

Report to the shareholders

Dear shareholders,

Swissquote can look back on a strong year. Operating income recorded a year-on-year rise of 7.5 percent to CHF 230.6 million. At CHF 44.7 million, net profit was higher than in the previous year – and surpassed expectations – despite significantly higher personnel expenses and depreciation. Thanks to a net new money inflow of CHF 4.6 billion, client assets rose to a record CHF 32.2 billion.

Revenues set new record

At CHF 239.9 million, **operating revenues**¹ reached their highest level ever, recording a year-on-year rise of 6.4 percent (previous year: CHF 225.4 million). When adjusted for negative interest rates (-CHF 9.5 million) and fair value adjustments (+CHF 0.3 million), **operating income**² amounted to CHF 230.6 million, 7.5 percent up on the previous year (CHF 214.5 million).

Despite a positive market environment and more than 30,000 new client accounts, **net fee & commission income** declined by 6.6 percent to CHF 92.9 million (CHF 99.5 million), as trading volumes decreased overall from 3.0 million to 2.8 million transactions. The cryptocurrency business contributed CHF 6.3 million (CHF 9.8 million) to fee & commission income.

Net eForex income rose by 19.0 percent to CHF 85.5 million (CHF 71.8 million). Thanks to substantial investment in the improvement of system efficiency, revenues were up by 19.0 percent while trading volumes rose by just 3.2 percent to USD 1,218 billion (USD 1,180 billion).

Net interest income³ increased by 20.7 percent to CHF 40.1 million (CHF 33.2 million). Key drivers of this development included the monetary policy of central banks and the adjustment of the company's own negative interest policy. Swissquote now imposes negative interest rates on cash amounts of more than CHF/EUR 500,000, although a proportion of this charge is reimbursed to clients in the form of trading credits.

Net trading income (currency trading excluding eForex) recorded a slight rise of 2.3 percent to CHF 21.4 million (CHF 20.9 million).

Operating expenses in line with expectations

At CHF 180.1 million (CHF 160.8 million), **operating expenses** were 12.0 percent higher than the previous year. This increase is above all attributable to higher personnel expenses (+CHF 11.0 million), which rose primarily as a result of the integration of Internaxx Bank S.A. and an increase in depreciation (+CHF 5.0 million). Total headcount was up by 60 employees (36 at Internaxx) to 722.

Net profit exceeds expectations

The rise in expenses brought about a 5.9 percent decrease in **operating profit** to CHF 50.6 million (CHF 53.8 million) and resulted in an operating profit margin of 21.9 percent (25.1 percent). Contrary to expectations, the **net profit** figure of CHF 44.7 million slightly surpassed the prior-year figure (CHF 44.6 million). A positive factor here was the implementation of new corporate tax regime in Canton of Vaud. The net profit margin amounted to 19.4 percent (20.8 percent).

Solid capital base

The Basel III **capital ratio** remains at a high 21.7 percent (29.0 percent) even after the purchase of Internaxx. Swissquote therefore remains one of Switzerland's best-financed banks. **Total equity** increased by 6.4 percent to CHF 374.8 million (CHF 352.2 million).

Client assets surge by more than a third

Half of the high **net new money inflow** of CHF 4.558 billion (CHF 3.115 billion) relates to organic growth, while the other half derives from the integration of the accounts of Internaxx. A combination of this high net new money inflow and general stock market developments in 2019 saw **client assets** rise by 35.3 percent to CHF 32.2 billion (CHF 23.8 billion). As at the end of December 2019, clients held assets of CHF 31.3 billion (+36.3 percent) in trading accounts, CHF 265.5 million (-13.3 percent) in saving accounts, CHF 231.9 million (+21.0 percent) in Robo-Advisory accounts and CHF 447.0 million (+22.4 percent) in eForex accounts.

¹ Operating revenues exclude cost of negative interest rates (-CHF 9.5 million) and unrealised fair value impact (CHF 0.3 million).

² Including credit loss expense.

³ Excluding cost of negative interest rates.

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The **total number of accounts** grew by 30,512 (+9.3 percent) to a record 359,612. The breakdown of accounts is as follows: 281,814 trading accounts (+9.8 percent), 19,717 saving accounts (-9.7 percent), 3,362 Robo-Advisory accounts (+23.1 percent) and 54,719 eForex accounts (+14.1 percent).

Successful expansion in Europe and Asia

In 2019, Swissquote reached two important milestones in the implementation of its long-term growth strategy. On the one hand, it completed the takeover of the Luxembourg-based Internaxx Bank. This institution is being fully integrated into Swissquote Group under the name **Swissquote Bank Europe SA**. The focus of its activities lies on European private clients. Its revenues from ordinary business activities have been consolidated in the Swissquote figures from April onwards – these amounted to CHF 10.0 million for these nine months. In addition, the Monetary Authority of Singapore (MAS) issued a Capital Market Service License (CMSL) to the subsidiary **Swissquote Pte. Ltd**, which was founded in Singapore the previous year. The first asset managers and institutional clients have already been acquired.

New asset categories for Robo-Advisory

In August, Swissquote expanded its Robo-Advisory offering to include the asset categories of cryptocurrencies and real estate. The Robo-Advisor invests in multi-asset strategies. The offering, which started with equities, fixed income instruments and commodities, now also extends to investments in cryptocurrencies and real estate. The new real estate category comprises ETFs and investment funds that focus on this asset category either directly or via listed companies.

New issuer on Swiss DOTS

In November, Swissquote announced that it would be further expanding its offering on the OTC trading platform Swiss DOTS. The new issuer, BNP Paribas, will be adding some 10,000 leveraged products to the existing offerings of the two founding partners, UBS and Goldman Sachs, and those of Commerzbank and Bank Vontobel. By contrast, Deutsche Bank removed its offering from Swiss DOTS as per the end of 2019.

Distribution of profit to shareholders

In view of the very robust development of business, the Board of Directors is proposing that the Annual General Meeting of Swissquote Group Holding Ltd on 5 May 2020 distributes an unchanged dividend of CHF 1.00 per share to shareholders.

Thanks

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 success and therefore its long-term security, solidity, and growth. We attach great importance to their suggestions and requests as well as their criticism, all of which help to drive us forward. We would also like to thank our shareholders for the trust they have placed in our company, and 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 to grow our business.



Markus Dennler
Chairman of the Board
of Directors



Marc Bürki
Chief Executive Officer