigned platform for Robo-Advisory

The bank's Robo-Advisory platform was completely overhauled in 2018 and now has an even more user-friendly design. In addition, the investment universe was expanded further with the inclusion of cryptocurrencies as an additional optional asset class. This is designed to further consolidate Swissquote's pioneering position in the Robo-Advisory market.

Pioneering role in business with cryptocurrencies confirmed

Back in mid-2017, Swissquote became the first European online bank to offer its clients the option of investing and trading in cryptocurrencies in either EUR or USD. Clients invest and trade in cryptocurrencies through their normal Swissquote trading accounts, just as they would in traditional currencies, equities or funds.

Swissquote strengthened its pioneering role in the business with cryptocurrencies in 2018, becoming the first bank to offer so-called initial coin offerings (ICOs).

In order to establish standards for the use of blockchain technology in the capital markets, Lenz & Staehelin, Switzerland's largest law firm, Swissquote Bank, market leader

in online banking, and Temenos, leading provider of banking software, established the Capital Markets and Technology Association (CMTA) in 2018. Marc Bürki, CEO of Swissquote, commented as follows on the bank's involvement in this joint venture: "The interaction of regulatory parameters in Switzerland with the emergence of new technologies is making it easier for companies to distribute their securities and raise capital, and for investors to acquire and trade these assets. We are pleased to be participating in this project, which opens up opportunities for companies in the market as a whole."

Unique multi-currency credit card

In June, Swissquote launched a unique multi-currency credit card. Unlike a traditional credit card, this allows the holder to execute purchases in twelve currencies. These are settled directly in the foreign currency without any conversion or foreign currency charges being levied.

Acquisition of Luxembourg-based Internaxx Bank S.A.

In August, Swissquote announced the purchase of Internaxx Bank. The purchase agreement with Interactive Investor Limited (predominantly controlled by J.C. Flowers & Co.) will take effect after the approval of the transaction by the Luxembourg and European supervisory authorities – which is expected to be issued by the end of the first quarter of 2019. The EUR 27.7 million purchase price includes goodwill of 25 percent and is being fully financed from equity capital.

The acquisition of Internaxx Bank secures for Swissquote unrestricted access to European markets, which is of particular importance in the context of the UK's impending departure from the EU (Brexit). Internaxx clients are primarily international investors and expats who want online access to international investments combined with the security of a European bank. In the future they will benefit from the even broader range of products and services offered by Swissquote.

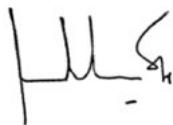
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Exchanging francs for diamond tokens

Swissquote is the first bank in the world to offer its clients the opportunity to participate in initial coin offerings (ICOs). Clients can purchase tokens with Swiss francs directly via their Swissquote account, and these tokens can then be held with Swissquote. The first ICO is being launched by the start-up company LakeDiamond, a spin-off of the Swiss Federal Institute of Technology in Lausanne (EPFL). The company in question produces artificial diamonds for industrial applications such as lasers, microelectronics and watch movements.

New appointment to Swissquote's Board of Directors

The Annual General Meeting of 4 May 2018 elected Dr. Monica Dell'Anna, Member of the Board at NZZ-Mediengruppe AG and Head of Products since January 2019 (previously Head of the Business Media division), as a new member of the Board of Directors. She was previously a member of the Group Executive Board of BKW AG, and also worked for Swisscom for more than a decade in various management functions. In the person of Monica Dell'Anna, the Board of Directors has acquired an experienced, entrepreneurial individual with proven expertise in digital transformation processes.



Mario Fontana
Chairman of the Board

Distribution of profit to shareholders

In light of the very good development of business, the Board of Directors is proposing that the Annual General Meeting of Swissquote Group Holding Ltd of 10 May 2019 distributes a dividend of CHF 1.00 per share (CHF 0.90) to shareholders.

Acknowledgements

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



Marc Bürki
Chief Executive Officer