

Remuneration Report 2019

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Remuneration Report

1 Introduction

This Remuneration Report informs on the remuneration of the Board of Directors (the "Board") and the Executive Management of Swissquote Group Holding Ltd (the "Company") and, where applicable, its consolidated subsidiaries (together, the "Group"). It provides information on the Group's remuneration policy and the components of the remuneration, and reports on the type and size of payments made during the period under review.

In accordance with the Ordinance against Excessive Compensation in Listed Corporations (the "Ordinance"), the Company has the obligation to issue every year a Remuneration Report separately from the Annual Report. This Remuneration Report contains the information required by the Ordinance, Section 5 of the Annex to the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as Art. 663c of the Swiss Code of Obligations (CO). In accordance with the requirements set forth in the Ordinance, Section 5 of this Remuneration Report was audited by the Company's auditors, PricewaterhouseCoopers Ltd; a copy of the audit report is enclosed.

Although not legally required, but in line with international standards and its previous practice, the Board intends to submit this Remuneration Report to a consultative vote by the General Meeting of shareholders (the "General Meeting") at the Ordinary General Meeting (the "Ordinary General Meeting") of 5 May 2020.

The General Meeting shall approve annually, at the Ordinary General Meeting, the maximum aggregate amount of remuneration payable to (1) the Board for a period running from said Ordinary General Meeting to the next Ordinary General Meeting and (2) the Executive Management for the financial year starting after said Ordinary General Meeting. Section 5 of this Remuneration Report comprises tables that report on the total amount of remuneration granted to the Board and the Executive Management for the financial year under review. Therefore, as far as the remuneration of the Board is concerned, the period covered by the General Meeting's binding say on pay differs from the period reported in the tables of this Remuneration Report.

In this context, Section 6 of this Remuneration Report in particular aims at reconciling the maximum aggregate remuneration for the Board and the Executive Management with the remuneration actually paid. The proposal of the Board on the maximum aggregate remuneration for the Board and the Executive Management is included in the invitation to the Ordinary General Meeting.

For further information on remuneration matters, reference is made to the Articles of Incorporation of the Company last amended on 4 May 2018 and applicable as at 31 December 2019, which are available at <https://en.swissquote.com/company/investors> in the French original version together with an English free translation (the "Aol").

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2 Remuneration policy

The Group's remuneration policy is an important component of its corporate framework and has the ultimate purpose to deliver sustainable growth and performance to shareholders, provide a favourable development ground for the Group's employees and induce a responsible and ethical behaviour vis-à-vis the Group and the community. The remuneration policy is designed to attract, motivate and retain the best qualified employees, and to reward merit as well as medium and long-term performance, with due care to the Group's success and stage of development and in alignment with the interest of shareholders. Wage fairness and sustainability are also important components of the Group's remuneration policy. With due care to labour market constraints, the Group seeks to keep multiples between lowest and highest paid employees within sensible ranges.

3 Organisation and competencies

3.1 Nomination & Remuneration Committee

In line with Art. 20^{bis} Para. 3 of the Aol, the Board has entrusted the remuneration committee with further tasks in the field of succession planning and nominations, and therefore named the committee "Nomination & Remuneration Committee" (the "NRC"). The NRC is governed by Art. 20^{bis} of the Aol, the Organisation Regulations and the Charter of the NRC. Pursuant to Art. 20^{bis} Para. 1 of the Aol and the Charter of the NRC, the NRC is composed of at least two independent members of the Board. The General Meeting elects the members of the NRC individually. The term of office ends at the close of the next Ordinary General Meeting. Members may be re-elected.

At the Ordinary General Meeting of 10 May 2019, Markus Dennler was appointed as Chairman of the Board and therefore did not seek re-election as member of the NRC. Beat Oberlin was elected and Monica Dell'Anna was re-elected as members of the NRC. Beat Oberlin was subsequently appointed by the Board as Chairman of the NRC.

As per the Charter of the NRC, there shall be at least two meetings of the NRC per financial year. In 2019, the NRC met six times (four physical meetings and two conference calls). In average, a physical meeting lasted for one hour and a conference call lasted for 30 minutes. At each meeting held in 2019, the Chairman Beat Oberlin, Monica Dell'Anna and the other Board members were present. Members of the Executive Management were invited to all the meetings, except where there was a review of their personal situation. No external advisors attended the meetings.

The Chair of the NRC reports on the activities of the Committee at the following Board meeting or more often when required by the circumstances. In addition, the minutes of the meeting of the NRC are provided to all Board members.

In 2019, the Company did not consult with external advisors with respect to the structuring of remuneration, share ownership or any related matters.

In accordance with the Organisation Regulations and the Charter of the NRC, the NRC has no decision-making powers. It only acts in an advisory or preparatory capacity to support the Board and reports to the latter on the outcome of its reviews together with its recommendations, including in terms of succession planning, training and need for external support. In particular, it has the following duties:

Generally:

- Review the remuneration policy and system inter alia with due care to the stage of development of the Group and the industry practice, and make sure they are always compliant with applicable legal and regulatory requirements.

With respect to the Board:

- Regularly review inter alia the size and composition of the Board as well as the independence of its members, in order to ensure compliance with the legal and regulatory requirements, in particular with FINMA Circular 2017/1 "Corporate Governance – banks", and consistency with the Group's corporate governance framework;
- Conduct an annual review of the remuneration of the Board members;
- Recommend to the Board for approval and, as the case may be, for proposal to the General Meeting, the form and amount of remuneration to be paid to the Chair of the Board, to the other Board members as well as to the Chair and members of each Board Committee, in line with the Aol and the resolutions of the General Meeting.

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3.1 Nomination & Remuneration Committee (continued)

With respect to the Management:

- Make recommendations to the Board regarding the general remuneration policy of the Executive Management and other members of the Management (together, the "Management");
- Regularly review the employment contracts of the Management and make recommendations to the Board on the remuneration of the Management;
- Make recommendations to the Board and assist the Board regarding the determination and evaluation of the remuneration system and the principles of remuneration, always in line with the Aol, including proposal to the Board of short- or long-term incentive plans and equity-based plans (including but not limited to stock options, restricted shares and similar instruments), regular review of the plans and proposal of modifications, suspensions or discontinuation of such plans;
- Review the organisation of the Group from a human resources perspective and make recommendations for nomination and dismissal of the Management;
- Review the succession plan for the Management, both for emergencies as well as long-term planning;
- Prepare the proposals to be submitted to the General Meeting pursuant to Art. 14^{bis} of the Aol (approval of remuneration) or in relation to the amendments to the provisions of the Aol that address remuneration matters.

For further information on the NRC, reference is made to the Aol (in particular Art. 14^{bis} and 20^{bis}).

3.2 Board of Directors

Subject to the prerogatives of the General Meeting and in line with the applicable laws and Art. 14^{bis} of the Aol, the Board is competent to decide on all relevant issues related to remuneration.

The Board, which is composed of non-executive members only, makes its decisions based on the proposals of the NRC. Board members attend the part of the Board meeting where their remuneration is decided on, and, except if otherwise requested by a Board member, resolve on all recommendations of the NRC regarding Board remuneration in one vote. Members of the Executive Management do not attend the part of the Board meeting where their remuneration is decided on.

3.3 General Meeting

Binding vote on pay

Pursuant to Art. 9 Para. 2 and 14^{bis} Para. 1 of the Aol, the General Meeting shall approve annually the proposals of the Board with regard to the maximum aggregate amount of:

- The remuneration payable to the Board for the period until the next Ordinary General Meeting pursuant to Art. 21^{bis} of the Aol; and
- The remuneration payable to the Executive Management for the following financial year pursuant to Art. 21^{ter} of the Aol.

This prospective vote allows the Company to avoid the legal uncertainties that could arise from post hoc votes. At the Ordinary General Meeting of 10 May 2019, the following maximum aggregate amounts were approved:

- CHF 870,000 for the Board; and
- CHF 6,350,000 for the Executive Management.

For further information on the binding vote on pay, reference is made to the Aol, in particular Art. 14^{bis}.

Consultative vote on Remuneration Report

Since 2011, it has been the Company's policy to submit the Remuneration Report to a consultative vote by the shareholders and the Board intends to sustain this practice.

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4 Remuneration components

4.1 Generalities

As at 31 December 2019, the following remuneration components were available for the level of responsibilities listed below:

	Base remuneration		Variable remuneration				
	Cash	Shares	Cash bonus (short-term)	Shares (long-term)	Stock options (long-term)	Pension fund contributions and benefits	Other remuneration
Board members	Yes	Yes	Not eligible	Not eligible	Not eligible	Not eligible	Eligible
Members of the Executive Management	Yes	Not eligible	Eligible	Not eligible	Eligible	Eligible	Eligible
Other employees	Yes	Not eligible	Eligible	Eligible subject to conditions	Eligible subject to conditions	Eligible	Eligible

Base remuneration

Cash component

The base remuneration depends on the level of seniority and the area in which an employee exercises his/her function. It is paid out in cash in monthly instalments, after deduction of any social insurance, pension fund and other contributions.

Board share plan

The Board share plan is distinct from the employee share plan and does not relate to variable remuneration.

Variable remuneration

The current remuneration framework does not allow for any variable remuneration for the Board. Art. 21^{ter} Para. 2 of the Aol sets forth the principles applicable to the variable remuneration of the members of the Executive Management, which are as follows:

- The short-term remuneration elements depend in particular on quantitative and qualitative objectives that can take into account results of the Company or parts of the Company, on objectives in relation to the market or other companies and/or on specific objectives. The extent to which the objectives are met is generally assessed over a period of one year and can give rise to a short-term remuneration. Cash bonus is considered short-term remuneration.

- The long-term remuneration elements depend in particular on the quantitative strategic objectives of the Company and/or on specific objectives. The extent to which the objectives are achieved is generally assessed over a period of several years. Grants of shares and stock options are considered long-term remuneration.

Further, pursuant to Art. 21^{ter} Para. 3 of the Aol, the Board sets the objectives and subsequently carries out an evaluation of the extent to which these are achieved. The remuneration can be paid or guaranteed in cash, in shares, in options, in similar financial instruments, in kind, or in another form of earnings. The Board decides on the conditions of granting, entitlement, exercising and due date, as well as the timing of the allocation and valuation of shares, options and similar financial instruments, and also stipulates a blocking period if necessary. It may issue rules in respect of the early implementation or expiry of conditions of entitlement and exercise, in respect of the payment or assurance of performance-based remuneration, or in respect of the due date upon the occurrence of predetermined events such as a change of control or the termination of an employment relationship or mandate.

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4.1 Generalities (continued)

Employee share plan

The Group offers its eligible employees the opportunity to directly participate in the long-term success of the Group by purchasing Swissquote shares at a discounted price. The employee share plan aims to reward sustained, long-term performance and align shareholder and employee interests more closely.

The employee share plan can be made available to all eligible employees. Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, the Board will at its entire discretion decide every year whether and how many shares will be offered and to whom; no eligible employee has an enforceable right to be granted shares at a discounted price. The Board seeks to keep a sensible relation between the number of shares offered to members of the respective levels of the organisation.

Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, the Board decides, at its discretion, the terms of the employee share plan, including the proceedings and the date of grant of the shares, the price to acquire the shares and the blocking period of the shares and its terms. During the blocking period, the employee is not entitled to sell, donate, pledge or otherwise transfer the shares. In case of change of control, the Board may decide to put an end to any ongoing blocking period.

In 2019, shares were offered for free (no price paid for the acquisition) to all eligible employees. They are blocked for a period of five years as from their attribution.

Employee option plan

The Group operates a stock option plan in order to allow for a long-term participation of eligible employees in the growth of the stock price of the Company.

Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, the Board is responsible for deciding at its own discretion on the terms of the options and the number of options offered. The terms of the options provide that options offered are divided in three equal tranches, each tranche becoming exercisable respectively one, two and three years after the date of grant. The exercise period is two years. The exercise of one option allows acquiring one Swissquote share (ratio 1:1). Options granted are vested on the date of exercise.

As a result, employees holding options who leave the Group before their options become exercisable lose their right to exercise their options, unless the Board (or the body to which it delegated this task) decides otherwise.

Since 2007 and in ordinary business circumstances, the maximum number of options that can be offered in a single financial year is determined based on a set ratio expressing the percentage of the fair value of the options offered compared to the base remuneration payroll costs. The ratio was 2.5% in 2019 (3.0% in 2018). In ordinary business circumstances, the grant of options to individual employees is made based on the level of an employee in the organisation. In 2019, options were offered to all eligible employees from the middle management to the Executive Management. All employees belonging to the same level of the organisation are offered the same number of options. The Board seeks to keep a sensible relation between the number of options offered to members of the respective levels of the organisation.

In case of change of control, the Board may decide that any non-exercisable option becomes exercisable as of the date and within the period determined by the Board. The Board may also decide that outstanding options shall be replaced by new options having the equity securities of the acquiring Company or another related company as underlying asset, provided that the value of the options received as a replacement for the options is at least equal to the value of the options that they replace on the date the decision is made.

Further details on options valuation are provided in Note 15.2 to the consolidated financial statements (Section VII).

Pension fund contributions and benefits

Pension fund contributions and benefits depend on the level of management, age, and remuneration.

Loans

Pursuant to Art. 21 Para. 2 of the Aol, the Company may grant loans and credits to the members of the Board and of the Executive Management at market terms or at terms which apply to all employees. Loans and credits which do not satisfy such conditions are authorised provided that, in each single case, they do not exceed the amount of CHF 100,000 and to the extent that they have been approved by the General Meeting, either individually or as part of an aggregate amount.

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4.1 Generalities (continued)

Indemnification

Pursuant to Art. 21 Para. 3 of the Aol, the Company may indemnify members of the Board and of the Executive Management for any loss suffered in connection with lawsuits, trials or settlements relating to their work for the Company and its subsidiaries, or advance appropriate amounts and take out insurance.

Other remuneration

The cash component of the base remuneration may be supplemented by a fixed indemnity covering estimated out-of-pocket expenses. Out-of-pocket expenses are determined in accordance with applicable local tax principles.

The Group employees enjoy benefits on the consumption of services provided by the Group (such as favourable conditions on their Swissquote trading account) and other benefits of minor importance.

4.2 Elements of the remuneration of the members of the Board of Directors

As reflected in the table introducing Section 4.1 and in accordance with Art. 21^{bis} Para. 1 of the Aol, the remuneration of the Chair of the Board and other Board members comprises the annual base remuneration applicable up until the following Ordinary General Meeting, as well as social insurance contributions, insurance premiums and other benefits, which must be regarded as remuneration.

Base remuneration

Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, the base remuneration, which is reviewed annually, is set at the discretion of the Board in response to a proposal by the NRC. The review of the remuneration of the Board takes several factors into consideration, such as the trends in remuneration of Board members in Switzerland and/or in companies that are comparable (in terms of industry and size) according to publicly available information, although no defined benchmark is used. Further, the Board seeks to keep a sensible relation between the base remuneration of the Board members and that of the Executive Management.

In accordance with Art. 21^{bis} Para. 2 of the Aol, the Board can decide to have part of the annual base remuneration paid in the form of shares. In this case, it decides on the conditions, including the conditions of grant and the valuation of shares, and stipulates a possible blocking period. The Board share plan is distinct from the employee share plan and does not relate to variable remuneration.

No variable remuneration

Members of the Board are not eligible for any variable remuneration.

Other remuneration

The Board members receive a fixed indemnity covering their estimated out-of-pocket expenses. Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, it is set annually at the discretion of the Board in response to a proposal by the NRC.

The Board members enjoy the same benefits on the consumption of services provided by the Group as the Group employees (such as favourable conditions on their Swissquote trading account). The aggregate amount of such benefits is not considered material and is therefore not reported in this Remuneration Report.

Loans

Pursuant to Art. 21 Para. 2 of the Aol, the Company may grant loans and credits to the members of the Board at market terms or at terms which apply to employees. Loans and credits which do not satisfy such conditions are authorised provided that, in each single case, they do not exceed the amount of CHF 100,000 and to the extent that they have been approved by the General Meeting, either individually or as part of an aggregate amount.

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4.3 Elements of the remuneration of the members of the Executive Management

As reflected in the table introducing Section 4.1 and in accordance with Art. 21^{ter} Para. 1 of the Aol, the remuneration of the members of the Executive Management comprises:

- A base remuneration, which is cash-based;
- A variable remuneration in the form of:
 - A cash component (bonus) capped at 150% of the base remuneration;
 - A share plan;
 - An option plan;
- Social insurance contributions made by the Company;
- Pension fund contributions and benefits;
- A fixed indemnity covering their estimated out-of-pocket expenses (other remuneration).

Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, all of these items are set at the discretion of the Board and reviewed annually. Members of the Executive Management do not attend the part of the Board meeting where their remuneration is decided on.

Base remuneration

The base remuneration of the members of Executive Management is cash-based. It is reviewed annually by the Board and, when necessary, adjusted by the Board at its discretion – within the framework of the applicable laws, the Aol and the decisions of the General Meeting – in response to a proposal by the NRC. The base remuneration of the members of the Executive Management was last increased in March 2018.

Variable remuneration

Annual cash bonus

Art. 21^{ter} Para. 2 of the Aol allows for a cash bonus up to 150% of the base remuneration.

Each year, the Board sets a list of quantitative and qualitative objectives to the Executive Management as a whole. Members of the Executive Management are not set individual objectives. The objectives set to the Executive Management are classified in four typologies:

- Financial objectives;
- Growth objectives;
- Defensive/conservation objectives;
- Other objectives.

For each typology, there may be one or more objectives associated with a weighted target. The number and the nature of objectives may vary from one year to the other at the discretion of the Board. For confidentiality reasons, the detail of such objectives is not disclosed in this Remuneration Report.

For the financial year under review, the objectives that were merely quantitative and the objectives that were largely quantitative (involving judgement to a small extent) represent approximately 70% of the total weight. The remaining objectives representing approximately 30% of the total weight involve an evaluation using a more judgemental approach in order to determine their level of achievement.

The performance review is carried out by the NRC, shortly before the auditors deliver their Audit Report on the consolidated financial statements of the year under review.

The cash bonus payable to the Executive Management is determined by the Board at its entire discretion, using the following two-step process:

- Step 1: The NRC collects the data that are required in order to measure the degree of achievement of the respective objectives set and determines a total score. For determining the final score, the NRC also considers the possible impact on the total score resulting from developments or event that occurred in the year under review and that could not be considered at the time the objectives were set. The final score is converted into a percentage of the annual base remuneration of the Executive Management using predefined scales, which are reviewed periodically. The application of the percentage represents the maximum cash bonus that members of the Executive Management may receive.
- Step 2: In response to a proposal by the NRC, the Board determines the maximum aggregate variable remuneration to be allocated in cash, shares and stock options to all Group employees and the respective portion for the cash bonus and non-cash elements of the variable remuneration. The maximum aggregate variable remuneration is based on several factors, among which (1) the return on the base profit that is defined as the ratio of the reference pre-tax profit (i.e. the pre-tax profit adjusted by material one-offs, if any, plus the amount of the accrued variable remuneration in said financial year) to the reference capital (i.e. the regulatory capital required for the operations plus the internal capital buffers in said year, the amount of which is determined by the Board as part of its regulatory obligations in terms of capital planning) and (2) the structure of the distribution of the reference pre-tax profit between (a) the shareholders (dividend and other pay-outs), (b) the Group employees (aggregate variable remuneration) and (c) the amount to be retained by the Group itself for the purpose of supporting its future activities.

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4.3 Elements of the remuneration of the members of the Executive Management (continued)

With due care to (1) the amount of variable remuneration paid in cash, shares and options to Group employees other than the Executive Management and (2) the fair value of the components of the long-term variable remuneration granted to the members of the Executive Management, the maximum cash bonus that members of the Executive Management would receive in accordance in Step 1 is reduced to the amount available as determined in Step 2.

Employee share and stock option plan

Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, the Board is responsible for making discretionary decisions – in response to a proposal by the NRC – with respect to (1) the terms of the share attributions and the number of shares offered and (2) the terms of the options and the number of options offered.

The combination of shares and stock options may vary from one year to the other, but the aggregate fair value shall be consistent with the growth profile of the Group. The fair value of the variable remuneration allocated to each member of the Executive Management is the same in a given calendar year and the maximum aggregate fair value is determined with due care to the maximum aggregate variable remuneration to be allocated in cash, shares and stock options to all Group employees and the respective share for the cash bonus and non-cash elements of the variable remuneration.

Pension fund contributions and benefits

Pursuant to Art. 21^{ter} Para. 1 of the Aol, social insurance contributions and pension fund contributions are made to members of the Executive Management.

Other remuneration

The members of the Executive Management receive a fixed indemnity covering their estimated out-of-pocket expenses. Within the framework of the applicable laws, the Aol and the decisions of the General Meeting, it is set annually at the discretion of the Board in response to a proposal by the NRC. The members of the Executive Management enjoy the same benefits as all the other employees (such as favourable conditions on their Swissquote trading account). The aggregate amount of such benefits is not considered material and is therefore not reported in this Remuneration Report.

Loans

Pursuant to Art. 21 Para. 2 of the Aol, the Company may grant loans and credits to the members of the Executive Management at market terms or at terms which apply to all employees. Loans and credits which do not satisfy such conditions are authorised provided that, in each single case, they do not exceed the amount of CHF 100,000 and to the extent that they have been approved by the General Meeting, either individually or as part of an aggregate amount.

Duration of contracts

The termination period of the employment contracts of the members of the Executive Management is six months.

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5 Remuneration for the financial year under review

The remuneration reported in this section is applicable to all activities of the concerned persons in the Group, including, for the Board members, their board activities for the Company and Swissquote Bank Ltd, and, for the members of the Executive Management, their activities in the Board of Directors of the foreign subsidiaries of the Group.

This section of this Remuneration Report was audited by the Company's auditors.

5.1 Remuneration of the members of the Board of Directors

The tables in this section state the total remuneration for the members of the Board for the financial years 2019 and 2018. The cash components correspond to gross figures and include social insurance contributions paid by the Board members. Therefore, the figures relating to social insurance contributions only cover the amount paid by the Company. Other remuneration consists of an indemnity covering estimated out-of-pocket expenses.

	Base remuneration				Total
	Cash	Shares (tax value)	Social insurance contributions	Other remuneration	
in CHF					
Board remuneration 2019					
Markus Dennler, Chairman	131,944	30,024	13,700	2,000	177,668
Monica Dell'Anna, member	100,000	20,003	10,838	2,000	132,841
Martin Naville, member	100,000	20,003	10,838	2,000	132,841
Beat Oberlin, member	100,000	20,003	10,838	2,000	132,841
Jean-Christophe Pernollet, member	100,000	20,003	10,838	2,000	132,841
Mario Fontana, former Chairman	62,486	–	6,669	722	69,877
Subtotal	594,430	110,036	63,721	10,722	778,909
Difference between tax value and IFRS fair value of shares granted to the Board					21,017
Total remuneration 2019					799,926

As reflected in the above table, the total remuneration is calculated by taking into consideration the fair value of the shares granted to the Board. For information on the tax value and on the fair value, reference is made to Section 5.3.

At the Ordinary General Meeting of 10 May 2019, Markus Dennler was appointed as Chairman of the Board. The former Chairman Mario Fontana did not seek re-election. The latter's remuneration covers his period of office from 1 January 2019 to 10 May 2019.

Apart from the amount paid to Mario Fontana for his office time in 2019, no remuneration was paid, and no credit or loan was granted, to former Board members. In 2019, no remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

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

	Base remuneration				Total
	Cash	Shares (tax value)	Social insurance contributions	Other remuneration	
in CHF					
Board remuneration 2018					
Mario Fontana, Chairman	140,000	30,015	11,445	2,000	183,460
Monica Dell'Anna, member	66,667	20,022	7,649	1,333	95,671
Markus Dennler, member	93,333	20,022	9,715	2,000	125,070
Martin Naville, member	93,333	20,022	9,715	2,000	125,070
Beat Oberlin, member	93,333	20,022	9,715	2,000	125,070
Jean-Christophe Pernellet, member	93,333	20,022	9,715	2,000	125,070
Subtotal	579,999	130,125	57,954	11,333	779,411
Difference between tax value and IFRS fair value of shares granted to the Board					24,856
Total remuneration 2018					804,267

As reflected in the above table, the total remuneration is calculated by taking into consideration the fair value of the shares granted to the Board. For information on the tax value and on the fair value, reference is made to Section 5.3.

At the Ordinary General Meeting of 4 May 2018, Monica Dell'Anna was newly elected to the Board. The latter's remuneration covers her period of office from 4 May 2018 to 31 December 2018.

In 2018, no remuneration was paid, and no credit or loan was granted, to former Board members. Furthermore, no remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

Board remuneration changes from 2018 to 2019

The total remuneration slightly decreased from CHF 804,267 to CHF 799,926. This marginal decrease of 0.5% results from the decrease in the number of Board members combined with the increase of their respective remuneration, as decided in 2018.

More specifically, the total base remuneration in cash increased from CHF 579,999 to CHF 594,430, representing an increase of 2.5% and the shares' total tax value decreased from CHF 130,125 to CHF 110,036, representing a decrease of 15.4%. Further, the total social insurance contributions and pension fund contributions and benefits increased from CHF 57,954 to CHF 65,082, representing an increase of 12.3% and the other remuneration decreased from CHF 11,333 to CHF 9,361, representing a decrease of 17.4%.

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5.2 Remuneration of the members of the Executive Management

This Remuneration Report informs on the remuneration of the highest paid member of the Executive Management as well as the aggregate remuneration of all members of the Executive Management. This is in line with market practice and results from the application of the Ordinance.

The cash components correspond to gross figures and include social insurance contributions and pension fund contributions paid by the members of the Executive Management. Therefore, the figures relating to social insurance contributions and pension fund contributions and benefits only cover the amount paid by the Company. Other remuneration consists of an indemnity covering estimated out-of-pocket expenses.

	Base remuneration	Variable remuneration			Social insurance contributions	Other remuneration	Total
	Cash	Cash bonus	Stock options (fair value at grant)				
in CHF							
Executive Management remuneration 2019							
Marc Bürki, CEO (highest paid)	520,000	225,437	28,896		122,840	21,600	918,773
Aggregate of all members of the Executive Management	3,015,000	1,307,103	231,170		712,388	138,600	5,404,261

In 2019, the aggregate short-term performance-related remuneration of the Executive Management (cash bonus) represents 43.4% of their aggregate base remuneration. Further, reference is made to Section 7.

No remuneration was paid, and no credit or loan was granted, to former members of the Executive Management. No remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

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

	Base remuneration		Variable remuneration			Total
	Cash	Cash bonus	Stock options (fair value at grant)	Social insurance contributions	Other remuneration	
in CHF						
Executive Management remuneration 2018						
Marc Bürki, CEO (highest paid)	513,134	213,000	36,131	91,698	21,600	875,563
Aggregate of all members of the Executive Management	2,139,035	927,000	180,655	391,761	90,600	3,729,051

In 2018, the aggregate short-term performance-related remuneration of the Executive Management (cash bonus) represents 43.3% of their aggregate base remuneration.

No remuneration was paid, and no credit or loan was granted, to former members of the Executive Management. No remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

Executive Management remuneration changes from 2018 to 2019

The total base remuneration increased from CHF 2,139,035 to CHF 3,015,000, representing an increase of 41.0%, which is almost exclusively related to the appointment of three new Executive Management members.

The total cash bonus increased from CHF 927,000 to CHF 1,307,103, representing an increase of 41.0%, which reflects the level of achievement of the objectives set to the Executive Management for 2019 and the appointment of three new Executive Management members.

Neither in 2018 nor in 2019 were shares granted to the Executive Management. Compared to 2018, the fair value of the stock options granted increased from CHF 180,665 to CHF 231,170, representing an increase of 28.0%, which is mainly related to the appointment of three new Executive Management members.

The total social insurance contributions and pension fund contributions and benefits increased from CHF 391,761 to CHF 712,388, representing a total increase of 81.8%, which is mainly related to the appointment of three new Executive Management members.

The other remuneration increased from CHF 90,600 to CHF 138,600, representing an increase of 53.0%, which is exclusively related to the appointment of three new Executive Management members.

Overall total remuneration increased from CHF 3,729,051 to CHF 5,404,261, representing a total increase of 44.9% which is mainly related to the appointment of three new Executive Management members.

Remuneration Report

5.3 Valuation principles

The cash bonus is determined based on the accrual (cash bonus) in the financial year under review of the bonus payable in the following financial year. It is based on the results of the financial year under review.

The fair value of the shares is determined in accordance with the International Financial Reporting Standards (IFRS). It represents the market price, i.e. the price that would be received for a share in an orderly transaction between market participants on the grant date.

The market price of the shares granted to the Board in 2019 was CHF 48.5. The market price of the shares granted to the Board in 2018 was CHF 45.3. Since 2018, no shares have been granted to the Executive Management.

The tax value of the shares is determined based on the Swiss Federal Tax Administration Circular Letter No. 37 on Taxation of Employee Participations and Circular Letter No. 37A on Tax Treatment of Employee Participations with the Employer. It represents the market price of the share on grant date discounted by a fixed percentage for a certain period of blocking.

Shares granted to the Board in 2019 are blocked for three years from their grant date and their tax value amounts to CHF 40.7 per share. This tax value represents the market price of the share on grant date (i.e. CHF 48.5) discounted by 16.0%.

Shares granted to the Board in 2018 are blocked for three years from their grant date and their tax value amounts to CHF 38.0 per share. This tax value represents the market price of the share on grant date (i.e. CHF 45.3) discounted by 16.0%.

The fair value of the options is determined based on the Black-Scholes valuation model. The most significant inputs into the model are the market value at grant, the strike price, the expected life of the options and the volatility. The volatility is measured over a period of ten years. Other inputs into the model are the risk-free interest rate and the dividend yield. One option grants the right to acquire one Swissquote share (ratio 1:1). For the financial year 2019, the fair value amounts to CHF 5.8 on average per option on grant date. For the financial year 2018, the fair value amounts to CHF 10.0 on average per option on grant date.

Remuneration Report

5.4 Loans and credits to the Board and the Executive Management

The following loans and credits were granted to and were still outstanding as at 31 December 2019 with current and former members of the Board and of the Executive Management. All loans were granted at market conditions.

	2019	2018
in CHF		
Members of the Board		
Markus Dennler, Chairman	–	–
Monica Dell'Anna, member	–	–
Martin Naville, member	–	–
Beat Oberlin, member	–	–
Jean-Christophe Pernellet, member	–	–
Mario Fontana, former Chairman ¹	–	–
Closely related persons	–	–
Other former members	–	–
Total as at 31 December	–	–

	2019	2018
in CHF		
Members of the Executive Management		
Marc Bürki, CEO	5,025,420	5,046,495
Paolo Buzzi, CTO	1,977,789	2,998,643
Yvan Cardenas, CFO ²	–	–
Gilles Chantrier, CRO	–	–
Jan De Schepper, CSO ²	–	–
Lino Finini, COO ²	–	–
Morgan Lavanchy, CLO	–	–
Michael Ploog, CIO	–	–
Closely related persons	617,557	614,443
Former members	–	–
Total as at 31 December	7,620,766	8,659,581

¹ Mario Fontana did not seek re-election at the Ordinary General Meeting of 10 May 2019.

² Yvan Cardenas, Jan De Schepper and Lino Finini joined the Executive Management on 1 March 2019.

Remuneration Report

6 Reconciliation of remuneration with the approval of the General Meeting

At the Ordinary General Meeting of 4 May 2018, the shareholders approved a maximum aggregate remuneration of the Board amounting to CHF 1,000,000 for the period of office from the Ordinary General Meeting of 4 May 2018 until the completion of the Ordinary General Meeting of 10 May 2019. The total amount of remuneration paid out for this period was CHF 804,267, which is in line with what was approved at the Ordinary General Meeting of 4 May 2018. The above-mentioned maximum aggregate remuneration included a reserve of CHF 100,000 in order to cover potential exceptional tasks requiring an additional remuneration. No such additional remuneration was paid, i.e. the reserve was not used.

At the Ordinary General Meeting of 10 May 2019, the shareholders approved a maximum aggregate remuneration of the Board amounting to CHF 870,000 for the period of office from the Ordinary General Meeting of 10 May 2019 until the completion of the Ordinary General Meeting of 5 May 2020. The total amount of remuneration that will be paid out for this period is anticipated to be in line with the maximum aggregate remuneration approved at the Ordinary General Meeting of 10 May 2019. The final amount that will be paid will be disclosed in the 2020 Remuneration Report.

With respect to the remuneration of the Executive Management, the shareholders approved at the Ordinary General Meeting of 4 May 2018 a maximum aggregate remuneration of CHF 5,000,000 for the financial year 2019, taking into consideration an Executive Management comprising five members. The enlargement of the Executive Management by three additional members as from 1 March 2019 resulted in a total remuneration of CHF 5,404,261 for the entire Executive Management in 2019, which is higher than the maximum aggregate remuneration approved at the Ordinary General Meeting in May 2018. As already mentioned in the invitation to the Ordinary General Meeting of 10 May 2019, such situation is considered in the Art. 14^{bis} Par. 6 of the Aol, which provides that when additional Executive Management members are appointed after the date of approval by the Ordinary General Meeting of the maximum aggregate remuneration of the Executive Management, the Company is authorised to pay such additional members of the Executive Management a supplementary amount of up to 40.0% of the approved maximum aggregate remuneration.

At the Ordinary General Meeting of 10 May 2019, the shareholders approved a maximum aggregate remuneration for the Executive Management amounting to CHF 6,350,000 for the financial year 2020. The total amount of remuneration that will be paid out and accrued for this period is anticipated to be in line with the maximum aggregate remuneration approved at the Ordinary General Meeting of 10 May 2019. The final amount that will be paid will be disclosed in the 2020 Remuneration Report.

7 "Pay for Performance" appraisal for the financial year under review

As stated in Section 4.3, the Board sets each year a list of objectives to the Executive Management as a whole (i.e. no individual objectives).

Based on a proposal of the NRC, the Board assessed that the objectives set to the Executive Management for 2019 were over-achieved and set the aggregate cash bonus for the members of the Executive Management to CHF 1,307,103.

As a result, for the financial year 2019, the short-term performance-related remuneration of the Executive Management (cash bonus) represents 43.4% of their total base remuneration.

Remuneration Report

8 Share ownership information

As at 31 December 2019, the number of shares and options held by current Board members, members of the Executive Management and closely related persons, was 4,068,863 or 26.5% of the share capital.

The following tables were produced in accordance with Art. 663c CO and are also available in Note 25 to the consolidated financial statements (Section VII).

8.1 Shareholdings

For the sake of clarity, except for the shares granted as part of the Company's share plan, the shares enumerated in the following tables were not granted by the Group, but were acquired by the concerned shareholders, for instance as part of their investment in the initial capital of the Company or via ordinary purchases on the market.

	Number of shares as at 31 December 2019	Number of shares as at 31 December 2018
Members of the Board		
Markus Dennler, Chairman	31,465	30,728
Monica Dell'Anna, member	1,568	1,077
Martin Naville, member	11,275	10,784
Beat Oberlin, member	3,342	2,851
Jean-Christophe Pernollet, member	3,886	3,395
Mario Fontana, former Chairman ¹	492,219	492,219
Mario Fontana, closely related persons ¹	184,011	184,011
Other former members	–	–
Other closely related persons	–	–
Total as at 31 December	727,766	725,065

	Number of shares as at 31 December 2019	Number of shares as at 31 December 2018
Members of the Executive Management		
Marc Bürki, CEO	1,889,188	1,908,400
Paolo Buzzi, CTO	1,872,663	1,896,535
Yvan Cardenas, CFO ²	320	–
Gilles Chantrier, CRO	340	340
Jan De Schepper, CSO ²	220	–
Lino Finini, COO ²	1,820	–
Morgan Lavanchy, CLO	340	340
Michael Ploog, CIO	58,605	63,605
Closely related persons	86,542	91,772
Total as at 31 December	3,910,038	3,960,992

¹ Mario Fontana did not seek re-election at the Ordinary General Meeting of 10 May 2019.

² Yvan Cardenas, Jan De Schepper and Lino Finini joined the Executive Management on 1 March 2019.

Remuneration Report

8.2 Options

The following tables provide information on unexpired options granted to members of the Executive Management. These options have the Swissquote share (SQN; ISIN CH0010675863) as underlying and the exercise of one option allows acquiring one Swissquote share (ratio 1:1). The lock-up period ends one day before the start of the exercise period as mentioned in the tables below. Duration and strike prices are also listed below. As at 31 December 2019, no Board member held any unexpired option.

Marc Bürki, CEO, 16,467 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
1,573	04.08.16	04.08.18	04.08.20	25.95
1,574	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Paolo Buzzi, CTO, 18,041 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
1,574	04.08.15	04.08.18	04.08.20	25.66
1,573	04.08.16	04.08.18	04.08.20	25.95
1,574	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Yvan Cardenas, CFO, 9,359 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
786	04.08.16	04.08.19	04.08.21	25.95
787	11.08.17	11.08.19	11.08.21	34.02
786	11.08.17	11.08.20	11.08.22	34.02
667	06.08.18	06.08.19	06.08.21	68.81
667	06.08.18	06.08.20	06.08.22	68.81
666	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Remuneration Report

8.2 Options (continued)

Gilles Chantrier, CRO, 12,533 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
786	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Jan De Schepper, CSO, 10,933 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
787	04.08.16	04.08.18	04.08.20	25.95
786	04.08.16	04.08.19	04.08.21	25.95
787	11.08.17	11.08.18	11.08.20	34.02
787	11.08.17	11.08.19	11.08.21	34.02
786	11.08.17	11.08.20	11.08.22	34.02
667	06.08.18	06.08.19	06.08.21	68.81
667	06.08.18	06.08.20	06.08.22	68.81
666	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Lino Finini, COO, 9,359 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
786	04.08.16	04.08.19	04.08.21	25.95
787	11.08.17	11.08.19	11.08.21	34.02
786	11.08.17	11.08.20	11.08.22	34.02
667	06.08.18	06.08.19	06.08.21	68.81
667	06.08.18	06.08.20	06.08.22	68.81
666	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Remuneration Report

8.2 Options (continued)

Morgan Lavanchy, CLO, 15,680 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
787	04.08.15	04.08.18	04.08.20	25.66
787	04.08.16	04.08.18	04.08.20	25.95
786	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Michael Ploog, CIO, 14,917 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
523	04.08.16	04.08.18	04.08.20	25.95
1,574	04.08.16	04.08.19	04.08.21	25.95
1,073	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

9 Approval of the Remuneration Report

This Remuneration Report provides full transparency for the financial year 2019 with regard to the Group's remuneration arrangements and remuneration paid to the Board and the Executive Management. The Board intends to recommend that the General Meeting approve this Remuneration Report at the Ordinary General Meeting of 5 May 2020 (consultative vote).



Report of the statutory auditor to the General Meeting of Swissquote Group Holding Ltd Gland on the Remuneration Report 2019

We have audited the remuneration report of Swissquote Group Holding Ltd for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in section 5 on pages 164 to 169 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Swissquote Group Holding Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Beresford Caloia

Nicolas Journot

Audit expert
Auditor in charge

Audit expert

Lausanne, 16 March 2020

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Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

1 Introduction

FINMA circular 2016/1 "Disclosure – banks" requires to disclose qualitative and quantitative information about interest rate risk in the banking book (IRRBB disclosure). The Basel Committee on Banking Supervision (BCBS) defines the concept of banking book by opposition to the concept of trading book. The trading book comprises of any instrument that is available for sale and regularly traded for arbitrage profit and/or profiting from short term movements (e.g. Trading assets). Any instrument (on- and off- balance sheet position), which is not held for the purposes of the trading book, must be assigned to the banking book.

2 Frequency of the disclosure

The FINMA circular came into effect in January 2019. The first disclosure was provided for the period ended 30 June 2019 in our First Half Year 2019 Interim Financial Statements. The next publication will be done yearly with the Annual Report as of year-end.

3 Qualitative information

Definition of interest rate risk in the banking book

Interest rate risk in the banking book is defined as the potential loss in the net interest income (NII) or in the economic value of equity (EVE) arising from the effect of adverse interest rate changes.

Interest rate risk characteristics are inherent to the Group's business model and derive mainly from the balance sheet structure. On the liabilities side, the vast majority of the funding consists in at sight clients' deposits from whose interest rate conditions are revised regularly (when appropriate). Regarding the assets side, interest rate risk profile is more diverse with allocation including (among others) at sight deposits, treasury bills, interbank deposits, loans, derivatives financial instruments (FX swaps) and investment securities.

Strategy, processes and organisation

The Board of Directors defines the interest rate risk appetite of the Group. The principles for managing risk are approved by the Board of Directors and are incorporated in the Group risk management policies. The Group risk management policies define the organisational structure, responsibilities, limits and maximum acceptable risk with the objective to optimise the net interest income on a long term horizon. The Executive

Management is responsible for supervising and implementing the risk profile and recommending risk limits to the Board of Directors.

The interest rate risk management is centralised within the ALM & Treasury Department, which reports directly to the Chief Investment Officer. The activities of the ALM & Treasury Department are monitored daily by the Controlling & Risk Department by using various types of risk metrics (e.g. stress tests). The Controlling & Risk Department reports to the Chief Risk Officer.

On a quarterly basis, the Executive Management issues a Risk Report to the Audit & Risk Committee and the Board of Directors that includes the interest rate risk situation. This Risk Report presents inter alia the results of the stress tests with significant shifts in interest rate curves, the level of use of the risk limits and the distribution of relevant positions per currency and per maturity.

As of 31 December 2019, interest rate risk relating to the activities of Internaxx Bank SA is managed independently by its Management under the supervision of the Group.

Risk measurement

Risk measurement mechanisms regarding the interest rate risk modelling are aligned with the business model of the Group and in particular its short term resettable financing structure. Therefore, the risk measurement is focused on stress testing the banking book to ensure its adequacy with the risk appetite of the Group. From an interest rate risk monitoring and liquidity perspective, sight deposits are considered as partially stable deposits (behavioural assumptions). Nevertheless, in the prevailing interest rate environment, the investment strategy of the Group remains short term oriented without the need to hedge the risk of interest rate risk.

In addition to the daily monitoring of the net interest income, the Controlling & Risk Department performs month-end and quarter-end stress tests to monitor the net interest income (NII) and the economic value of equity (EVE). These stress tests are measured for each currency using the own base scenario (100 basis point change in interests) and the six standardised interest rate shock scenarios prescribed by the FINMA (Circular 2019/2 "Interest rate risk – banks). For each standardised scenario, FINMA defines the amount in basis points of interest rate shock per currency (CHF, USD, EUR, etc) and per maturity bucket (from overnight up to more than 20 years).

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

4 FINMA prescribed scenarios

The six standard scenarios prescribed by FINMA can be summarised and illustrated as follows:

Standard scenario	Amount of interest rate shock for CHF currency (illustrative)
Parallel shift up	+150 basis points
Parallel shift down	- 150 basis points
Steeper shock (short term rates down and long term rates up)	From -97 basis point up to +90 basis points depending on maturity bucket
Flattener shock (short term rates up and long term rates down)	From +120 basis points down to -60 basis points depending on maturity bucket
Rise in short term interest rates	From +150 basis points down to 0 basis points depending on maturity bucket
Fall in short term interest rates	From -150 basis points down to 0 basis points depending on maturity bucket

To measure its ability to withstand extreme changes in interest rates, the Group also may conduct ad hoc stress tests response to market conditions.

The details of the various standardised scenarios are provided in the circular.

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

5 Quantitative information

Structure of positions and maturity repricing as of 31 December 2019 (IRRBA1 table)

	Volume (in CHF million)			Average interest rate reset period (in years)	
	Total	of which CHF	of which other significant currencies ¹	Total	of which CHF
Positions with a defined interest rate reset date					
Due from banks	1,597.8	1,082.5	411.6	0.18	0.11
Due from customers	25.6	25.6	–	1.57	1.57
Financial investments	718.5	436.3	272.6	1.20	0.88
Receivables from interest-rate derivatives ²	2,229.6	74.1	1,930.8	0.14	0.32
Amounts due in respect of client deposits	(16.7)	–	(15.0)	0.07	–
Payables to interest-rate derivatives ²	(2,248.2)	(2,110.0)	(113.5)	0.14	0.13
Positions with an undefined interest rate reset date					
Due from banks	561.6	280.4	177.7	0.08	0.08
Due from customers	313.0	127.6	168.0	0.08	0.08
Payables on demand from personal accounts and current accounts	(5,523.8)	(2,466.4)	(2,661.0)	–	–
Other payables on demand	(122.4)	(31.6)	(76.2)	–	–
Payables arising from client deposits, terminable but not transferable (savings)	(264.5)	(160.5)	(98.2)	0.08	0.08
Total	(2,729.4)	(2,742.0)	(3.1)		

¹ Significant currencies are those that make up more than 10% of assets or liabilities of total assets (ie USD and EUR)

² FX swap positions having two legs, they are recorded both under receivables from interest-rate derivatives and payables to interest-rate derivatives (off-balance sheet items).

Regarding positions with no set repricing maturity, average repricing maturity have been calculated taken into account assumptions defined.

The IRRBA1 Table follows FINMA prescriptions and therefore cannot always directly be linked to IFRS classification. Additional reconciliation information has been provided on a voluntary basis in order to assist in interpreting the mandatory disclosure numbers.

	Assets	Liabilities	Total
in CHF million			
Reconciliation with the consolidated balance sheet			
Positions included in Table IRRBA1	5,446.1	(8,175.6)	(2,729.5)
Out of scope of IRRBB disclosure (e.g. Cash and balances with central bank)	3,158.4	(111.6)	3,046.8
Adjustments for derivative financial instruments (incl. notional amount)	(2,131.8)	2,189.3	57.5
Total assets and liabilities	6,472.7	(6,097.9)	

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

5 Quantitative information (continued)

Information on the economic value of equity and net interest income (IRRBB1 table)

The Group is required to disclose the measured change in economic value of equity (EVE) and changes in net interest income (NII) under the standard interest rate scenarios prescribed by FINMA. The change in net interest income (pre-tax) is disclosed as the difference in future interest income over a rolling 12-month period.

	<u>ΔEVE (changes in the net present value)</u>		<u>ΔNII (changes in the discounted earnings value)</u>	
	31 December 2019	30 June 2019 (first time disclosure)	31 December 2019	30 June 2019 (first time disclosure)
in CHF million				
Parallel shift up	(15.9)	(7.6)	50.3	18.4
Parallel shift down	17.1	7.7	(20.5)	(9.4)
Steeper shock	5.5	3.1		
Flattener shock	(8.6)	(4.5)		
Rise in short-term interest rates	(14.0)	(6.6)		
Fall in short-term interest rates	14.6	6.6		
Maximum	17.1	7.7	50.3	18.4
Tier 1 capital	325.2	307.2		

The most adverse scenario of the six FINMA scenarios was the "parallel shift down" resulting in a change of net present value (ΔEVE) of CHF 17.1 million, representing an effect of 5.3% of Tier 1 capital. This effect is below the regulatory threshold of 15.0%.

Supplementary comment: The information disclosed in Table IRRBB1 differs from the Note H3b provided on page 73, as not only the methodology to calculate exposure values (incl. scope of exposure values) is different, but also the amount in basis points of interest rate shock is different

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

5 Quantitative information (continued)

Information on the economic value of equity and net interest income (IRRBB1 table) (continued)

Change in economic value of equity (EVE)

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted. The impact on each position is calculated stressing the effective interest rate. In accordance with FINMA circular 2019/2, high quality liquid assets (HQLA) have not been taken into account (e.g. debt securities issued by sovereigns with a AAA credit rating).

The increase of the changes in the net present value (Δ EVE) between 30 June and 31 December 2019 is mainly due to longer maturities in the investment securities (debt securities) and derivative financial instruments (foreign exchange swaps) held in the banking book of the Group.

Change in net interest income (NII)

Change in net interest income is computed assuming a constant balance sheet, where maturing and repricing cash flows are replaced by new cash flows with identical features. The stress test is based on all cash flows from fixed and floating rate instruments as well as assets and liabilities at sight. The impact is measured for one-year period. Floating-rate instruments are impacted after interest rate reset date while fixed interest rate instruments are impacted for the remaining time after the expiration up to one year. At sight assets and liabilities are impacted for the duration of one year. The assumptions reflect the expected behaviour of counterparties to modify or to cap the interest rate conditions (asset side) as well as the Group's optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

The increase of changes in the discounted earnings value (Δ NII) between 30 June and 31 December 2019 is partially explained by the fact that the Group had entered into reverse repurchase transactions (overnight) with banks as at 31 December 2019 (contrary to Cash and balances with central banks that are specifically scoped out, reverse repurchase transactions are included). In the meantime, assumptions made with respect customers' conditions may change from one date to the other according to market conditions and competition.