ANNUAL REPORT 2015

CORPORATE GOVERNANCE REPORT · REMUNERATION REPORT

SWISSQUOTE
THE SWISS LEADER IN ONLINE BANKING

Financial Report 2015
Corporate governance report 2015
Remuneration report 2015

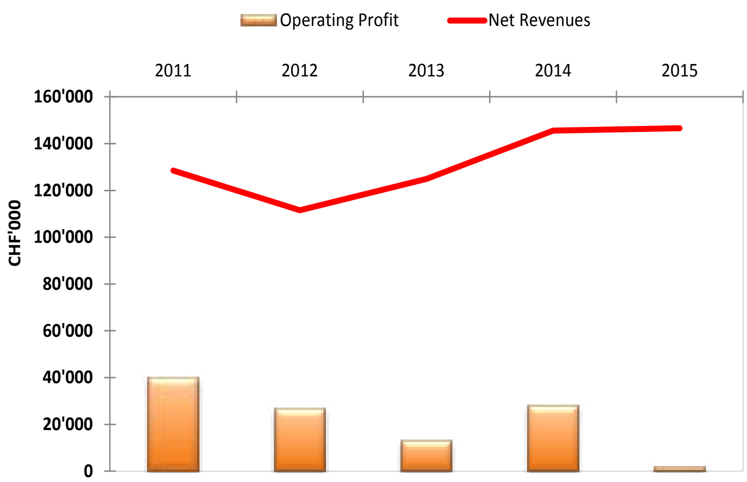
The Swiss leader in online banking
www.swissquote.com

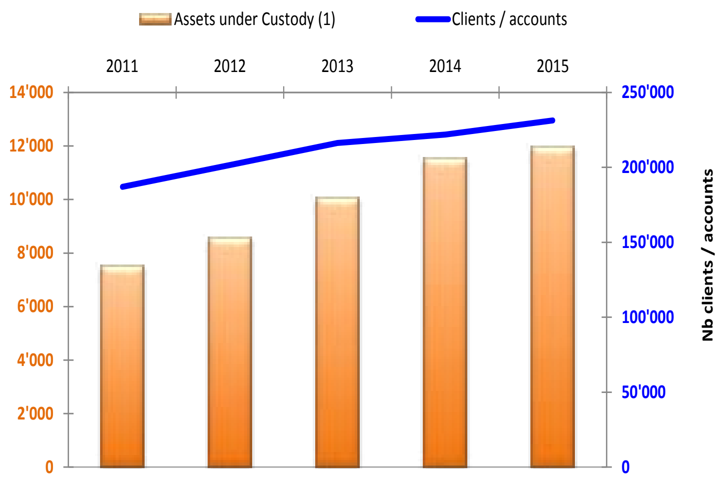
Section 1: Key Figures

	2015	2014	2013	2012	2011
Clients / accounts	231,327	221,922	216,357	201,582	187,077
% change	4.2%	2.6%	7.3%	7.8%	8.1%
Assets under Custody in CHFm (1)	11,992	11,562	10,083	8,581	7,537
% change	3.7%	14.7%	17.5%	13.9%	-6.1%
Employees	524	532	507	368	358
% change	-1.5%	4.9%	37.8%	2.8%	0.8%

(1) including cash deposited by clients

All amounts in CHF ’000	2015	2014	2013	2012	2011
Net Revenues	146,622	145,524	124,871	111,492	128,444
% change	0.8%	16.5%	12.0%	-13.2%	22.7%
Operating Expenses	144,684	117,304	111,582	84,744	88,431
% change	23.3%	5.1%	31.7%	-4.2%	11.4%
Operating Profit	1,938	28,220	13,289	26,747	40,013
% change	-93.1%	112.4%	-50.3%	-33.2%	58.4%
Operating Profit Margin [%]	1.3%	19.4%	10.6%	24.0%	31.2%
Net Profit	2,075	23,521	11,656	22,004	31,407
% change	-91.2%	101.8%	-47.0%	-29.9%	48.4%
Net Profit Margin [%]	1.4%	16.2%	9.3%	19.7%	24.5%
Total Equity	267,670	274,362	247,941	241,128	229,746
% change	-2.4%	10.7%	2.8%	5.0%	15.4%
% of Equity/Total Assets	7.2%	7.4%	7.7%	8.6%	8.9%
Number of shares	15,328,170	15,328,170	14,638,370	14,638,370	14,638,370
% change	-	4.7%	-	-	-
Capital ratio (Basel III)	22.0%	23.3%	20.6%	-	-

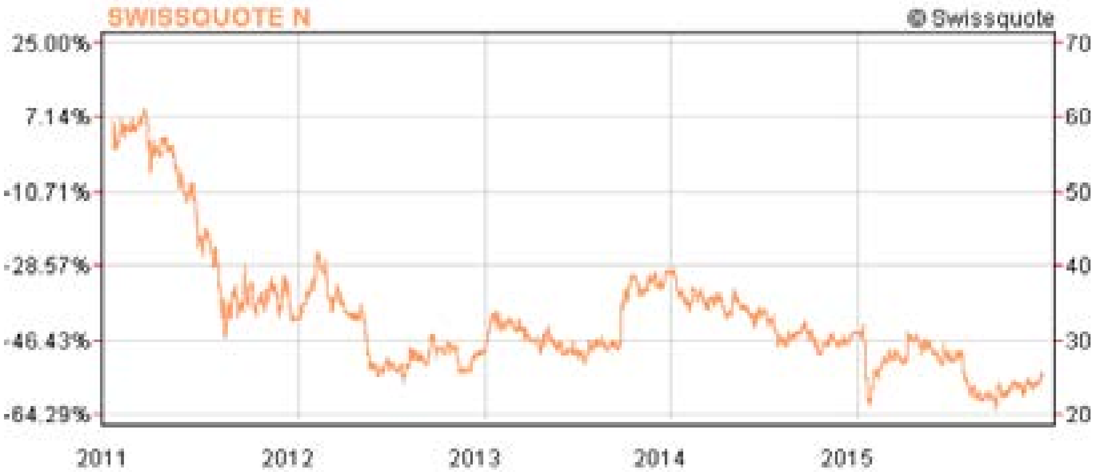




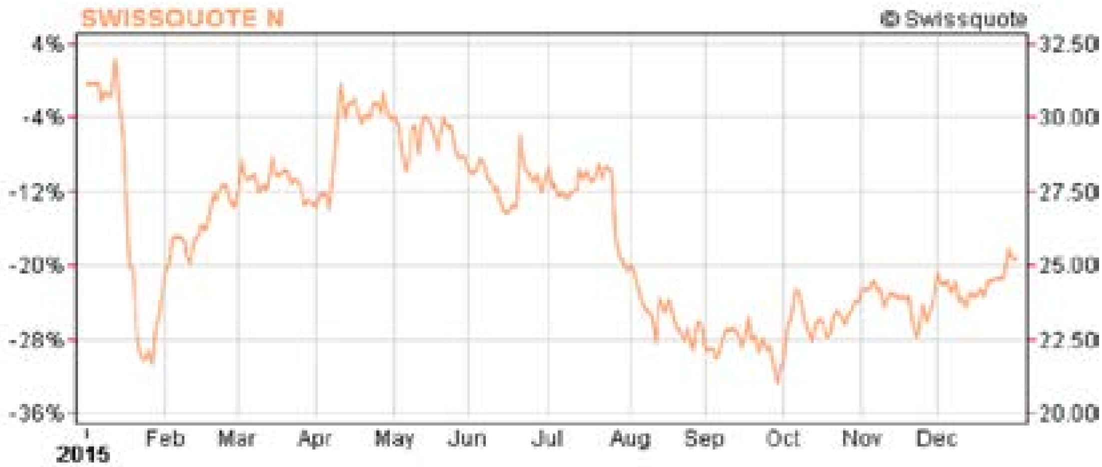
Swissquote Share

Stock market trading
The registered shares, each with a nominal value of CHF 0.20, are listed on SIX Swiss Exchange under securities number 1,067,586 and ISIN CH0010675863. Their ticker symbols are: SQN (Swissquote); SQZ.S (Reuters); SQNSW (Bloomberg); SQN (Telekurs).

Development of stock market share price (2011 to 2015)



Development of stock market share price (January to December 2015)



Share price in CHF	2015	2014	2013	2012	2011
High	32.00	40.10	39.85	42.40	61.70
Low	20.55	28.00	27.00	24.10	29.00
31 December	25.25	31.20	39.15	28.70	33.00

Market capitalisation in CHF million	2015	2014	2013	2012	2011
High	490.5	614.7	583.3	620.7	888.2
Low	315.0	429.2	395.2	352.8	417.5
31 December	387.0	478.2	573.1	420.1	475.0

Share data in CHF	2015	2014	2013	2012	2011
Net revenue per share	9.83	9.66	8.77	7.71	8.92
Net profit per share	0.14	1.56	0.82	1.52	2.18
Equity per share	17.46	17.90	16.94	16.47	15.69
Dividend per share	-	-	0.60	0.60	-
Other pay out per share	0.60 (*)	0.60	-	-	1.04

* Proposal of the Board of Directors

Report to the Shareholders

Dear Shareholders,

15 January 2015 was a dark day for the Swiss economy. The Swiss National Bank's totally unexpected decision to abandon its exchange rate floor of CHF 1.20 against the Euro had a severe impact on Swiss exporters in particular, but also dealt a serious blow to the country's tourist industry and the stock markets reflected the general sense of uncertainty.

The SNB's decision also resulted in a turbulent start to 2015 for Swissquote, prompting us to set aside an extraordinary provision of CHF 25 million to cover negative client balances. As expected, this measure led to the company's first negative semi-annual result since 2003. The sudden slump is now history: Swissquote closed the 2015 financial year with a net profit of CHF 2.1 million and also reported record operating figures for net revenues (CHF 146.6 million), client growth (+4.2 percent), assets under custody (CHF 12.0 billion) and net new monies (+CHF 1.2 billion). Swissquote takes a correspondingly positive view of the growth prospects for 2016.

Operating revenues top CHF 150 million for the first time

Operating revenues rose by 4.2 percent to CHF 151.6 million (CHF 145.5 million). The impact of the unrealized fair value came to a significant CHF -0.6 million. Operating revenues were also strongly influenced by the SNB's interest rate policy. Negative interest reduced the overall result by CHF 4.4 million in 2015. Net fee & commission income (+5.9 percent) and net trading income (+24.5 percent) contributed substantially to the positive development, while net eForex income and net interest income remained at the previous year's levels.

Net fee & commission income increased by 5.9 percent to a five-year high of CHF 66.6 million (CHF 62.9 million). The success of Swiss DOTS, the alternative platform for derivatives trading, was one factor contributing to this good result. Net trading income (currency trading excluding eForex) grew by 24.5 percent to CHF 16.4 million (CHF 13.1 million). Net interest income amounted to an unchanged CHF 14.6 million (without SNB negative interest impact). At CHF 54.0 million (CHF 54.8 million), eForex income was also practically at the previous year's level. The eForex volume decreased by 13.9 percent to USD 873.6 billion (USD 1,014.2 billion). The decline is due to the systematic reduction of higher-risk client relationships. With the remaining clients, Swissquote generated an unchanged level of income on a smaller volume, but at higher margins. At CHF 210.6 million (CHF 241.0 million), assets under custody of eForex customers have nearly recovered to the previous year's level and grew by 20.7 million in the second half of 2015.

Net profit encouraging, capital base solid

At CHF 122.1 million (CHF 117.3 million), operating expenses were 4.1 percent higher in 2015 than in the previous year. This was attributable in particular to higher marketing costs (+24.8 percent). Net profit was impacted by the extraordinary provision of CHF 25 million (announced in January) to cover the negative balances incurred by clients as a consequence of the SNB decision. The provision had a negative effect of CHF 20.5 million (net of tax) on the result for the first half of 2015, producing a net loss of CHF 10.6 million. Further cases were closed in the second half, reducing the provision to CHF 18.4 million. Net profit came to CHF 2.1 million (CHF 23.5 million). The solidity of Swissquote is in no way impaired by the provision, as evidenced by the fact that total equity declined only marginally to CHF 267.7 million (CHF 274.4 million), while the core capital ratio (Tier 1) was just slightly lower at 22.0 percent (23.3 percent).

Almost 10,000 new accounts and record influx of net new monies

The number of customers continued to grow. The total number of accounts rose by 9,405 (+4.2 percent) to 231,327 (221,922). The breakdown is as follows: 171,170 trading accounts (+2.5 percent), 32,542 saving accounts (+2.9 percent), 1,369 ePrivate Banking accounts (+13.1 percent) and 26,246 eForex accounts (+18.4 percent). Assets under custody grew year-on-year by 3.7 percent to CHF 11.992 billion (CHF 11.562 billion). As at the end of 2015, assets of CHF 10.953 billion were held in trading accounts, CHF 762.9 million in saving accounts, CHF 65.8 million in ePrivate Banking accounts and CHF 210.6 million in eForex accounts. Net new monies increased by 13.6 percent year-on-year to CHF 1.228 billion (CHF 1.081 billion).

Report to the Shareholders

Successful technological innovations: Apps for new Apple products

In June 2015 – at the same time as the Swiss launch of the Apple Watch – Swissquote became the first Swiss bank to launch an app for this new Apple product. The free app is an extension to the existing iPhone app. The app allows users to track the financial markets in real time and set up alerts to let them know when a stock from their portfolio moves above or below a certain price.

In another first for a Swiss bank, January 2016 saw Swissquote launch a financial market information app for the Apple TV. This app for second generation Apple TVs or higher is also free of charge and allows users to follow developments on all major global stock exchanges at a glance. Unlike other Swissquote apps, the Apple TV app mainly serves as a source of information running in the background, to provide a quick and convenient overview of the financial markets as and when required.

International awards for best performance

In January, the Swissquote Quant Swiss Equities (CHF) A fund received the **Thomson Reuters Lipper Fund Award** for the best performance over the past three years. The Fund, consisting of Swiss large and mid-caps from the SPI, is managed automatically by computers using the same algorithms as those developed by Swissquote for its own electronic asset management solution, **robo-trading 'ePrivate Banking'**. The fund performance accolade shows what electronic asset management is capable of.

Incidentally, Swissquote already believed in this Fintech sector before the concept of robo-trading even existed and invested in research accordingly. This also includes Swissquote's partnership with EPFL in Lausanne, where it supports a professorship in quantitative finance.

Deutsche Bank becomes new issuer on Swiss DOTS

Deutsche Bank became a new issuer on Swiss DOTS in October 2015, enabling Swissquote to further expand its offering on the over-the-counter trading platform. In addition, some 10,000 new leveraged products are to be launched over the medium term, complementing the existing product ranges offered by the two founding partners, UBS and Goldman Sachs, and by Commerzbank Ltd, which joined in 2014. The steady growth in market share and transaction numbers confirms the success of the Swiss DOTS business model.

Outlook for 2016

Swissquote expects 2016 to see growth of more than 10 percent. This optimistic assessment is based on the sound operating results posted in 2015 and on improvements achieved within the organization and at the foreign offices. Total assets are expected to grow strongly in 2016 influenced by the partnership with PostFinance now becoming active.

Distribution of profit to shareholders

The Board of Directors will propose to the Annual General Meeting of Swissquote Group Holding Ltd on 13 May 2016 an unchanged distribution of CHF 0.60 per share (reimbursement of Reserves from capital contributions).

Report to the Shareholders

Acknowledgements

On behalf of the Board of Directors and Group Management, we would like to thank our clients, who, by actively using our platform and providing a wide range of informed feedback, are making a crucial 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 our progress. Our thanks are also due to our shareholders for the confidence they have placed in our company and to all our employees for their personal commitment and readiness to achieve the exceptional again 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.

Mario Fontana	Marc Bürki
Chairman of the Board of Directors	Chief Executive Officer

Section 2: Financial Report 2015

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Financial Report 2015
Consolidated Statement of Financial Positions

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and balances with central bank	1	2,032,018,626	1,965,814,237
Treasury bills and other eligible bills	1	88,143,864	2,404,755
Loans and advances to banks	1	350,352,311	461,638,179
Derivative financial instruments	2	69,028,052	96,756,767
Trading assets	3	6,810,542	6,233,227
Loans and advances to customers	4	205,947,477	160,528,885
Investment securities	5	788,845,971	841,914,668
Deferred income tax assets	12	2,204,963	1,654,613
Intangible assets	6	40,643,133	40,820,354
Information technology systems	7	35,057,149	29,450,982
Property, plant and equipment	8	61,504,730	64,128,154
Other assets	9	37,261,005	34,243,733
Total assets		**3,717,817,823**	**3,705,588,554**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	76,199,305	1,753,552
Derivative financial instruments	2	22,680,604	33,357,984
Due to customers	10	3,313,934,073	3,352,513,466
Other liabilities	11	31,702,424	33,551,558
Current income tax liabilities	12	431,983	228,386
Deferred tax liabilities	12	1,449,935	1,466,640
Provisions	13	3,749,841	8,355,130
Total liabilities		**3,450,148,165**	**3,431,226,716**
Equity			
Ordinary shares	15.1	3,065,634	3,065,634
Share premium		51,710,405	60,752,040
Share option reserve	15.2	2,207,387	2,293,166
Other reserve	15.3	(2,419,403)	(3,146,415)
Treasury shares	15.4	(13,915,807)	(12,567,806)
Retained earnings		227,021,442	223,965,219
Total equity		**267,669,658**	**274,361,838**
Total liabilities and equity		**3,717,817,823**	**3,705,588,554**

The notes on pages 16 to 102 are an integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Consolidated Income Statement

	Notes	2015	2014
Fee and commission income	16	74,340,062	70,941,482
Fee and commission expense	16	(7,704,664)	(7,999,515)
Net fee and commission income		66,635,398	62,941,967
Interest income	17	21,392,925	18,974,234
Negative interest rates expense	17	(8,983,840)	-
Interest expense	17	(2,162,018)	(4,361,925)
Net interest income		10,247,067	14,612,309
Net trading income	18	69,739,218	67,970,087
Operating income		**146,621,683**	**145,524,363**
Operating expenses	19	(144,683,769)	(117,304,148)
Operating profit		**1,937,914**	**28,220,215**
Income tax expense	12	137,320	(4,698,878)
Net profit		**2,075,234**	**23,521,337**
Earning per share	*20*	*0.14*	*1.56*
Diluted earning per share	*20*	*0.14*	*1.56*
Weighted average number of shares	*20*	*14,919,608*	*15,066,956*

The notes on pages 16 to 102 are an integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Consolidated Statement of Comprehensive Income

	Notes	2015	2014
Net profit for the period		**2,075,234**	**23,521,337**
Other comprehensive income/(expense): **Gains/(losses) recognised directly in equity**			
Items that may be reclassified to the income statement			
Available-for-sale financial assets, before tax	5	1,218,140	(3,122,413)
Income tax relating to Available-for-sale financial assets		(225,356)	583,891
Currency translation differences		(145,967)	352,842
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit obligation, before tax	14b	(147,000)	(3,414,000)
Income tax relating to defined benefit obligation		27,195	638,418
Other comprehensive income for the period (net of tax)		**727,012**	**(4,961,262)**
Total comprehensive income for the period		**2,802,246**	**18,560,075**

The notes on pages 16 to 102 are an integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2015		**3,065,634**	**60,752,040**	**2,293,166**	**(3,146,415)**	**(12,567,806)**	**223,965,219**	**274,361,838**
Net profit of the period		-	-	-	-	-	2,075,234	**2,075,234**
Available-for-sale financial assets	5	-	-	-	1,218,140	-	-	**1,218,140**
Remeasurement of defined benefit obligation	14b	-	-	-	(147,000)	-	-	**(147,000)**
Income tax relating to components of other comprehensive income		-	-	-	(198,161)	-	-	**(198,161)**
Currency translation differences		-	-	-	(145,967)	-	-	**(145,967)**
Total comprehensive income for the period		**-**	**-**	**-**	**727,012**	**-**	**2,075,234**	**2,802,246**
Dividend and reimbursement from reserves	15.5	-	(8,945,776)	-	-	-	-	**(8,945,776)**
Employee stock option plan:								
Value of services provided	15.2	-	-	895,210	-	-	-	**895,210**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	15.2	-	-	(980,989)	-	-	980,989	-
Purchase of treasury shares	15.4	-	-	-	-	(1,689,576)	-	**(1,689,576)**
Sale/remittance of treasury shares	15.4	-	(95,859)	-	-	341,575	-	**245,716**
Balance at 31 December 2015		**3,065,634**	**51,710,405**	**2,207,387**	**(2,419,403)**	**(13,915,807)**	**227,021,442**	**267,669,658**

The notes on pages 16 to 102 are an integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Consolidated Statement of Changes in Equity (continued)

	Notes	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2014		**2,927,674**	**35,636,056**	**2,546,508**	**1,814,847**	**(2,959,769)**	**207,975,745**	**247,941,061**
Net profit of the period		-	-	-	-	-	23,521,337	**23,521,337**
Available-for-sale financial assets	5	-	-	-	(3,122,413)	-	-	**(3,122,413)**
Remeasurement of defined benefit obligation	14b	-	-	-	(3,414,000)	-	-	**(3,414,000)**
Income tax relating to components of other comprehensive income		-	-	-	1,222,309	-	-	**1,222,309**
Currency translation differences		-	-	-	352,842	-	-	**352,842**
Total comprehensive income for the period		**-**	**-**	**-**	**(4,961,262)**	**-**	**23,521,337**	**18,560,075**
Dividend and reimbursement from reserves	15.5	-	-	-	-	-	(8,648,833)	**(8,648,833)**
Capital increase	15.1	137,960	25,212,190	-	-	-	-	**25,350,150**
Employee stock option plan:								
Value of services provided	15.2	-	-	863,628	-	-	-	**863,628**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	15.2	-	-	(1,116,970)	-	-	1,116,970	-
Purchase of treasury shares	15.4	-	-	-	-	(13,304,933)	-	**(13,304,933)**
Sale/remittance of treasury shares	15.4	-	(96,206)	-	-	3,696,896	-	**3,600,690**
Balance at 31 December 2014		**3,065,634**	**60,752,040**	**2,293,166**	**(3,146,415)**	**(12,567,806)**	**223,965,219**	**274,361,838**

The notes on pages 16 to 102 are an integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Consolidated Statement of Cash Flow

	Notes	2015	2014
Cash flow from/(used in) operating activities:			
Fees and commission received		72,679,850	69,942,212
Fees and commission paid		(7,746,000)	(7,774,289)
Interest received		35,144,902	33,629,675
Interest paid		(9,798,805)	(4,358,617)
Net trading income		70,226,868	67,855,186
Income tax paid		(2,513,001)	(5,387,773)
Payments to employees		(68,021,937)	(56,856,707)
Payments to suppliers		(59,058,428)	(62,971,673)
Cash flow from operating profit before changes in operating assets and liabilities		**30,913,449**	**34,078,014**
Net change in operating assets liabilities:			
Loans and advances to customers		(64,977,956)	(36,344,299)
Derivative financial instrument (assets)		27,728,715	5,246,273
Trading assets		-	323,068
Derivative financial instruments (liabilities)		(10,677,380)	(1,954,240)
Due to customers		(3,034,364)	439,938,104
Other liabilities		-	(15,021,576)
Net cash from operating activities		**(20,047,536)**	**426,265,344**
Cash flow from/(used in) investing activities:			
Purchase of Property, plant and equipment and Information technology systems	7/8	(8,197,568)	(9,042,726)
Proceeds from sale and reimbursement of investment securities	5	470,919,596	431,303,081
Loans and advances to banks (above 3 months)	1	(35,000,000)	-
Purchase of investment securities	5	(463,098,075)	(578,407,924)
Net cash from/(used in) investing activities		**(35,376,047)**	**(156,147,569)**
Cash flow from/(used in) financing activities:			
Purchase of treasury shares		(1,689,576)	(13,304,933)
Sale of treasury shares		-	3,600,690
Proceed from issuance of ordinary shares	15.1	-	25,350,150
Dividend and reimbursement from reserves	15.5	(8,945,776)	(8,648,833)
Net cash from/(used in) financing activities		**(10,635,352)**	**6,997,074**
Net increase/(decrease) in cash and cash equivalents		**(66,058,935)**	**277,114,849**
Cash and cash equivalents at 1 January	1	2,428,103,619	2,145,933,328
Exchange difference on cash and cash equivalents		(2,729,188)	5,055,442
Cash and cash equivalents at 31 December	1	**2,359,315,496**	**2,428,103,619**

	Notes	2015	2014
Cash and cash equivalents			
Cash and balances with central banks		2,032,018,626	1,965,814,237
Treasury bills and other eligible bills		88,143,864	2,404,755
Loans and advances to banks (less than 3 months)		315,352,311	461,638,179
Deposits from banks		(76,199,305)	(1,753,552)
Total at 31 December	1	**2,359,315,496**	**2,428,103,619**

The notes on pages 16 to 102 are an integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Notes to the Consolidated Financial Statements

SECTION I: GENERAL INFORMATION

Swissquote Group Holding Ltd (the "Company") and its subsidiaries (together the "Group") provide online financial services that mainly consist of the services provided by Swissquote Bank Ltd (the "Bank") through its financial web portal www.swissquote.ch. The Group's foreign subsidiaries that are based in United Arab Emirates (Dubai), Malta (Mriehel) and Republic of China (Hong Kong) are responsible for introducing the Group services in their respective markets. The Group foreign subsidiary that is based in the United Kingdom (London) provides online foreign exchange trading for clients based in the European Union.

The Group's headquarters are located in Gland (Canton de Vaud), Switzerland. The operations are globally located in Switzerland (Gland, Bern and Zürich), the United Arab Emirates (Dubai), the United Kingdom (London), Malta (Mriehel) and the Republic of China (Hong Kong). The Group employed 524 employees (full time equivalent) at the end of December 2015 (31 December 2014: 532).

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 are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

The issued share capital at 31 December 2015 consisted of 15,328,170 ordinary shares of CHF 0.20 nominal value each (2014: 15,328,170 ordinary shares of CHF 0.20 nominal value). There is also a conditional share capital and an authorised share capital. Details are provided in Note 15.1.

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

	2015			2014		
	Shares	Options	**Total**	Shares	Options	**Total**
Marc Bürki	12.55%	0.16%	**12.71%**	12.53%	0.17%	**12.70%**
Paolo Buzzi	12.55%	0.16%	**12.71%**	12.52%	0.17%	**12.69%**
PostFinance AG	5.00%	-	**5.00%**	5.00%	-	**5.00%**
Mario Fontana	4.94%	0.04%	**4.98%**	4.93%	0.06%	**4.99%**
Windel Investments Ltd (indirect holder: George Butros Mansour)	4.89%	1.37%	**6.26%**	4.89%	1.37%	**6.26%**
Basellandschaftliche Kantonalbank	4.77%	-	**4.77%**	4.77%	-	**4.77%**
UBS Fund Management (Switzerland) AG	3.22%	-	**3.22%**	3.22%	-	**3.22%**

	2015	2014
Treasury shares:		
Swissquote Group Holding Ltd	2.75%	2.43%

Except for the above-mentioned shareholders, no other shareholder registered in the share register owns 3% or more of the issued share capital at 31 December 2015. 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 at 31 December 2015 is 69.90% (2014: 69.95%).

The Remuneration Report includes the information previously contained in the notes to the Consolidated Financial Statements pursuant to Art. 663b^{bis} of the Swiss Code of Obligations.

The Consolidated Financial Statements were approved for publication by the Board of Directors on 1 March 2016.

SECTION II: SCOPE OF OPERATIONS OF THE GROUP & REPORTABLE SEGMENTS

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

- Until 1996, service Group active in the development of banking software in the field of portfolio valuation and web design;
- 1996: creation of the financial information website www.swissquote.ch;
- 1999: addition of introducing brokerage operations in cooperation with a third party bank;
- 2000: listing of the Company at the SIX Swiss Exchange;
- 2001: grant of a banking licence by FINMA and operation of a bank with focus on online brokerage services;
- 2002-2003: consolidation of the online brokerage market in Switzerland. In this context the Group acquired the operations of several competitors, one of which had started a special service directed towards independent asset managers and financial advisors;
- 2007: grant of the authorisation by FINMA to carry out a Swiss regulated custodian bank activity for investment funds as well as the authorisation to carry out quantitative asset management services;
- 2010: acquisition and subsequent merger into Swissquote Bank Ltd of ACM Advanced Currency Markets Ltd, an online Forex broker and of Tradejet Ltd, an introducing broker, launch of ePrivate Banking, which consists in automated quantitative equity portfolio management systems for private individuals;
- 2011: distribution of online mortgages funded by Basellandschaftliche Kantonalbank (eMortgage);
- 2012: setting up of a new subsidiary, Swissquote MEA Ltd, based in Dubai (UAE) and grant of a Category 4 license by the Dubai Financial Services Authority;
- 2013: acquisition of MIG Bank Ltd with headquarters in Lausanne and offices in Zurich, London and Hong Kong. In December 2013, MIG Bank Ltd was merged within Swissquote Bank Ltd;
- May 2014: a long–term partnership is established with PostFinance AG in order to operate a trading platform and to handle stock exchange orders placed by PostFinance's customers in securities trading;
- January 2015: multi-year partnership with Manchester United with the aim to promote the Group services with a broader client audience;
- September 2015: launch of Themes Trading Service, which aims at providing investors with opportunities to invest in comprehensible and relatable trends and simplifies the stock-picking process.

As of 31 December 2015, the Group's operations consisted of:

- Providing online securities trading services (including custody services) and quantitative asset management services (such as ePrivate Banking), to:
    - Self-directed private investors by mean of tools to route the orders to stock exchanges via the Internet against brokerage fees, as well as private investors aiming at having comprehensive investment services (such as tools to assist them in their decision making);
    - Independent Asset Managers - by mean of tools that allow to process grouped orders on behalf of their clients and to allow such clients to have a real time read access to their account - and to institutional investors;
    - Investment funds;
    - Third party financial institutions under white label agreements.

- Offering access to over-the-counter ("OTC") Leveraged foreign exchange trading through in-house technology platform to:
    - Retail and institutional customers;
    - Money managers;
    - Third-party financial institutions under white label agreement.

- Operating an online bank that accepts deposits in the form of current accounts and saving accounts from its customers mainly in CHF, USD, EUR and GBP;

- Selling advertising space and providing financial information against subscription on www.swissquote.ch.

The Group does not carry the following banking activities:

- Provide commercial lending, direct mortgages lending, retail borrowings, credit related commitments such as guarantees and standby letters of credit;
- Provide trustee, corporate administration to third parties;
- Trade financial assets and traded over the counter instruments including derivatives, where it takes positions to profit from short-term market movements in equity, interest rates and commodity prices with the exception of spot currency positions, temporary technical nostro positions, investments in the Swissquote Quant Funds (trading assets) and investment in debt securities.

SECTION II: SCOPE OF OPERATIONS OF THE GROUP & REPORTABLE SEGMENTS

Reportable segments

Sound management requires that relevant financial information is prepared in order for decision makers to define strategies and focus actions towards exploiting opportunities and/or countering adverse trends.

Relevant financial information generally requires that business complexity be broken down in various segments. Disclosure of relevant segmental information enables users of financial statements to evaluate the nature and the financial effects of the business activities in which the Group is engaged and in the economic environment in which it operates.

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. Operating segment is defined in IFRS 8 as a component of an entity that (1) 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 segment disclosure based on the components of the entity that management monitors in making decisions about operating matters (the “Management Approach”). The adoption of the Management Approach results in the disclosure of information for segments in substantially the same manner as it is reported internally.

The “chief operating decision maker”, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Management.

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. The Group discloses its operating segments by the nature of the business activities as managed internally and presented to the Group Executive Management and the Board of Directors.

Historically, the Group acts as a leader in the online securities trading market in Switzerland and has progressively extended its activities by increasing the level of assistance to its customers and adding services such as Saving accounts and Lombard loans. In the securities trading segment, the Group provides securities trading services and related technology-based financial services to various types of customers.

Since 2010, the Group gained a critical mass in the Leveraged Forex segment (previously named eForex) by 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. The Group revenues are mainly generated by adding a mark-up to the price provided by the market.

Beyond the consolidated results, segment contribution is based on segment revenue less directly incurred costs. Indirect fixed costs which represent the largest portion of the operating costs are analysed in major cost centers as the Group employs a centralised operating model. This approach is considered best by the Group in order to achieve transparency and accountability.

As defined in IFRS 8, the reported operating segments meet the following quantitative thresholds: (1) its reported revenue is 10 per cent or more of the combined revenue of all operating segments, (2) the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, (3) its assets are 10 per cent or more of the combined assets of all operating segments.

With due care to the above explanations, the Group has defined two operating segments and one cost center:

- Securities Trading;
- Leveraged Forex (previously eForex);
- Platform and Infrastructure Operations, which are analysed in four operating perspectives: Technology, Operations, Marketing and G&A.

Technology, Operations, Marketing and G&A do not qualify as reportable segments and thus have been aggregated in the cost center Platform and Infrastructure Operations. Technology, Operations, Marketing and G&A may include various type of expenses (such as Payroll and Production costs).

SECTION II: SCOPE OF OPERATIONS OF THE GROUP & REPORTABLE SEGMENTS

Based thereon, the analysis of reportable segments and cost centers for 2015 and 2014 is as follows:

In CHFm	2015	2014
Net Revenues	97.0	90.8
Direct Operating Costs	(14.1)	(13.9)
Direct Marketing Costs	(2.9)	(4.1)
Securities Trading - Direct Contribution margin	*80.0*	*72.8*
Net Revenues	54.0	54.7
Direct Operating Costs	(18.5)	(18.5)
Direct Marketing Costs	(4.5)	(5.3)
Leveraged Forex - Direct Contribution margin	*31.0*	*30.9*
Operating Expenses - Technology	(25.7)	(24.7)
Operating Expenses - Operations	(22.1)	(22.7)
Operating Expenses - Marketing	(14.4)	(8.5)
Operating Expenses - G&A	(19.3)	(19.0)
Platform and Infrastructure Operations (cost center)	*(81.5)*	*(74.9)*
Provisions and impairment allowance	(23.1)	(0.6)
Negative interest expense (excl. cash linked with foreign exchange swaps)	(4.4)	-
Operating profit	**2.0**	**28.2**
Income tax expense	0.1	(4.7)
Net profit	**2.1**	**23.5**

At 31 December 2015:

- No other location (booking center) than Switzerland represents more than 10% of revenues or assets;
- The Group does not have any client representing more than 10% of its revenues.

Breakdown of assets and liabilities is as follows:

In CHFm	2015	2014
Assets - Securities Trading	3,241.7	3,163.2
Assets - Leveraged Forex	393.5	427.1
Assets - Platform and Infrastructure Operations	82.6	115.3
Total assets	3,717.8	3,705.6
Liabilities - Securities Trading	(3,105.0)	(3,047.5)
Liabilities - Leveraged Forex	(316.8)	(348.1)
Liabilities - Platform and Infrastructure Operations	(28.3)	(35.6)
Total liabilities	(3,450.1)	(3,431.2)
Total equity	**267.7**	**274.4**

SECTION III: ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Financial Statements for the year 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Additional information required by national regulations is included where appropriate.

(a) Standards, amendments and interpretations effective on or after 1 January 2015

There are no IFRSs or IFRS IC interpretations, effective for the first time for the financial year beginning 1 January 2015, with a material impact on the Group.

(b) Standards, amendments and interpretations issued but not impacting the Group

The following standards, amendments and interpretations have been issued but have not impacted the accounting period:

Standards / Interpretation	Content	Applicable for financial years beginning on / after
IAS 19 (amended)	Defined Benefit Plans: Employee Contributions	1 January 2015
IFRS 8 (amended)	Aggregation of operating segments	1 January 2015
IFRS 13 (amended)	Fair value measurement of a group of financial assets and liabilities	1 January 2015
IFRS 3 (amended)	Business combination	1 January 2015
IAS 24 (amended)	Related party disclosures	1 January 2015

SECTION III: ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(c) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued, are mandatory for the accounting periods beginning after 1 January 2015 and are expected to be relevant to the Group:

Standards / Interpretation	Content	Applicable for financial years beginning on / after
IFRS 15	Revenue contract with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019

- **IFRS 15, ”Revenue contract with customers”**

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue. The Group is still assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

- **IFRS 9, “Financial instruments”**

  IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. IFRS 9 also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  The Group is assessing the impact on its consolidated financial statements resulting from the application of IFRS 9. While the Group has yet to undertake a detailed assessment of the debt investment securities currently classified as available-for-sale financial assets, it would appear that no change to the accounting for these assets would be necessary if they satisfy the conditions for classification as at fair value through comprehensive income (FVOCI). There will be also no impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities designated at fair value through profit of loss and the Group does not have such liabilities.

  The Group is in the process to assess how its own hedging arrangements and impairment provisions would be affected by the new rules.

- **IFRS 16, “Leases”**

  The IASB issued IFRS 16 in January 2016. The standards sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract. IFRS 16 will replace the previous standard IAS 17 and related interpretations. The Group is still assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

(d) Early adoption of standards

The Group did not early adopt new or amended standards in 2015.

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 as modified by the revaluation of land and buildings, available-for-sale investment securities, financial assets and financial liabilities at fair value through profit or loss, share based payments and all derivative financial instruments.

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

Subsidiaries are all entities (including structured entities) over which the Group has the 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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies 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, plus costs directly attributable to the acquisition. 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.

(B3) List of consolidated subsidiaries

			Interest at 31 December	
Subsidiaries	**Office / Country**	**Status**	**2015**	**2014**
Swissquote Bank Ltd	Gland / Switzerland	Active	100%	100%
Swissquote Trade Ltd	Gland / Switzerland	Dormant	100%	100%
Swissquote MEA Ltd	Dubai / UAE	Active	100%	100%
Swissquote Financial Services (Malta) Ltd	Mriehel / Malta	Active	100%	100%
Swissquote Ltd	London / UK	Active	100%	100%
Swissquote Asia Ltd	Hong Kong / China	Active	100%	100%

There were no changes in scope of consolidation in 2015.

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's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in CHF, which is the functional and presentation currency of Swissquote Group Holding Ltd, Swissquote Bank Ltd and Swissquote Trade Ltd. Functional and presentation currency of foreign subsidiaries are AED, GBP, HKD and EUR.

	2015		2014	
Foreign currency translation	Closing rates	Average rates	Closing rates	Average rates
EUR	1.0879	1.0640	1.2030	1.2125
USD	1.0018	0.9647	0.9941	0.9198
GBP	1.4771	1.4710	1.5493	1.5123
HKD	0.1292	0.1245	0.1282	0.1186
JPY	0.0083	0.0080	0.0083	0.0086
CAD	0.7239	0.7486	0.8557	0.8294
NOK	0.1130	0.1188	0.1334	0.1446
SEK	0.1186	0.1140	0.1275	0.1331
DKK	0.1458	0.1425	0.1615	0.1627
AUD	0.7298	0.7196	0.8118	0.8253
AED	0.2727	0.2628	0.2707	0.2504

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 companies
The results and financial positions of all group entities (none of which has the 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 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 Group Executive Management and Board of Directors. The set-up of the Group's operations (i.e. integrated online brokerage services and Forex trading platforms), implies that the Group operates in two reported operating segments and one cost center:

- Securities Trading;
- Leveraged Forex (previously eForex);
- Platform and Infrastructure Operations (cost center).

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 by IFRS.

F. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and advances, held-to-maturity investments and available-for-sale financial assets. The Group determines the classification of its investments at initial recognition and this designation cannot be changed subsequently.

(F1) Trading assets and financial assets at fair value through profit or loss

The Group designates certain financial assets upon initial recognition at fair value through profit or loss (fair value option). This designation cannot subsequently be changed.

Trading assets are such assets that the Group acquires principally for the purpose of selling them in the near future or holding them as part of a portfolio that is managed together for short-term profits or position taking. All changes in fair value are recognised as part of Net trading income in the income statement (except for foreign exchange swaps: Net interest income). Derivative financial instruments are also categorised as financial assets at fair value through profit or loss (unless designated as hedge accounting).

Investment securities are such assets when the Group manages its performance on a fair value basis, in accordance with an investment strategy. All changes in fair value are recognised in Net trading income. Interest income and expense are recognised respectively in Net interest income.

(F2) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Interests on loans and advances is included in Net interest income and recognised on effective interest rate method.

(F3) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Financial assets (continued)

(F4) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date (the date on which the Group commits to purchase or sell the assets). Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the statement of comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be recognised in income statement. However, interest calculated using the effective interest method is recognised in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active or if the securities are not listed, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Interest earned whilst holding investment securities is reported as Interest income and is recognised by reference to the amortised cost basis using effective interest rate.

G. Impairment of financial assets

(G1) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated cash flows, such as changes in economic conditions that correlate defaults.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Impairment of financial assets (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is non-collectable, it is written off against the related provision for loan impairment. Such loans are written off after sufficient objective evidences have been identified, such as:

- Significant financial difficulty of the issuer;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- The probability that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets.

Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(G2) Assets carried at fair value
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. In determining what is significant or prolonged, the Group's management exercises judgement. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from the statement of comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

The Group's risk management for the lending activity in the form of deposits or bonds to third party financial institutions is monitored based on independent external rating that must be equal to or above minimum ratings (set forth in the risk policy).

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 designates certain derivatives as either:

- Hedges of the fair value of recognised assets or 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 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 profit or loss 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.

(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 profit or loss. 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.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Intangible assets

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.

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life (15 years) and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships. Expected life is determined on a case by case basis on date of acquisition.

J. Information technology systems

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 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 but not exceeding a period of three to five years.

Acquired computer software licenses 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 (three to ten years).

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, but not exceeding five years.

Information technology systems are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the highest of the asset's fair value less costs to sell and value in use.

The cost of acquisition and accumulated depreciation of an item is derecognised when no future economic benefits are expected from its use or disposal.

Assets	Depreciation method	
Software Third Party Licences	Straightline	3 to 10 years
Proprietary Software	Straightline	2 to 5 years
Hardware & Telecom Systems	Straightline	Maximum 5 years

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Property, plant and equipment

Land and building comprise mainly offices. Land and building are shown at fair value, based on periodic valuations carried-out by independent valuers at least once every five years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is to the revalued amount of the asset. All other property, plant and equipment are stated at cost less depreciation. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as separate assets, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The cost of acquisition and accumulated depreciation of an item is derecognised when no future economic benefits are expected from its use or disposal.

Increases in the carrying amount arising on revaluation of land and building are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same assets are charged against other reserves directly in equity. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated as follows:

Assets	Depreciation method	
Building	Straightline	30 years
Equipments	Straightline	5 to 10 years
Leasehold improvements	Straightline	5 to 10 years (or duration of the lease if shorter)

The residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 profit and loss, 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 profit and loss, unless the relevant asset is carried at a re-valued 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 highest 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. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

N. 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 tax losses carried forward. Deferred tax assets relating to tax losses carried forward are 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.

Deferred tax related to fair value remeasurement of available-for-sale investments, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently (in case of sale) recognised in the income statement together with the deferred gain or loss.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Pension obligations

On 31 December 2015, the Group operates various post-employment schemes, including defined benefit and defined contribution pension plans (2014: same situation).

Switzerland (defined benefit plan)

With regards to operations located in Switzerland, the pension plan has been set up in accordance with the Swiss defined contribution plans. However, 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 with 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 services providers. Swiss pension plans must ensure that they can meet their obligations in 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 actuaries on a periodical basis. The potential liability recognised in the balance sheet 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 profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

P. 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 benefit 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.

Q. Share capital / Share Issue 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 of new shares or options 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.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. Share and Option Plan (SOP)

The equity-based compensation plan is called “Share and Option Plan” (“SOP”). The purpose of the plan is to furnish incentives to eligible employees of the Group and to members of the Board of Directors 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.

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 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 entity 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. 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.

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 expense at the date of grant.

S. Treasury shares

When the Group purchases its own shares, the consideration paid is deducted from total shareholders’ equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity. When the General Meeting decides a distribution in the form of dividends, without specifying that no distribution is allocated to treasury shares, the dividends on these shares are credited to Other reserve.

T. Fee and commission income/expense

Fee and commission income/expense are recognised on an accrual basis when the services have been provided to the customer, usually on a time-appropriate basis, net of sales tax and discount.

U. Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method. 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. During the period under review, the Group has adjusted its accounting policy relating to foreign exchange swaps that do not qualify for hedge accounting. A foreign exchange swap is a 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. This change in accounting policy did not require to change comparative figures.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Interest income and expense (continued)

In the context of negative interest rates environment, the IFRS Interpretation Committee discussed the ramifications negative interest rates may have for the presentation of income and expenses in the income statement. The Committee acknowledged that IAS 18 did not envisage the circumstance of negative interest rates and noted that negative interest rate on a financial asset reflects a gross outflow of economic benefits. The Committee concluded that negative interest rates should be presented in an appropriate expense classification and that the appropriate presentation would require the application of judgement taking into account the materiality of the amounts. The Group decided to disclose separately the impact of negative interest expense on the face of the income Statement.

Income which falls under the scope of IAS 18 Revenue cannot be netted off against related expenses. However this does not preclude the Group from presenting Interest income followed by Interest expense and a sub-total such as “Net interest income” on the face of the income statement.

V. Net trading income

Net trading income is recognised on online foreign exchange transactions done by clients and also on foreign currency translation of monetary assets and liabilities denominated in other currencies than CHF. 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.

W. Leases

The leases entered into by the Group are operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

X. Fiduciary activity

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Y. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity including: cash and balances, amounts due from other banks and other short term highly liquid investments. Cash and balances with central banks comprise of deposits with Swiss National Bank which are available on demand.

For the purposes of the statement of cash flow, differences arising from changes in foreign currency exchange rates on cash and cash equivalents held or due in foreign currency are not cash flows. During the period under review, the Group decided to enhance the cash flow statement information by reporting the effect of exchange rate changes as a reconciling item between cash and cash equivalents at the beginning and the end of period (2014 comparative figures have been updated accordingly). In order to improve the understanding of the statement of cash flow, the Group redefined as well the classification of cash flow used from purchase of Property, plant and equipment and Information technology systems and decided to reflect capitalised costs as Payments to employees (Note 19).

Z. Comparatives

When required, comparative figures have been adjusted to conform to changes in presentation in the current year.

SECTION V: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

A. Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Section IV, circumstances may lead Management to make judgements that have most significant effect on the amounts recognised in the financial statements. At 31 December 2015, there were no such circumstances and related judgements to be reported (31 December 2014: none).

B. Critical accounting estimates and assumptions

Goodwill

Under IFRS standards, 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 goodwill. An impairment charge is recognised if the carrying amount exceeds the recoverable amount. The impairment test is based on assumptions.

The recoverable amounts are determined using a discounted cash flow (DCF) model, 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 first 5 forecasted years and the terminal value. The terminal value, reflecting all periods beyond the fifth year is calculated on the basis of the forecast of the fifth year earnings.

Valuation parameters used for the impairment test model are linked to external market information, where applicable (See Note 6).

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. Reportable segment Leveraged Forex (previously eForex) is considered as one cash-generating unit.

Circumstances that could trigger an impairment test include (but are not limited to): a significant adverse change in business climate or legal factor, 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 capital ratios, as goodwill is required to be deducted from eligible capital under Basel III framework.

SECTION V: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

B. Critical accounting estimates and assumptions (continued)

Loans and advances to customers - impairment allowance

On 15 January 2015, the Swiss National Bank removed the 1.20 floor on EUR/CHF which led to a sudden and extreme strengthening of the CHF against all major currencies. For several tens of minutes, the CHF was hardly tradable on foreign exchange markets. This event of unprecedented magnitude left many clients with a negative account balance and the Group initially estimated its risk of loss at CHF 25.0 million. At the end of the second half of 2015, it appeared that the initial risk of loss estimate in January 2015 was actually exceeding the maximum residual risk.

The Group continues seeking to recover the residual negative balances. In order to assess the foreseeable recovery of such residual balances, the Group has developed clusters of risks profiles based on various criteria and related probabilities which the Group believes are relevant to estimate the potential recovery.

As a result, the initial risk of loss estimate of CHF 25.0 million (which was fully provided) determined in January 2015 has been reassessed at CHF 22.6 million at 31 December 2015 (decrease of CHF 2.4 million). The corresponding residual balance of the specific impairment allowance linked to this event at 31 December 2015 amounts CHF 19.4 million, including bad debts written off (Note 4).

C. Key sources of estimation uncertainty

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:

Employee benefit

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. The assumptions used in determining the net cost (or income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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 appropriate discount rate, the Group considers the interest rates of high-quality maturity approximating the terms of the related pension obligation.

Other key assumptions include life expectancy, 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 reflect the long-term expectations for salary growth and takes into account inflation, seniority and other relevant factors of the labour market.

Taxation

The calculation of the Group's current corporate income tax expense involves a degree of estimation and judgement with regards a certain number of items whose tax treatment cannot be finally determined until resolution has been reached with relevant tax authority. The Group holds tax provisions in respect of the potential liability that may arise on these unresolved items. However, the amount ultimately payable may be materially different than the amount accrued and paid and could therefore improve the profitability and cash flows of the Group in future periods.

SECTION VI: FINANCIAL RISK MANAGEMENT

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 business as 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 variety 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 objectives of risk management are to protect the Group financial strength and reputation, while ensuring that capital is well deployed to support business activities. These business activities are constrainted 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 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 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 Group's approach with respect to financial reporting, internal controls, accounting, compliance and internal audit.

The Risk Committee is responsible for developing a conceptual framework, providing guidance regarding risk procedures and the development of the risk profile. The Risk Committee is further supported by the Asset Management Committee (formerly ALM & Investment Committee) which is responsible for the management of the balance sheet and liquidity. Those Committees operate at the Executive Management level. The adherence to risk management policies (and related limits) is controlled by the Risk control function, which is held by the Controlling & Risk Department.

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 risks (including margining of collateral risks);
- 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 risk and of the risk management process (the "Annual Conference on Risks"). The Executive Management, the external auditors and the internal auditors provide the Board of Directors with theirs own risk assessments and their recommendations with respect to the risk management and internal control.

SECTION VI: FINANCIAL RISK MANAGEMENT

B. Financial assets and liabilities categorisation

IFRS 7 requires presenting all the financial assets of the Group by category and by class of instruments.

	Amortised cost		Fair value			
Classes of financial assets	Loans and advances	Held-to-maturity	Fair value through profit & loss	Available-for-sale	Total	Fair value
Cash and balances with central bank	2,032,018,626	-	-	-	2,032,018,626	2,032,018,626
Treasury bills and other eligible bills	74,000,000	14,143,864	-	-	88,143,864	88,143,864
Loans and advances to banks	350,352,311	-	-	-	350,352,311	350,352,311
Derivative financial instruments	-	-	69,028,052	-	69,028,052	69,028,052
Trading assets	-	-	6,810,542	-	6,810,542	6,810,542
Loans and advances to customers	205,947,477	-	-	-	205,947,477	205,947,477
Investment securities	-	113,253,093	24,352,895	651,239,983	788,845,971	799,842,746
Other assets	37,261,005	-	-	-	37,261,005	37,261,005
Total financial assets	**2,699,579,419**	**127,396,957**	**100,191,489**	**651,239,983**	**3,578,407,848**	**3,589,404,623**
Deferred income tax assets					2,204,963	
Intangible assets					40,643,133	
Information technology systems					35,057,149	
Property, plant and equipment					61,504,730	
Total non financial assets					**139,409,975**	
Total assets at 31 December 2015					**3,717,817,823**	

Classes of financial liabilities	Fair value through profit & loss	Other liabilities	Total	Fair value
Deposits from banks	-	76,199,305	76,199,305	76,199,305
Derivative financial instruments	22,680,604	-	22,680,604	22,680,604
Due to customers	-	3,313,934,073	3,313,934,073	3,313,934,073
Other liabilities	-	31,702,424	31,702,424	31,702,424
Current income tax liabilities	-	431,983	431,983	431,983
Total financial liabilities	**22,680,604**	**3,422,267,785**	**3,444,948,389**	**3,444,948,389**
Deferred tax liabilities			1,449,935	
Provisions			3,749,841	
Total non financial liabilities			**5,199,776**	
Total liabilities at 31 December 2015			**3,450,148,165**	
Net balance			*267,669,658*	

All amounts in Swiss Francs 38

SECTION VI: FINANCIAL RISK MANAGEMENT

B. Financial assets and liabilities categorisation (continued)

	Amortised cost		Fair value			
Classes of financial assets	**Loans and advances**	**Held-to-maturity**	**Fair value through profit & loss**	**Available-for-sale**	**Total**	**Fair value**
Cash and balances with central bank	1,965,814,237	-	-	-	1,965,814,237	1,965,814,237
Treasury bills and other eligible bills	-	2,404,755	-	-	2,404,755	2,404,755
Loans and advances to banks	461,638,179	-	-	-	461,638,179	461,638,179
Derivative financial instruments	-	-	96,756,767	-	96,756,767	96,756,767
Trading assets	-	-	6,233,227	-	6,233,227	6,233,227
Loans and advances to customers	160,528,885	-	-	-	160,528,885	160,528,885
Investment securities	-	198,507,600	23,106,110	620,300,958	841,914,668	854,992,144
Other assets	34,243,733	-	-	-	34,243,733	34,243,733
Total financial assets	**2,622,225,034**	**200,912,355**	**126,096,104**	**620,300,958**	**3,569,534,451**	**3,582,611,927**
Deferred income tax assets					1,654,613	
Intangible assets					40,820,354	
Information technology systems					29,450,982	
Property, plant and equipment					64,128,154	
Total non financial assets					**136,054,103**	
Total assets at 31 December 2014					**3,705,588,554**	

Classes of financial liabilities	**Fair value through profit & loss**	**Other liabilities**	**Total**	**Fair value**
Deposits from banks	-	1,753,552	1,753,552	1,753,552
Derivative financial instruments	33,357,984	-	33,357,984	33,357,984
Due to customers	-	3,352,513,466	3,352,513,466	3,352,513,466
Other liabilities	-	33,551,558	33,551,558	33,551,558
Current income tax liabilities	-	228,386	228,386	228,386
Total financial liabilities	**33,357,984**	**3,388,046,962**	**3,421,404,946**	**3,421,404,946**
Deferred tax liabilities			1,466,640	
Provisions			8,355,130	
Total non financial liabilities			**9,821,770**	
Total liabilities at 31 December 2014			**3,431,226,716**	
Net balance			*274,361,838*	

All amounts in Swiss Francs 39

SECTION VI: FINANCIAL RISK MANAGEMENT

C. Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market, such as trading available-for-sale securities, 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 trade receivables and payables 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 and trading assets on stock and other exchanges (such as SIX Swiss Exchange, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange traded derivatives such as futures. 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) quotes 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 and investment securities. The sources of input parameters such as LIBOR yield curve 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 fair value of an instrument 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.

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:

At 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Investment securities	-	24,352,895	-	24,352,895
- Derivatives held for trading	47,555,594	21,472,458	-	69,028,052
- Trading assets	6,810,542	-	-	6,810,542
Financial assets designated available-for-sale				
- Investment securities	174,303,011	476,936,972	-	651,239,983
Financial assets measured at fair value	**228,669,147**	**522,762,325**	**-**	**751,431,472**
Cash and balances with central bank	2,032,018,626	-	-	2,032,018,626
Treasury bills and other eligible bills	14,143,864	74,000,000	-	88,143,864
Loans and advances to banks	315,352,311	35,000,000	-	350,352,311
Loans and advances to customers	-	205,947,477	-	205,947,477
Investments held-to-maturity				
- Investment securities	60,310,341	52,942,752	-	113,253,093
Other assets	-	37,261,005	-	37,261,005
Total financial assets at 31 December 2015				**3,578,407,848**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives held for trading	17,312,487	5,350,699	-	22,663,186
- Derivatives used for hedging	-	17,418	-	17,418
Financial liabilities measured at fair value	**17,312,487**	**5,368,117**	**-**	**22,680,604**
Due to customers				3,313,934,073
Others (deposits from banks, other liabilities, ...)				108,333,712
Total financial liabilities at 31 December 2015				**3,444,948,389**

There were no transfers between levels 1 and 2 nor 2 and 3 for recurring fair value measurements during the year.

All amounts in Swiss Francs 41

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:

At 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Investment securities	-	23,106,110	-	23,106,110
- Derivatives held for trading	68,661,905	28,094,862	-	96,756,767
- Trading assets	6,233,227	-	-	6,233,227
Financial assets designated available-for-sale				
- Investment securities	196,343,256	423,957,702	-	620,300,958
Financial assets measured at fair value	**271,238,388**	**475,158,674**	**-**	**746,397,062**
Cash and balances with central bank	1,965,814,237	-	-	1,965,814,237
Treasury bills and other eligible bills	2,404,755	-	-	2,404,755
Loans and advances to banks	461,638,179	-	-	461,638,179
Loans and advances to customers	-	160,528,885	-	160,528,885
Investments held-to-maturity				
- Investment securities	103,079,930	95,427,670	-	198,507,600
Other assets	-	34,243,733	-	34,243,733
Total financial assets at 31 December 2014				**3,569,534,451**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives held for trading	23,411,217	9,911,285	-	33,322,502
- Derivatives used for hedging	-	35,482	-	35,482
Financial liabilities measured at fair value	**23,411,217**	**9,946,767**	**-**	**33,357,984**
Due to customers				3,352,513,466
Others (deposits from banks, other liabilities, ...)				35,533,496
Total financial liabilities at 31 December 2014				**3,421,404,946**

All amounts in Swiss Francs 42

SECTION VI: FINANCIAL RISK MANAGEMENT

C. Fair value of financial assets and liabilities (continued)

Classification within the fair value hierarchy

Investment securities are generally 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 rate observed in the market. As the foreign exchange market is actively tradable, these currency forwards are generally classified as Level 1. Other derivative financial instruments, such as precious metals forwards, are typically classified as Level 2.

Trading assets are predominantly exchange-traded investment fund units with readily available quoted prices in liquid markets. Investment fund units are classified as Level 1.

Treasury bills and other eligible bills are generally classified as Level 1 or Level 2 depending on the depth of trading activity behind price sources.

SECTION VI: FINANCIAL RISK MANAGEMENT

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

D1. Capital management framework

Appropriate capital management and planning is a prerequisite to support the business activities.

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

- Comply with principles defined in the Swiss Federal Law on Banks and Savings Banks, the Implementing Ordinance on Banks and Savings Banks and the Swiss Capital Adequacy Ordinance;
- Safeguard the Group's ability to continue as going concern so that it can continue to provide returns to the shareholders and benefits for other stakeholders;
- Maintain a capital basis and capital ratios deemed adequate to support the development of its business;
- Anticipate future business and regulatory developments.

The Group and Swissquote Bank Ltd are both subject to the regulation of the Swiss Financial Market Supervisory Authority (FINMA). 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.

The Basel III framework came into effect in Switzerland on 1 January 2013. Within this 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.

At 31 December 2015, 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%), as well as a variable "anti-cyclical buffer" (up to 2.5%). This "anti-cyclical buffer" has been activated, without impact for the Group since it is limited to mortgage loans business. Banks included in category 4 are not required to publish the exhaustive range of disclosures set in FINMA circulars (partial disclosure).

The capital ratio of 10.5% is defined by FINMA as a ratio below which immediate and extensive actions would be taken under supervisory law.

Under Basel III, the Swissquote Group and Swissquote Bank Ltd apply:

	31 December 2015	31 December 2014
Credit risk	International Standard Approach - AS-BRI	International Standard Approach - AS-BRI
Market risk	Standardised Approach	Standardised Approach
Operational risk	Basic Indicator Approach	Basic Indicator Approach

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

SECTION VI: FINANCIAL RISK MANAGEMENT

D2. Risk-weighted assets

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 movement 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.

Operational risk reflects the capital requirements for the risk of loss resulting from inadequate internal processes, people and systems or from external events.

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

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

	Risk weighted assets		
Risk-weighted assets	**31 December 2015**	**31 December 2014**	**31 December 2015 (required capital)**
Credit risk			
- Sovereign	68,887,670	87,397,632	5,511,014
- Banks	149,572,139	147,058,460	11,965,771
- Corporates	230,777,487	207,690,986	18,462,199
- Institutions	50,276,459	25,491,273	4,022,117
- Others	118,358,811	95,350,127	9,468,705
Non-counterparty risk	96,561,880	93,579,136	7,724,950
Market risk	21,492,669	45,138,773	1,719,414
Operational risk	278,786,177	287,477,007	22,302,894
Total	**1,014,713,292**	**989,183,394**	**81,177,064**

Total risk-weighted assets are determined by multiplying the capital requirements by 12.5 (which is the reciprocal of the minimum capital ratio of 8.0% required by Basel III).

All amounts in Swiss Francs

SECTION VI: FINANCIAL RISK MANAGEMENT

D3. Eligible capital and capital ratios

Eligible capital	31 December 2015	31 December 2014
Ordinary shares	3,065,634	3,065,634
Share premium	51,710,405	60,752,040
Share option reserve	2,207,387	2,293,166
Other reserve	(2,419,403)	(3,146,415)
Treasury shares	(13,915,807)	(12,567,806)
Retained earnings	227,021,442	223,965,219
Sub-total	267,669,658	274,361,838
General adjustments		
Intangible assets	(40,643,133)	(40,820,354)
Others	(3,293,037)	(2,692,237)
Total Common Equity Tier 1 capital	**223,733,488**	**230,849,247**
Total Tier 2 capital	-	-
Total eligible capital	**223,733,488**	**230,849,247**

At 31 December 2015, there was no large exposure exceeding the threshold as per the Capital Adequacy Ordinance. Large exposures in excess of the threshold have to be deducted from total eligible capital.

	Capital ratios		
	31 December 2015	**31 December 2014**	**FINMA minimum requirement**
Common equity tier 1 ratio (CET1)	22.0%	23.3%	7.4%
+ Additional tier 1 capital ratio (AT1)	-	-	1.6%
+ Tier 2 capital ratio (T2)	-	-	2.2%
Capital ratio	22.0%	23.3%	minimum 11.2%

The Group as well as the applicable subsidiaries comply with the minimum capital requirements at 31 December 2015 and has done so at all times during 2015 and 2014.

D4. Leverage ratio

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. Both FINMA and Basel Committee will monitor bank’s leverage ratio until 1 January 2017 in order to assess the calibration of the minimum leverage ratio.

CHF thousands, except where indicated	31 December 2015	31 December 2014
Tier 1 capital	223,733	230,850
Total leverage ratio exposure	3,726,456	3,709,513
Leverage ratio	**6.0%**	**6.2%**

SECTION VI: FINANCIAL RISK MANAGEMENT

D5. Liquidity coverage ratio

The Liquidity Ordinance (LiqO), and the Circular FINMA 15/2 "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.

The Liquidity Coverage Ratio (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.

Liquidity Coverage Ratio (LCR) **CHF million, except where indicated**	**31 December 2015**	**31 December 2014**
Cash outflows	1,136,469	964,578
Cash inflows	(812,633)	(720,365)
Net cash outflows	323,836	244,213
Total high quality liquid assets (HQLA)	2,030,334	2,043,026
Liquidity coverage ratio (LCR in %)	**627.0%**	**836.6%**

The structural liquidity ratio (Net Stable Funding Ratio, hereafter "NSFR") should be applied in Switzerland as a minimum requirement (minimum ratio: 100%) starting from 1 January 2018. At 31 December 2015, the Group estimates that its NSFR ratio is in excess of 100%.

E. Compliance with depositor protection rules

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. The Group met those requirement at 31 December 2015, with a coverage of 171% (31 December 2014: 168%).

SECTION VI: FINANCIAL RISK MANAGEMENT

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 in lending activities that lead to loans and advances, and investing activities that bring debt securities and other bills to the Group's asset portfolio.

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

F1. Credit risk measurement

(I) Loans and advances to customers

Loans and advances to customers are principally in the form of:

- Lombard loans (covered loans); and
- Leveraged Forex credit lines.

These credit limits are principally used by clients for leveraging their Securities Trading or their Leveraged Forex operations. The Group operates real-time mark-to-market trading platforms with customers' accounts being simultaneously updated with individual profits and losses. Credit risk arises when client's assets deposited with the Group are not sufficient to cover trading losses incurred.

Lombard loans (Securities Trading): 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 transaction of the customer, and in case of inactivity of the client at several times per business day. Margin loans are monitored using a real time system comparing the fair value of the collateral with the actual credit granted to each customer.

Leveraged Forex credit lines: open positions of clients are authorised to a maximum leverage of their equity (margin deposit adjusted by unrealised gains and losses). With the aim to ensure the financial losses dot not exceed credit line, the Group has set up a system for the automatic closing out of open positions. The automatic system shall apply (in normal market conditions) as soon as the used margin of the open positions reaches the credit line by a specific percentage. However in certain circumstances (taking into account the rapidity and the extent of the fluctuations that apply to prices in extraordinary market conditions), the financial losses of clients may exceed the credit line.

(II) Loans and advances to banks

Loans and advances to banks are made in order to gain an interest margin on the assets deposited by clients at the Group in the form of current account or term deposits. Furthermore a minor part of the loans and advances to banks are pledged in favour of third party financial institutions in order to secure the settlement of the transactions carried out by the Group's clients. The limit for each counterparty – which absolute maximum is defined inter alia by reference to Group eligible capital (equity) in accordance with Swiss banking regulation (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.

SECTION VI: FINANCIAL RISK MANAGEMENT

F1. Credit risk measurement (continued)

(III) Investment securities

Investment securities comprise debt securities. Internal regulations define the procedures for the approval, management and review of the Group's exposures by the Asset Management Committee.

(IV) Derivative financial instruments

Derivatives contracts are entered into the normal course of business (clientele activity), as well as 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.

F2. Risk limit control and mitigation policies

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

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.

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

F3. Impairment and provisioning policies

Impairment provisions are provided for losses that have been incurred at the balance sheet date based on objective evidence. Objective evidence of impairment is principally based on:

- Downgrading;
- Delinquency in the contractual payment of principal or interest;
- Breach of loan covenants and conditions;
- Initiation of bankruptcy proceeding.

The Group reviews individual financial assets that are above materiality thresholds at least monthly or more regularly when circumstances require. Impairment allowances on individual assessed accounts are determined by an evaluation of the incurred loss at the balance-sheet date on a case by case basis, and are applied to all significant accounts. The assessment normally encompasses collaterals held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

SECTION VI: FINANCIAL RISK MANAGEMENT

F4. Maximum exposure to credit risk (excluding collateral held or credit enhancement)

	Maximum exposure 2015	2014
Credit risk exposure relating to on balance sheet assets are as follows:		
Cash and balances with central bank	2,032,018,626	1,965,814,237
Treasury bills and other eligible bills	88,143,864	2,404,755
Loans and advances to banks	350,352,311	461,638,179
Derivative financial instruments	69,028,052	96,756,767
Loans and advances to customers	205,947,477	160,528,885
Investment securities	788,845,971	841,914,668
Others (Trading assets and Other assets)	44,071,547	40,476,960
Total credit exposure on financial assets (A)	**3,578,407,848**	**3,569,534,451**
Non financial assets (no counterparty exposure)	139,409,975	136,054,103
Total assets at 31 December	3,717,817,823	3,705,588,554
Credit risk exposure relating to off balance sheet assets are as follows:		
Financial guarantees	3,656,159	4,446,484
Loan commitments (depositor protection contribution - Art. 37H BA)	24,870,000	23,600,000
Total credit exposure on off balance sheet (B)	**28,526,159**	**28,046,484**
Total credit exposure (A) + (B)	**3,606,934,007**	**3,597,580,935**

At 31 December 2015, 56.3% of total credit exposure is related to Swiss National Bank (2014: 54.6%).

	2015	2014
Collateral at fair value to support Loans and advances to customers	543,212,602	498,984,070
Cash deposits to support Derivative financial instruments	210,557,818	240,990,593

All amounts in Swiss Francs 50

SECTION VI: FINANCIAL RISK MANAGEMENT

F5. Loans and advances

	31 December 2015		31 December 2014	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
Neither past due nor impaired	205,947,477	350,352,311	160,528,885	461,638,179
Past due but not impaired	-	-	-	-
Impaired	19,866,293	-	306,929	-
Gross	**225,813,770**	**350,352,311**	**160,835,814**	**461,638,179**
Less: allowance for impairment	(19,866,293)	-	(306,929)	-
Balance at year-end	**205,947,477**	**350,352,311**	**160,528,885**	**461,638,179**

Loans and advances to customers are spread over 15,617 (2014: 17,748) distinct customers, 79.4% of them are domiciled in Switzerland (2014: 83.6%). The largest balance at 31 December 2015 is CHF 11,017,296 (2014: CHF 13,770,544).

Loans and advances to banks are spread over 41 (2014: 29) distinct counterparties. The largest balance at 31 December 2015 is related to a reverse repo transaction and amounts CHF 50,000,000 (2014: CHF 150,228,373 related to EUREX Exchange margin deposit).

All amounts in Swiss Francs 51

SECTION VI: FINANCIAL RISK MANAGEMENT

F5. Loans and advances (continued)

Loans and advances to banks are further analysed as follows (based on contractual maturity):

	External Rating	Sight	0-3 months	3-12 months	Gross amount
Investment Grade	from AAA to AA-	168,730,888	-	25,000,000	193,730,888
	from A+ to A-	72,726,520	-	-	72,726,520
	from BBB+ to BBB-	39,049,156	-	-	39,049,156
Speculative Grade	from BB+ to BB-	9,647,051	-	-	9,647,051
	from B+ to B-	970,891	-	-	970,891
	from CCC+ to CCC-	-	-	-	-
	from CC+ to C-	-	-	-	-
Other	Unrated	3,349,005	20,878,800	10,000,000	34,227,805
Total at 31 December 2015		**294,473,511**	**20,878,800**	**35,000,000**	**350,352,311**

Unrated counterparties mainly relate to banks domiciled in Switzerland (CHF 32.4 million).

No credit limits were exceeded during 2015 and 2014.

At year-end, Loans and advances to banks are pledged up to CHF 100.3 million (2014: CHF 259.9 million) in favour of third parties mainly in order to secure the settlement of client transactions (collateral deposits).

	External Rating	Sight	0-3 months	3-12 months	Gross amount
Investment Grade	from AAA to AA-	254,102,860	-	-	254,102,860
	from A+ to A-	145,436,901	42,328,878	-	187,765,779
	from BBB+ to BBB-	13,681,015	-	-	13,681,015
Speculative Grade	from BB+ to BB-	1,817,747	-	-	1,817,747
	from B+ to B-	1,366,606	-	-	1,366,606
	from CCC+ to CCC-	-	-	-	-
	from CC+ to C-	-	-	-	-
Other	Unrated	2,904,172	-	-	2,904,172
Total at 31 December 2014		**419,309,301**	**42,328,878**	-	**461,638,179**

All amounts in Swiss Francs 52

SECTION VI: FINANCIAL RISK MANAGEMENT

F6. Investment securities, Treasury bills and other eligible bills

Investment securities (CHF 788.8 million), Treasury bills and other eligible bills (CHF 88.1 million) are analysed as follows:

	S&P	Less than 1 year	1-2 years	2-5 years	Over 5 years	Gross amount
Investment Grade	from AAA to AA-	66,587,116	118,566,707	48,016,989	46,479,090	279,649,902
	from A+ to A-	100,060,028	96,706,887	6,133,333	1,845,023	204,745,271
	from BBB+ to BBB-	136,109,288	150,739,442	2,368,482	5,114,487	294,331,699
Speculative Grade	from BB+ to BB-	15,427,420	14,873,142	210,835	-	30,511,397
	from B+ to B-	1,636,731	83,234	-	-	1,719,965
	from CCC+ to CCC-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-
Other	Unrated	62,368,219	3,663,382	-	-	66,031,601
Total at 31 December 2015		**382,188,802**	**384,632,794**	**56,729,639**	**53,438,600**	**876,989,835**
Cash and balances with central bank						2,032,018,626
Other assets than investment securities and treasury bills						808,809,362
Total assets at 31 December 2015						**3,717,817,823**

At 31 December 2015, the balance of CHF 32.2 million identified as speculative grade mainly consist of bonds issued by European corporates (CHF 15.1 million), European banks (CHF 7.6 million), South American corporates (CHF 5.4 million) and South American sovereign bonds (CHF 3.3 million). The balance identified as unrated mainly consist of Swiss municipalities (CHF 49.0 million).

None of the above receivables are past due or impaired.

At 31 December 2015, Investment securities are pledged up to CHF 77.4 million (2014: nil) in favour of third parties in connection with repo transactions.

	S&P	Less than 1 year	1-2 years	2-5 years	Over 5 years	Gross amount
Investment Grade	from AAA to AA-	69,670,977	49,969,135	98,388,361	68,795,462	286,823,935
	from A+ to A-	102,342,077	55,358,220	62,705,086	3,693,570	224,098,953
	from BBB+ to BBB-	94,926,911	125,706,626	79,268,893	2,076,690	301,979,120
Speculative Grade	from BB+ to BB-	6,480,062	2,730,406	725,316	185,928	10,121,712
	from B+ to B-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-
Other	Unrated	10,223,122	9,037,739	2,034,842	-	21,295,703
Total at 31 December 2014		**283,643,149**	**242,802,126**	**243,122,498**	**74,751,650**	**844,319,423**
Cash and balances with central bank						1,965,814,237
Other assets than investment securities and treasury bills						895,454,894
Total assets at 31 December 2014						**3,705,588,554**

None of the above receivables are past due or impaired.

All amounts in Swiss Francs 53

SECTION VI: FINANCIAL RISK MANAGEMENT

F7. Geographical concentration of financial assets

The Group has credit exposures outside Switzerland:

- Through its deposits with financial institutions domiciled outside Switzerland (Loans and advances to banks);
- Through debt instruments issued by foreign corporations, financial institutions and governments (Investment securities and Treasury bills and other eligible bills);
- To a lesser extent with clients domiciled outside of Switzerland to whom the Group has granted credit facilities (Loans and advances to customers as well as Derivative financial instruments).

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

	Switzerland	Europe	North America	Middle East & Asia	Others	Total
Cash and balances with central bank	2,032,018,626	-	-	-	-	2,032,018,626
Treasury bills and other eligible bills	74,000,000	6,548,374	7,595,490	-	-	88,143,864
Loans and advances to banks	224,581,483	83,273,538	37,748,757	4,748,533	-	350,352,311
Derivative financial instruments	19,600,714	17,864,835	646,972	28,073,879	2,841,652	69,028,052
Trading assets	6,810,542	-	-	-	-	6,810,542
Loans and advances to customers	158,354,296	26,321,966	5,725,722	11,928,541	3,616,952	205,947,477
Investment securities	171,985,136	353,059,810	170,502,057	52,620,692	40,678,276	788,845,971
Other assets	28,788,219	6,037,341	1,412,181	566,386	456,878	37,261,005
Total at 31 December 2015	**2,716,139,016**	**493,105,864**	**223,631,179**	**97,938,031**	**47,593,758**	**3,578,407,848**

	Switzerland	Europe	North America	Middle East & Asia	Others	Total
Cash and balances with central bank	1,965,814,237	-	-	-	-	1,965,814,237
Treasury bills and other eligible bills	-	2,404,755	-	-	-	2,404,755
Loans and advances to banks	137,620,201	273,205,700	45,336,540	5,475,738	-	461,638,179
Derivative financial instruments	22,690,901	26,152,297	2,355,329	43,210,625	2,347,615	96,756,767
Trading assets	6,233,227	-	-	-	-	6,233,227
Loans and advances to customers	133,130,335	12,596,841	1,140,444	11,806,775	1,854,490	160,528,885
Investment securities	187,884,465	349,666,392	145,292,539	109,398,609	49,672,663	841,914,668
Other assets	24,170,391	6,846,617	1,585,374	865,589	775,762	34,243,733
Total at 31 December 2014	**2,477,543,757**	**670,872,602**	**195,710,226**	**170,757,336**	**54,650,530**	**3,569,534,451**

All amounts in Swiss Francs 54

SECTION VI: FINANCIAL RISK MANAGEMENT

F8. Industry sector concentration of assets

The industry sector concentration is analysed below:

	Cash and Treasury bills	Derivative financial instruments	Loans and advances to banks and customers	Investment securities	Total at 31 December 2015	Total at 31 December 2014
Banks	-	11,950,664	350,352,311	253,415,853	615,718,828	737,809,405
Central Banks	2,032,018,626	-	-	-	2,032,018,626	1,965,814,237
Sovereign and Municipalities	74,000,000	-	-	233,798,606	307,798,606	295,235,358
Sub-total	**2,106,018,626**	**11,950,664**	**350,352,311**	**487,214,459**	**2,955,536,060**	**2,998,859,000**
Automobiles & Parts	-	-	-	37,714,465	37,714,465	30,132,122
Aerospace & Defense	-	-	-	-	-	2,404,755
Basic Resources	-	-	-	6,304,802	6,304,802	5,679,626
Chemicals	-	-	-	3,269,380	3,269,380	8,525,830
Constructions & Materials	2,750,628	-	-	8,114,853	10,865,481	12,490,049
Food & Beverages	-	-	-	28,853,649	28,853,649	21,367,692
Health Care	-	-	-	18,352,243	18,352,243	11,669,695
Individuals	-	57,077,388	205,947,477	-	263,024,865	243,832,092
Industrials Goods	1,085,070	-	-	57,694,292	58,779,362	45,885,955
Insurance	-	-	-	5,127,831	5,127,831	5,002,851
Media	-	-	-	2,370,012	2,370,012	-
Oil & Gas	-	-	-	36,033,606	36,033,606	53,213,713
Private Households	10,308,166	-	-	19,231,900	29,540,066	11,975,089
Real Estate	-	-	-	551,925	551,925	-
Retail	-	-	-	10,412,680	10,412,680	12,271,441
Supranational	-	-	-	9,806,310	9,806,310	12,176,056
Technology	-	-	-	4,922,140	4,922,140	4,726,544
Telecommunications	-	-	-	33,391,883	33,391,883	16,378,229
Travel & Leisure	-	-	-	1,202,243	1,202,243	1,621,227
Utilities	-	-	-	18,277,298	18,277,298	30,845,525
Sub-total	**2,120,162,490**	**69,028,052**	**556,299,788**	**788,845,971**	**3,534,336,301**	**3,529,057,491**
Other assets with no industry sector concentration					183,481,522	176,531,063
Total assets					**3,717,817,823**	**3,705,588,554**

All amounts in Swiss Francs 55

SECTION VI: FINANCIAL RISK MANAGEMENT

F9. Offsetting

Offsetting and related rights to set-off are risk management tools that the Group use among others to reduce counterparty credit risk.

The following table presents the recognised financial instruments that are subject to enforceable matter netting arrangements or other similar agreements but not offset.

Derivative financial instruments (assets)

	Gross amounts of recognised financial assets	Presented in statement of financial positions	Related amounts not set off in balance sheet Due to customers	Net credit exposure
Foreign exchange swaps	9,905,273	9,905,273	-	9,905,273
Currency options	-	-	-	-
Interest rate futures	-	-	-	-
Currency forwards, precious metals forwards and CFD derivatives	59,122,779	59,122,779	210,557,818	-
Balance at 31 December 2015	**69,028,052**	**69,028,052**	**210,557,818**	**9,905,273**
Foreign exchange swaps	9,816,316	9,816,316	-	9,816,316
Currency options	77,853	77,853	-	77,853
Interest rate futures	-	-	-	-
Currency forwards, precious metals forwards and CFD derivatives	86,862,598	86,862,598	240,990,593	-
Balance at 31 December 2014	**96,756,767**	**96,756,767**	**240,990,593**	**9,894,169**

Derivative financial instruments (liabilities)

	Gross amounts of recognised financial liabilities	Presented in statement of financial positions
Foreign exchange swaps	1,711,320	1,711,320
Currency options	-	-
Interest rate futures	17,418	17,418
Currency forwards, precious metals forwards and CFD derivatives	20,951,866	20,951,866
Balance at 31 December 2015	**22,680,604**	**22,680,604**
Foreign exchange swaps	3,303,198	3,303,198
Currency options	77,853	77,853
Interest rate futures	35,482	35,482
Currency forwards, precious metals forwards and CFD derivatives	29,941,451	29,941,451
Balance at 31 December 2014	**33,357,984**	**33,357,984**

Currency forwards, precious metals forwards and CFD derivatives recognised as derivative financial instruments correspond to open positions of Leveraged Forex (eForex) clients that are authorised to trade with a maximum leverage of their equity (margin deposit being recognised in Due to Customers).

All amounts in Swiss Francs 56

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

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 by:

- 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 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.

At 31 December 2015	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Deposits from banks	76,199,305	-	-	-	-	76,199,305
Due to customers	3,313,934,073	-	-	-	-	3,313,934,073
Other liabilities	31,702,424	-	-	-	-	31,702,424
Current income tax liabilities	431,983	-	-	-	-	431,983
Total non-derivative financial liabilities (contractual maturity dates) - (A)	**3,422,267,785**	-	-	-	-	**3,422,267,785**
Derivative financial instruments						22,680,604
Non financial liabilities						5,199,776
Total liabilities						**3,450,148,165**
Commitments (B)	-	-	26,614,665	1,911,494	-	28,526,159
Total maturity grouping (A) + (B)	**3,422,267,785**	-	**26,614,665**	**1,911,494**	-	**3,450,793,944**
Total non-derivative financial assets (expected maturity dates)	(2,666,227,579)	(124,835,977)	(225,720,169)	(443,206,904)	(51,594,128)	(3,511,584,757)
Net balance	**756,040,206**	**(124,835,977)**	**(199,105,504)**	**(441,295,410)**	**(51,594,128)**	**(60,790,813)**

All amounts in Swiss Francs 57

SECTION VI: FINANCIAL RISK MANAGEMENT

G2. Non-derivative cash flows (continued)

At 31 December 2014	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Deposits from banks	1,753,552	-	-	-	-	1,753,552
Due to customers	3,352,513,466	-	-	-	-	3,352,513,466
Other liabilities	33,551,558	-	-	-	-	33,551,558
Current income tax liabilities	228,386	-	-	-	-	228,386
Total non-derivative financial liabilities (contractual maturity dates) - (A)	**3,388,046,962**	**-**	**-**	**-**	**-**	**3,388,046,962**
Derivative financial instruments						33,357,984
Non financial liabilities						9,821,770
Total liabilities						**3,431,226,716**
Commitments (B)	-	-	25,336,506	2,709,978	-	28,046,484
Total maturity grouping (A) + (B)	**3,388,046,962**	**-**	**25,336,506**	**2,709,978**	**-**	**3,416,093,446**
Total non-derivative financial assets (expected maturity dates)	(2,668,994,038)	(56,148,395)	(188,613,588)	(485,924,625)	(74,751,651)	(3,474,432,297)
Net balance	**719,052,924**	**(56,148,395)**	**(163,277,082)**	**(483,214,647)**	**(74,751,651)**	**(58,338,851)**

All amounts in Swiss Francs 58

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G3. Derivative cash flows

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

At 31 December 2015	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Derivatives held for trading						
- Foreign exchange swaps	5,495,187	1,719,737	2,690,349	-	-	9,905,273
- Currency options	-	-	-	-	-	-
- Currency forwards	49,384,441	158,215	1,066,135	19,857	-	50,628,648
- Precious metals forwards	6,408,094	-	-	-	-	6,408,094
- CFD derivatives	2,086,037	-	-	-	-	2,086,037
Derivatives held for hedging						
- Interest rate futures	-	-	-	-	-	-
- Currency options	-	-	-	-	-	-
Total	**63,373,759**	**1,877,952**	**3,756,484**	**19,857**	**-**	**69,028,052**
Liabilities						
Derivatives held for trading						
- Foreign exchange swaps	1,439,865	100,713	170,742	-	-	1,711,320
- Currency options	-	-	-	-	-	-
- Currency forwards	18,148,434	736,205	598,545	19,407	-	19,502,591
- Precious metals forwards	395,960	-	-	-	-	395,960
- CFD derivatives	1,053,315	-	-	-	-	1,053,315
Derivatives held for hedging						
- Interest rate futures	17,418	-	-	-	-	17,418
- Currency options	-	-	-	-	-	-
Total	**21,054,992**	**836,918**	**769,287**	**19,407**	**-**	**22,680,604**

Currency forwards, Precious metals forwards and CFD derivatives (indices and commodities) are mainly related to open transactions of Leveraged Forex (eForex) clientele at 31 December 2015. Those transactions have to be classified in category “up to 1 month”.

All amounts in Swiss Francs 59

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.

At 31 December 2014	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Derivatives held for trading						
- Foreign exchange swaps	2,116,310	4,106,433	3,593,573	-	-	9,816,316
- Currency options	-	38,636	39,217	-	-	77,853
- Currency forwards	68,884,106	1,606,707	2,870,402	4,034	-	73,365,249
- Precious metals forwards	11,798,747	-	-	-	-	11,798,747
- CFD derivatives	1,698,602	-	-	-	-	1,698,602
Derivatives held for hedging						
- Interest rate futures	-	-	-	-	-	-
- Currency options	-	-	-	-	-	-
Total	**84,497,765**	**5,751,776**	**6,503,192**	**4,034**	**-**	**96,756,767**
Liabilities						
Derivatives held for trading						
- Foreign exchange swaps	174,924	2,128,180	1,000,094	-	-	3,303,198
- Currency options	-	38,636	39,217	-	-	77,853
- Currency forwards	23,653,310	2,293,997	2,634,104	3,586	-	28,584,997
- Precious metals forwards	983,385	-	-	-	-	983,385
- CFD derivatives	373,069	-	-	-	-	373,069
Derivatives held for hedging						
- Interest rate futures	35,482	-	-	-	-	35,482
- Currency options	-	-	-	-	-	-
Total	**25,220,170**	**4,460,813**	**3,673,415**	**3,586**	**-**	**33,357,984**

Currency forwards, Precious metals forwards and CFD derivatives (indices and commodities) are mainly related to open transactions of Leveraged Forex (eForex) clientele at 31 December 2014. Those transactions have to be classified in category “up to 1 month”.

All amounts in Swiss Francs 60

SECTION VI: FINANCIAL RISK MANAGEMENT

G4. Off balance sheet items

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

At 31 December 2015	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	24,870,000	-	-	24,870,000
Operating lease commitments	1,744,665	1,911,494	-	3,656,159
Total	**26,614,665**	**1,911,494**	-	**28,526,159**

At 31 December 2014	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	23,600,000	-	-	23,600,000
Operating lease commitments	1,736,506	2,709,978	-	4,446,484
Total	**25,336,506**	**2,709,978**	-	**28,046,484**

Loan commitments are related to the Group contribution to the Depositor protection scheme (Art. 37H Banking Act).

All amounts in Swiss Francs

SECTION VI: FINANCIAL RISK MANAGEMENT

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 (eForex) 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 as 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 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 target 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.

SECTION VI: FINANCIAL RISK MANAGEMENT

H1. Foreign exchange risk (continued)

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

At 31 December 2015	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	2,031,949,807	12,862	47,004	8,953	2,032,018,626
Treasury bills and other eligible bills	74,000,000	-	14,143,864	-	88,143,864
Loans and advances to banks	238,842,443	18,434,624	53,677,334	39,397,910	350,352,311
Derivative financial instruments	15,114,353	33,017,123	251,281	20,645,295	69,028,052
Trading assets	706,264	-	6,104,278	-	6,810,542
Loans and advances to customers	83,559,206	49,274,872	63,036,549	10,076,850	205,947,477
Investment securities	234,613,351	253,924,291	294,435,621	5,872,708	788,845,971
Other assets	25,562,587	4,545,823	6,739,992	412,603	37,261,005
Total financial assets	**2,704,348,011**	**359,209,595**	**438,435,923**	**76,414,319**	**3,578,407,848**
Liabilities					
Deposits from banks	705,023	35,863,188	39,623,102	7,992	76,199,305
Derivative financial instruments	4,216,759	8,325,769	57,958	10,080,118	22,680,604
Due to customers	1,910,098,625	682,417,644	607,466,440	113,951,364	3,313,934,073
Other liabilities	28,783,759	1,576,338	424,094	918,233	31,702,424
Current income tax liabilities	406,064	-	-	25,919	431,983
Total financial liabilities	**1,944,210,230**	**728,182,939**	**647,571,594**	**124,983,626**	**3,444,948,389**
Net on balance sheet financial position	**760,137,781**	**(368,973,344)**	**(209,135,671)**	**(48,569,307)**	**133,459,459**
Off balance sheet notional position	(624,244,132)	366,978,386	208,360,537	48,905,209	-
Credit commitments	-	-	-	-	-
Net exposure	**135,893,649**	**(1,994,958)**	**(775,134)**	**335,902**	**133,459,459**

All amounts in Swiss Francs

SECTION VI: FINANCIAL RISK MANAGEMENT

H1. Foreign exchange risk (continued)

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

At 31 December 2014	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	1,965,731,669	44,542	29,481	8,545	1,965,814,237
Treasury bills and other eligible bills	-	-	2,404,755	-	2,404,755
Loans and advances to banks	258,365,052	19,224,029	18,004,222	166,044,876	461,638,179
Derivative financial instruments	17,849,997	58,510,760	396,513	19,999,497	96,756,767
Trading assets	660,035	-	5,573,192	-	6,233,227
Loans and advances to customers	69,086,876	45,258,859	37,783,504	8,399,646	160,528,885
Investment securities	299,423,185	249,968,900	286,174,242	6,348,341	841,914,668
Other assets	21,368,200	4,417,797	6,929,653	1,528,083	34,243,733
Total financial assets	**2,632,485,014**	**377,424,887**	**357,295,562**	**202,328,988**	**3,569,534,451**
Liabilities					
Deposits from banks	910,213	827,482	946	14,911	1,753,552
Derivative financial instruments	9,074,419	18,782,527	44,048	5,456,990	33,357,984
Due to customers	1,927,107,442	662,016,608	664,597,650	98,791,766	3,352,513,466
Other liabilities	31,592,361	230,894	167,117	1,561,186	33,551,558
Current income tax liabilities	228,386	-	-	-	228,386
Total financial liabilities	**1,968,912,821**	**681,857,511**	**664,809,761**	**105,824,853**	**3,421,404,946**
Net on balance sheet financial position	**663,572,193**	**(304,432,624)**	**(307,514,199)**	**96,504,135**	**148,129,505**
Off balance sheet notional position	(513,340,372)	301,017,503	308,572,479	(96,249,610)	-
Credit commitments	-	-	-	-	-
Net exposure	**150,231,821**	**(3,415,121)**	**1,058,280**	**254,525**	**148,129,505**

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SECTION VI: FINANCIAL RISK MANAGEMENT

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 takes on exposure to the effects of fluctuations in the prevailing levels 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 the earlier of contractual repricing or maturity dates.

At 31 December 2015	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Assets						
Cash and balances with central bank	2,032,018,626	-	-	-	-	2,032,018,626
Treasury bills and other eligible bills	88,143,864	-	-	-	-	88,143,864
Loans and advances to banks	315,352,311	35,000,000	-	-	-	350,352,311
Derivative financial instrument	65,251,711	3,756,484	19,857	-	-	69,028,052
Trading assets	-	-	-	-	6,810,542	6,810,542
Loans and advances to customers	205,947,477	-	-	-	-	205,947,477
Investment securities	246,283,222	207,281,747	283,686,874	51,594,128	-	788,845,971
Other assets	28,661,269	2,655,391	4,991,978	952,367	-	37,261,005
Total financial assets	**2,981,658,480**	**248,693,622**	**288,698,709**	**52,546,495**	**6,810,542**	**3,578,407,848**
Liabilities						
Deposits from banks	76,199,305	-	-	-	-	76,199,305
Derivative financial instruments	21,891,910	769,287	19,407	-	-	22,680,604
Due to customers	3,313,934,073	-	-	-	-	3,313,934,073
Other liabilities	31,702,424	-	-	-	-	31,702,424
Current income tax liabilities	431,983	-	-	-	-	431,983
Total financial liabilities	**3,444,159,695**	**769,287**	**19,407**	**-**	**-**	**3,444,948,389**
Net on balance sheet	**(462,501,215)**	**247,924,335**	**288,679,302**	**52,546,495**	**6,810,542**	**133,459,459**
Off balance sheet	-	-	-	-	-	-
Net exposure	**(462,501,215)**	**247,924,335**	**288,679,302**	**52,546,495**	**6,810,542**	**133,459,459**

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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 the earlier of contractual repricing or maturity dates.

At 31 December 2014	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Assets						
Cash and balances with central bank	1,965,814,237	-	-	-	-	1,965,814,237
Treasury bills and other eligible bills	2,404,755	-	-	-	-	2,404,755
Loans and advances to banks	461,638,179	-	-	-	-	461,638,179
Derivative financial instrument	90,249,541	6,503,192	4,034	-	-	96,756,767
Trading assets	-	-	-	-	6,233,227	6,233,227
Loans and advances to customers	160,528,885	-	-	-	-	160,528,885
Investment securities	246,838,138	175,833,072	345,791,674	73,451,784	-	841,914,668
Other assets	28,444,938	5,798,795	-	-	-	34,243,733
Total financial assets	**2,955,918,673**	**188,135,059**	**345,795,708**	**73,451,784**	**6,233,227**	**3,569,534,451**
Liabilities						
Deposits from banks	1,753,552	-	-	-	-	1,753,552
Derivative financial instruments	29,680,983	3,673,415	3,586	-	-	33,357,984
Due to customers	3,352,513,466	-	-	-	-	3,352,513,466
Other liabilities	33,551,558	-	-	-	-	33,551,558
Current income tax liabilities	228,386	-	-	-	-	228,386
Total financial liabilities	**3,417,727,945**	**3,673,415**	**3,586**	**-**	**-**	**3,421,404,946**
Net on balance sheet	**(461,809,272)**	**184,461,644**	**345,792,122**	**73,451,784**	**6,233,227**	**148,129,505**
Off balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Net exposure	**(461,809,272)**	**184,461,644**	**345,792,122**	**73,451,784**	**6,233,227**	**148,129,505**

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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 of CHF currency against all others as this is considered as reasonably possible.

		Sensitivity analysis (cumulated impact)*			
		+ 5% EUR + 5% USD + 5% Others		- 5% EUR - 5% USD - 5% Others	
At 31 December 2015	Carrying amount CHF'000	Profit / (Loss) CHF'000	Other movements in equity CHF'000	Profit / (Loss) CHF'000	Other movements in equity CHF'000
Financial assets					
Cash and balances with central bank	2,032,019	3	-	(3)	-
Treasury bills and other eligible bills	88,144	707	-	(707)	-
Loans and advances to banks	350,352	3,606	-	(3,606)	-
Loans and advances to customers	205,947	5,616	-	(5,616)	-
Investment securities	788,846	27,418	-	(27,418)	-
Others (Derivatives, Trading assets and Other assets)	113,100	2,532	-	(2,532)	-
Total impact on financial assets		**39,882**	-	**(39,882)**	-
Financial liabilities					
Deposits from banks	76,199	(3,774)	-	3,774	-
Due to customers	3,313,934	(64,494)	-	64,494	-
Others (Derivatives and Other liabilities)	54,383	(519)	-	519	-
Total impact on financial liabilities		**(68,787)**	-	**68,787**	-
Total impact on balance sheet positions		**(28,905)**	-	**28,905**	
Impact on off balance sheet positions		28,767	-	(28,767)	-
Net impact before income tax expense		**(138)**	-	**138**	-
Income tax expense		26	-	(26)	-
Net impact after income tax expense		**(112)**	-	**112**	-
Sensitivity analysis at 31 December 2014		*(97)*	-	*97*	-

The sensitivity analysis assumes normal market conditions in particular with regards liquidity, which may affect execution prices.

* *without cumulating the impact of the sensitivity analysis, the maximum net impact after income tax expense will not exceed CHF 0.1m for either of the currencies (2014: CHF 0.1m).*

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

An interest rate risk sensitivity analysis has been performed on the basis of 1.0% variation in interest rates as this is considered as reasonably possible.

		Sensitivity analysis			
		+ 100 bp		- 100 bp	
At 31 December 2015	Carrying amount CHF'000	Profit / (Loss) CHF'000	Other movements in equity CHF'000	Profit / (Loss) CHF'000	Other movements in equity CHF'000
Financial assets					
Cash and balances with central bank	2,032,019	8,589	-	(11,452)	-
Treasury bills and other eligible bills	88,144	102	-	(136)	-
Loans and advances to banks	350,352	10,652	-	(13,205)	-
Loans and advances to customers	205,947	1,247	-	(277)	-
Investment securities	788,846	(71)	(4,657)	(3,044)	2,773
Total impact on financial assets		**20,519**	**(4,657)**	**(28,114)**	**2,773**
Financial liabilities					
Deposits from banks	76,199	(732)	-	363	-
Due to customers	3,313,934	(12,121)	-	23,412	-
Total impact on financial liabilities		**(12,853)**	-	**23,775**	-
Net impact before income tax expense		**7,666**	**(4,657)**	**(4,339)**	**2,773**
Income tax expense		(1,418)	-	803	-
Net impact after income tax expense		**6,248**	**(4,657)**	**(3,536)**	**2,773**
Sensitivity analysis at 31 December 2014		*5,837*	*(5,792)*	*(2,952)*	*5,959*

The results of the sensitivity analysis may be dependent on the negative interest environment and related decisions made by the Group with regards their repercussion on client accounts conditions.

SECTION VI: FINANCIAL RISK MANAGEMENT

H4. Equity market risk

Equity market risk arise from Trading assets and contract-for-differences (CFD's) offered to the clients.

Trading assets are related to investment funds that are invested in stock included in major stock exchange indices (Swiss Performance Index and DJ Euro Stoxx).

Contract-for-differences (CFD's) are based on underlying stock indices on world stock markets. As not all ot these products can be processed on agency model trades, the Group uses future contracts to hedge CFD positions on a net basis.

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 resulting in the inability for a market participant to liquidate a position in a timely manner at a reasonable price. The effects of market liquidity risk can result into a price impact of 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 an inevitable consequence of being in business and managing this risk is a core element of the Group activities, implemented through a conceptual framework and an effective risk function. The conceptual framework has been adopted in accordance with Circular-FINMA 2008/21 "Operating risks at banks" and defines the roles and responsibilities with regards operational risk. The partially revised Circular entered into force on 1 January 2015 and sets out the "Principles for the Sound Management of Operational Risk" issued in June 2011 by the Basel Committee. In particular, it provides new guidelines for handling electronic client data.

J. Fiduciary activities

As mentioned above, the Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. 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, amount to CHF 8.9 billion (2014: CHF 8.4 billion).

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SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2015	2014
Cash and balances with central bank	2,032,018,626	1,965,814,237
Treasury bills and other eligible bills	88,143,864	2,404,755
Loans and advances to banks	350,352,311	461,638,179
Deposits from banks	(76,199,305)	(1,753,552)
Total net	**2,394,315,496**	**2,428,103,619**
Less: Loans and advances to banks (above 3 months)	(35,000,000)	-
Cash and cash equivalents	**2,359,315,496**	**2,428,103,619**

Cash and balances with central bank comprise of CHF 2.0 billion deposits with Swiss National Bank (2014 : CHF 1.9 billion). On 15 January 2015, the Swiss National Bank lowered the interest rate on deposit account balance at the SNB that exceed a given exemption threshold to negative 0.75%.

Treasury bills and other eligible bills comprise of CHF 74.0 million of short-term receivables (3 months) from municipalities and cities in Switzerland (2014: nil).

Part of loans and advances to banks are pledged (2015: CHF 100.3 million - 2014: CHF 259.9 million) in favor of third parties mainly in order to secure the settlement of client transactions.

Deposits from banks are related to repo transactions (repurchase agreement) opened by the Group at year-end and collateral deposits required by the Group to banking counterparties.

All amounts in Swiss Francs 71

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Derivative financial instruments

	31 December 2015		
	Fair value		Contract
	Assets	Liabilities	Notional amount
Derivatives held for trading			
- Foreign exchange swaps	9,905,273	(1,711,320)	331,158,661
- Currency options	-	-	-
- Currency forwards	50,628,648	(19,502,591)	2,444,193,315
- Precious metals forwards	6,408,094	(395,960)	100,915,689
- CFD derivatives (indices and commodities)	2,086,037	(1,053,315)	23,320,081
Total derivatives held for trading	**69,028,052**	**(22,663,186)**	**2,899,587,746**
Derivatives held for hedging			
Derivatives designated as fair value hedge:			
- Interest rate futures	-	(17,418)	213,261,338
Total derivatives held for hedging	**-**	**(17,418)**	**213,261,338**
Total derivatives financial instruments	**69,028,052**	**(22,680,604)**	**3,112,849,084**

Currency forwards, Precious metals forwards and CFD derivatives are related to clients' transactions. Foreign exchange swaps and Interest rate futures are related to the Group's own transactions.

	31 December 2014		
	Fair value		Contract
	Assets	Liabilities	Notional amount
Derivatives held for trading			
- Foreign exchange swaps	9,816,316	(3,303,198)	644,602,196
- Currency options	77,853	(77,853)	9,367,569
- Currency forwards	73,365,249	(28,584,997)	3,295,458,580
- Precious metals forwards	11,798,747	(983,385)	214,399,183
- CFD derivatives (indices and commodities)	1,698,602	(373,069)	169,057,625
Total derivatives held for trading	**96,756,767**	**(33,322,502)**	**4,332,885,153**
Derivatives held for hedging			
Derivatives designated as fair value hedge:			
- Interest rate futures	-	(35,482)	387,987,121
Total derivatives held for hedging	**-**	**(35,482)**	**387,987,121**
Total derivatives financial instruments	**96,756,767**	**(33,357,984)**	**4,720,872,274**

All amounts in Swiss Francs 72

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Trading assets

Trading assets comprise of investment funds principally invested in stocks and included in major stock indices, respectively DJ Euro Stoxx and Swiss Performance Index.

	2015	2014
European equities	6,317,882	5,753,289
Swiss equities	492,660	479,938
Total	**6,810,542**	**6,233,227**

4. Loans and advances to customers

Loans and advances to customers mainly consist of advances covered by the pledging of the customers portfolio consisting of cash and securities (lombard loans).

	2015	2014
Loans and advances to customers - gross	225,813,770	160,835,814
Impairment allowance	(19,866,293)	(306,929)
Loans and advances to customers	**205,947,477**	**160,528,885**
Collateral to support Loans and advances to customers	*543,212,602*	*498,984,070*

At 31 December 2015, the balance of CHF 19.9 million includes an impairment allowance of CHF 19.4 million related to the removal of the 1.20 floor on EUR/CHF by Swiss National Bank (see section V - Critical accounting estimates and assumptions). For this event, the initial risk of loss estimate of CHF 25.0 million - which was fully provided - has been reassessed at CHF 22.6 million at 31 December 2015 (decrease of CHF 2.4 million). After bad debts written off for a total amount of CHF 4.8 million and other changes representing an increase of CHF 1.6 million (foreign exchange impact and past due interests), the residual balance at 31 December 2015 amounts CHF 19.4 million.

All amounts in Swiss Francs 73

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investment securities

Investment securities consist of listed bonds and OTC exchange traded bonds.

	Fair value through P&L	Available for-sale	Held-to-maturity	Total
At 1 January 2015	**23,106,110**	**620,300,958**	**198,507,600**	**841,914,668**
Exchange difference on monetary assets	(2,664,609)	(22,713,979)	(7,397,942)	(32,776,530)
Additions	127,631,639	335,466,436	-	463,098,075
Premium / (discount)	-	(11,270,038)	(943,150)	(12,213,188)
Disposals (sale and redemption)	(121,777,940)	(272,228,241)	(76,913,415)	(470,919,596)
Gains / (losses) from changes in fair value	(1,942,305)	1,684,847	-	(257,458)
At 31 December 2015	**24,352,895**	**651,239,983**	**113,253,093**	**788,845,971**

	Fair value through P&L	Available for-sale	Held-to-maturity	Total
At 1 January 2014	**3,127,411**	**418,522,553**	**272,664,322**	**694,314,286**
Exchange difference on monetary assets	514,673	13,466,117	1,939,485	15,920,275
Additions	33,957,850	544,450,074	-	578,407,924
Premium / (discount)	-	(11,471,690)	(1,799,915)	(13,271,605)
Disposals (sale and redemption)	(15,463,106)	(341,543,683)	(74,296,292)	(431,303,081)
Gains / (losses) from changes in fair value	969,282	(3,122,413)	-	(2,153,131)
At 31 December 2014	**23,106,110**	**620,300,958**	**198,507,600**	**841,914,668**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investment securities (continued)

	31 December 2015			Recognition as per IAS 39		
	Carrying value	Fair value	Unrealised gains/(losses)	Comprehensive income	Income statement	Not recognised
Fair value through profit & loss	24,352,895	24,352,895	(4,158,444)	-	*(4,158,444)*	-
Available-for-sale	651,239,983	651,239,983	50,450	*50,450*	-	-
Held-to-maturity	113,253,093	124,249,868	10,996,775	-	-	*10,996,775*
	788,845,971	**799,842,746**	**6,888,781**	***50,450***	***(4,158,444)***	***10,996,775***

During the period under review, CHF 1,218,140 of unrealised gains arised from changes in fair value of available-for-sale assets have been recognised in the statement of comprehensive income (2014: unrealised loss of CHF 3,122,413). The cumulated balance recorded in comprehensive income represents an unrealised gain of CHF 50,450 (2014: unrealised loss of CHF 1,167,690), gross of deferred tax impact.

	31 December 2014			Recognition as per IAS 39		
	Carrying value	Fair value	Unrealised gains/(losses)	Comprehensive income	Income statement	Not recognised
Fair value through profit & loss	23,106,110	23,106,110	(2,153,414)	-	*(2,153,414)*	-
Available-for-sale	620,300,958	620,300,958	(1,167,690)	*(1,167,690)*	-	-
Held-to-maturity	198,507,600	211,585,076	13,077,476	-	-	*13,077,476*
	841,914,668	**854,992,144**	**9,756,372**	***(1,167,690)***	***(2,153,414)***	***13,077,476***

All amounts in Swiss Francs 75

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investment securities (continued)

Unrealised gains/(losses) incurred in investment securities are analysed as follows:

2015

	Unrealised gains/ (losses) at 31.12.2015	Change versus 2014
Fair value through profit & loss	(4,158,444)	(2,005,030)
Available-for-sale	50,450	1,218,140
Held-to-maturity	10,996,775	(2,080,701)
	6,888,781	**(2,867,591)**

2014

	Unrealised gains/ (losses) at 31.12.2014	Change versus 2013
Fair value through profit & loss	(2,153,414)	176,934
Available-for-sale	(1,167,690)	(3,122,413)
Held-to-maturity	13,077,476	418,990
	9,756,372	**(2,526,489)**

All amounts in Swiss Francs 76

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible assets

	Customer relationships	Goodwill	Total
Gross value			
At 1 January 2014	3,300,000	38,989,066	42,289,066
Addition	-	-	-
At 31 December 2014	3,300,000	38,989,066	42,289,066
Addition	-	-	-
At 31 December 2015	**3,300,000**	**38,989,066**	**42,289,066**
Accumulated depreciation			
At 1 January 2014	(1,291,490)	-	(1,291,490)
Depreciation	(177,222)	-	(177,222)
At 31 December 2014	(1,468,712)	-	(1,468,712)
Depreciation	(177,221)	-	(177,221)
At 31 December 2015	**(1,645,933)**	-	**(1,645,933)**
Net Book Value at 31 December 2015	**1,654,067**	**38,989,066**	**40,643,133**
Net Book Value at 31 December 2014	1,831,288	38,989,066	40,820,354

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SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible assets (continued)

The Group performed impairment tests of goodwill at the end of the financial year 2015 and 2014. For the purpose of impairment testing, goodwill has been allocated to cash generating units which are expected to benefit from the synergies of the corresponding business combination.

For the goodwill allocated to cash generating units, the impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and cash flow projections based on financial budgets. Cash beyond the considered period are extrapolated using estimated long-term growth rates (if applicable). Future cash flows are discounted based on the weighted average cost of capital (WACC), taking into account risk that are specific to the cash generating unit tested for impairment and historical industry average. As at 31 December 2015, the discount rates used were based on observable market long-term Swiss government bonds plus a risk premium.

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

Type	Customer relationships	Goodwill
Date of acquisition	2010	2010, 2013
Business acquired	Tradejet Ltd	ACM Advanced Currency Markets Ltd MIG Bank Ltd
Carrying amount	CHF 1,654,067	CHF 38,989,066
Depreciation method	15 years	Indefinite useful life
Reportable segment	Securities Trading	Leveraged Forex (eForex)
Basis for recoverable amount	Value in use	Value in use
Type	Customer relationships	Goodwill
Cash flow projections	15 years	5 years + terminal value
Long term growth rate	1.0%	1.0%
Main assumptions	Assets under Custody Trading activity Revenue to Assets margin (%)	Transaction volume Revenue margin (CHF per million of volume) Net Revenues Operating costs

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 regulation and the possibility of new entrants can have an impact on growth rate assumptions.

At 31 December 2015, the estimated recoverable amount exceeds the carrying amount.

Sensitivity analysis:

The Group has identified that a change in the following assumptions could cause the carrying amount to exceed the recoverable amount:

- Customer relationships (carrying amount: CHF 1.6 million): combination of a reduction of assets under custody of –35% and a decrease in revenue to assets margin of -10%.
- Goodwill (carrying amount: CHF 38.9 million): combination of a reduction of transaction volume of –15% and a decrease of revenue margin of –6%.

The Group has considered and assessed reasonably possible changes for other key assumptions and have not identified instances that could cause the carrying amount to exceed the recoverable amount.

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7. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware & Telecom Systems	Total
Gross value				
At 1 January 2014	9,958,731	38,058,571	8,010,693	56,027,995
Addition	364,174	14,302,626	1,116,663	15,783,463
Other changes	(3,922,685)	(5,309,373)	(2,867,729)	(12,099,787)
At 31 December 2014	6,400,220	47,051,824	6,259,627	59,711,671
Addition	406,415	16,623,878	1,074,648	18,104,941
Other changes	(1,107,467)	(6,958,043)	(1,122,275)	(9,187,785)
At 31 December 2015	**5,699,168**	**56,717,659**	**6,212,000**	**68,628,827**
Accumulated depreciation				
At 1 January 2014	(5,698,697)	(21,183,441)	(5,109,177)	(31,991,315)
Amortisation / depreciation	(1,220,563)	(7,523,181)	(1,625,417)	(10,369,161)
Other changes	3,922,685	5,309,373	2,867,729	12,099,787
At 31 December 2014	(2,996,575)	(23,397,249)	(3,866,865)	(30,260,689)
Amortisation / depreciation	(1,098,427)	(9,769,883)	(1,630,464)	(12,498,774)
Other changes	1,107,467	6,958,043	1,122,275	9,187,785
At 31 December 2015	**(2,987,535)**	**(26,209,089)**	**(4,375,054)**	**(33,571,678)**
Net Book Value at 31 December 2015	**2,711,633**	**30,508,570**	**1,836,946**	**35,057,149**
Net Book Value at 31 December 2014	3,403,645	23,654,575	2,392,762	29,450,982

Additions to Information technology systems include an amount of CHF 10.2 million (2014: CHF 7.8 million) representing own costs capitalised in connection with the development of the systems of the bank and in particular with the development of the consolidation of account opening process and the white label technology.

Other changes of CHF 9.2 million are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

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SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Property, plant and equipment

	Land & Building	Leasehold Improvements	Equipments	Total
Gross value				
At 1 January 2014	67,597,899	2,268,186	3,868,657	73,734,742
Addition	202,926	299,738	562,659	1,065,323
Other changes	-	(118,544)	(1,122,859)	(1,241,403)
At 31 December 2014	67,800,825	2,449,380	3,308,457	73,558,662
Addition	-	166,683	165,681	332,364
Other changes	-	(44,618)	(88,638)	(133,256)
At 31 December 2015	**67,800,825**	**2,571,445**	**3,385,500**	**73,757,770**
Accumulated depreciation				
At 1 January 2014	(3,786,756)	(1,362,000)	(2,451,251)	(7,600,007)
Amortisation / depreciation	(2,222,073)	(330,263)	(519,568)	(3,071,904)
Other changes	-	118,544	1,122,859	1,241,403
At 31 December 2014	(6,008,829)	(1,573,719)	(1,847,960)	(9,430,508)
Amortisation / depreciation	(2,268,459)	(235,259)	(452,070)	(2,955,788)
Other changes	-	44,618	88,638	133,256
At 31 December 2015	**(8,277,288)**	**(1,764,360)**	**(2,211,392)**	**(12,253,040)**
Net Book Value at 31 December 2015	**59,523,537**	**807,085**	**1,174,108**	**61,504,730**
Net Book Value at 31 December 2014	61,791,996	875,661	1,460,497	64,128,154

Other changes of CHF 0.1 million are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

Land & Building are stated at their revalued amount, being the fair value at date of revaluation, less any subsequent depreciation. The fair value was determined based on comparable market prices, vacancy rates and discount rate, which resulted in a level 2 fair value. There has been no changes in valuation technique.

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SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Other assets

	2015	2014
Accrued income and other receivables	30,732,103	27,769,325
Others	6,528,902	6,474,408
Total	**37,261,005**	**34,243,733**

10. Due to customers

	2015	2014
Due to customers - saving accounts	404,951,809	428,380,427
Due to customers - others	2,908,982,264	2,924,133,039
Total	**3,313,934,073**	**3,352,513,466**

Due to customers - others comprise of cash deposited through Securities Trading and Leveraged Forex (eForex) accounts.

All amounts in Swiss Francs 81

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Other liabilities

	2015	2014
Accrued expenses	14,437,693	14,413,080
Account payables	4,452,798	4,563,717
Social security and other taxes	6,447,750	7,389,885
Others	6,364,183	7,184,876
Total	**31,702,424**	**33,551,558**

12. Taxation

a) Deferred income tax assets

	Sources of deferred taxes			
	Tax losses carried forward	Pension plan related provisions	Other provisions	Total deferred income tax assets
Balance at 1 January 2014	**2,600,000**	**652,069**	**513,726**	**3,765,795**
In connection with acquisition of subsidiaries	(2,600,000)	-	-	(2,600,000)
In connection with change in tax rate	-	488,818	-	488,818
Balance at 31 December 2014	**-**	**1,140,887**	**513,726**	**1,654,613**
In connection with acquisition of subsidiaries	-	-	(508,232)	(508,232)
In connection with remeasurement of defined benefit obligation	-	27,195	-	27,195
In connection with losses in Switzerland	1,049,083	-	-	1,049,083
In connection with change in tax rate	-	(12,202)	(5,494)	(17,696)
Balance at 31 December 2015	**1,049,083**	**1,155,880**	**-**	**2,204,963**

All amounts in Swiss Francs 82

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Taxation (continued)

b) Deferred tax liabilities

	Revaluation Reserve	Temporary differences	Total
Balance at 1 January 2014	**238,666**	**1,262,379**	**1,501,045**
Depreciation of fair valued assets at date of acquisition of subsidiaries	-	(84,433)	(84,433)
Differences in the capitalisation and depreciation policies in the books of Swissquote Bank Ltd	-	50,028	50,028
Balance at 31 December 2014	**238,666**	**1,227,974**	**1,466,640**
Change in applicable tax rate at date of acquisition of subsidiaries	-	(4,204)	(4,204)
Depreciation of fair valued assets at date of acquisition of subsidiaries	-	(75,885)	(75,885)
Differences in the capitalisation and depreciation policies in the books of Swissquote Bank Ltd	-	63,384	63,384
Balance at 31 December 2015	**238,666**	**1,211,269**	**1,449,935**

	2015	2014
Revaluation of land and building	238,666	238,666
Acquisition of subsidiaries	696,663	776,752
Different capitalisation and depreciation method	514,606	451,222
Total	**1,449,935**	**1,466,640**

All amounts in Swiss Francs 83

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Taxation (continued)

c) Current income tax liabilities

	2015	2014
Related to parent company	406,064	228,386
Related to subsidiaries	25,919	-
Total	**431,983**	**228,386**

d) Income tax expense

	2015	2014
Current year income tax expense	402,540	4,733,283
Change in deferred income tax assets	(523,155)	-
Change in deferred tax liabilities	(16,705)	(34,405)
Total	**(137,320)**	**4,698,878**

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

Reconciliation of taxes	**2015**	**2014**
Operating profit	1,937,914	28,220,215
Income tax expense computed at statutory rate (18.50%)	358,514	5,277,180
Increase / (decrease) in income taxes resulting from:		
Lower taxed income	(635,236)	(566,411)
Tax effect of losses not recognised in foreign locations	627,453	157,892
Non-deductible tax expenses	30,887	30,395
Non taxable income	(532,430)	(200,178)
Remeasurement of deferred tax - change in domestic rate	13,492	-
Income tax expense	**(137,320)**	**4,698,878**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Provisions

	2015	2014
Balance at 1 January	**8,355,130**	**21,493,079**
Increase:		
- Others provisions	1,200,000	2,480,532
Used / Reversed:		
- Restructuring costs	(363,101)	(9,703,247)
- Special tax related costs	(950,000)	(50,000)
- Acquisition of subsidiaries	(1,520,968)	(4,513,760)
- Others provisions	(2,991,143)	(1,446,434)
Exchange differences	19,923	94,960
Balance at 31 December	**3,749,841**	**8,355,130**

	2015	2014
Restructuring costs	-	363,101
Special tax related costs	-	950,000
Acquisition of subsidiaries	2,371,954	3,872,999
Others provisions	1,377,887	3,169,030
Total	**3,749,841**	**8,355,130**

Restructuring costs were recognised in 2013 and consisted of payroll and related costs, operating expenses and impairment charges. The remaining balance of CHF 0.4 million has been used accordingly during the period under review.

Special tax related costs of CHF 0.9 million consisted of accrued costs incurred in connection with a withholding tax agreement with Switzerland and United Kingdom. The provision was used during the period under review.

At 31 December 2015, the CHF 2.4 million of provisions issued from acquisition of subsidiaries comprise of CHF 1.6 million of pension related liabilities.

All amounts in Swiss Francs 85

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. 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. At 31 December 2015, the level of benefits provided to staff located in foreign locations is not relevant for financial reporting purposes of the Group.

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 for defined benefit plans 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 2015, the rate was 1.75% per annum (2014: 1.75% per annum).

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

	2015	2014
Discount rate	1.05%	1.25%
Rate of future increase in compensations	1.00%	1.00%
Interest rate credited on savings accounts	1.75%	1.75%
Pension indexation	0.00%	0.25%
Inflation rate	0.75%	1.00%
Mortality tables	BVG 2010G	BVG 2010G
Retirement age	65 (male) / 64 (female)	65 (male) / 64 (female)
Turnover	18% on average	18% on average

b) Funded status of the pension plans

According to IAS 19, pension plan assets have been estimated at market fair value and liabilities have been calculated according to the « Projected Unit Credit » method.

	Actuarial	
(all amounts in thousands CHF)	**2015**	**2014**
Present value of obligation	(38,463)	(36,430)
Fair value of plan assets	31,340	29,454
Net asset/(liability) recognised	**(7,123)**	**(6,976)**
(Increase)/decrease during the period	**(147)**	**(3,414)**

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Pension (continued)

c) Defined benefit obligation

(all amounts in thousands CHF)	Actuarial 2015	Actuarial 2014
Defined benefit obligation at 1 January	(36,430)	(35,426)
Service cost	(3,017)	(2,752)
Employees' contributions	(2,241)	(2,141)
Interest cost	(427)	(741)
Actuarial gains / (losses)	(277)	(3,110)
Liabilities extinguished on settlements and curtailments	-	1,917
Plan amendments	584	(21)
Benefit payments	3,345	5,844
Defined benefit obligation at 31 December	**(38,463)**	**(36,430)**

At 1 January 2015, the plan was amended to reflect the reduction of the conversion factors and of the risk and administrative contributions.

d) Plan assets

(all amounts in thousands CHF)	Actuarial 2015	Actuarial 2014
Fair value of plan assets at 1 January	29,454	31,864
Return on plan assets and interest income	557	504
Employees' contributions	2,241	2,141
Group contribution	2,564	2,450
Assets distributed on settlement	-	(1,502)
Benefit payments & administration expense	(3,476)	(6,003)
Fair value of plan assets at 31 December	**31,340**	**29,454**

e) Components of total pension costs

(all amounts in thousands CHF)	Actuarial 2015	Actuarial 2014
Service cost	(2,433)	(2,358)
Actuarial (gain) / loss	(277)	(3,110)
Return on plan assets (excluding interest income)	181	(210)
Net interest	(51)	(27)
Administrative expense	(131)	(159)
Company's pension cost	**(2,711)**	**(5,864)**

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Pension (continued)

f) Development of net liability

The actuarial pension cost compares with the actual Group's contribution as follows:

(all amounts in thousands CHF)	**2015**	**2014**
Beginning of year	(6,976)	(3,562)
Defined benefit cost	(2,711)	(5,864)
Group contribution	2,564	2,450
Net asset / (liability)	**(7,123)**	**(6,976)**

g) Components defined benefit obligation

The analysis of the reported pension obligation is summarised as follows:

(all amounts in thousands CHF)	**2015**	**2014**
Defined benefit obligation for active employees	(36,930)	(35,469)
Defined benefit obligation for pensioners	(1,533)	(961)
End of year	**(38,463)**	**(36,430)**

h) Categories of plan assets

	2015 proportion in CHF'000	**2014 proportion in CHF'000**
Cash	5,700	5,143
Bonds (listed)	18,692	18,206
Equities (listed)	6,017	5,626
Real estate	380	363
Other	551	116
Total	**31,340**	**29,454**

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Pension (continued)

i) Other disclosures (risks, sensitivity analysis and duration)

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 be partially be offset by an increase in the fair value of the plan assets. At 31 December 2015, the discount rate is based on an average duration of 19 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 defined benefit obligation.

At 31 December 2015, the actuarial analysis established that an increase or a decrease of 0.25% in discount rate would lead to a maximum change of CHF 1.6 million (2014: CHF 1.5 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 account would lead to a change of CHF 0.5 million (2014: CHF 0.4 million).

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity

15.1 Share capital

a) Number of Shares in 2015

	1 January	Change	Increase	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	1,810,200	-	-	-	**1,810,200**
Nominal value per share (CHF)	0.20	-	-	-	**0.20**
Amount authorised (CHF)	362,040	-	-	-	**362,040**

b) Number of Shares in 2014

	1 January	Change	Increase	Utilisation	31 December
Issued shares					
Ordinary share capital					
Number of shares	14,638,370	-	689,800	-	**15,328,170**
Nominal value per share (CHF)	0.20	-	0.20	-	**0.20**
Total nominal value (CHF)	2,927,674	-	137,960	-	**3,065,634**
Unissued shares					
Conditional capital					
Number of conditional shares	750,000	210,000	-	-	**960,000**
Nominal value per share (CHF)	0.20	0.20	-	-	**0.20**
Total nominal value (CHF)	150,000	42,000	-	-	**192,000**
Authorised capital					
Number of authorised shares	3,500,000	(1,000,000)	-	(689,800)	**1,810,200**
Nominal value per share (CHF)	0.20	0.20	-	0.20	**0.20**
Amount authorised (CHF)	700,000	(200,000)	-	(137,960)	**362,040**

All amounts in Swiss Francs 90

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

15.1 Share capital (continued)

On 7 May 2014, the Annual General Meeting of Shareholders resolved inter alia:

- To increase by CHF 42,000 the conditional capital. These conditional shares are to be used only in order to cover any options granted to third party sellers in the context of acquisitions of companies or part of companies carried out by the Group. At 30 June 2014, the Group had granted 210,000 options to the sellers of MIG Bank Ltd. The other conditional shares (750,000) are reserved for the coverage of employee stock options.

- To reduce by CHF 200,000 the authorised capital, to extend its maturity to 7 May 2016 and to authorise the utilisation of the authorised capital for strategic partnerships.

On 25 June 2014, and in the context of the strategic partnership signed between the Group and PostFinance AG on 2 May 2014, the Group issued 689,800 new shares (CHF 0.20 nominal value each) that were fully subscribed and paid at a price of CHF 36.75 each by PostFinance AG (total of CHF 25.4 million). The new issued shares reduced the authorised capital accordingly.

This capital increase represented a total nominal value of CHF 137,960 and a share premium of CHF 25,212,190.

15.2 Share option reserve (employee stock options plan)

a) Components of share options reserve

Allocation	Tranche	Value of services to be reclassified to Retained earnings	Value of services to be amortised through Income Statement	2015	2014
12	3/3	-	-	-	352,421
13	2/3	-	-	-	260,988
13	3/3	338,407	-	338,407	355,834
14	1/3	-	-	-	107,496
14	2/3	182,232	-	182,232	190,389
14	3/3	188,106	-	188,106	157,221
15	1/3	296,649	-	296,649	317,181
15	2/3	314,542	-	314,542	238,651
15	3/3	324,138	(62,994)	261,144	163,811
16	1/3	242,010	-	242,010	53,857
16	2/3	246,026	(102,651)	143,375	52,262
16	3/3	245,350	(149,986)	95,364	43,055
17	1/3	192,192	(113,950)	78,242	-
17	2/3	197,574	(157,302)	40,272	-
17	3/3	198,923	(171,879)	27,044	-
31 December		**2,966,149**	**(758,762)**	**2,207,387**	**2,293,166**

Reconciliation with previous year	
Grants (17th allocation)	-
Lapsed/Forfeited	(912,740)
Amortisation of services	895,210
Other changes	(68,249)
Previous year balance	2,207,387

All amounts in Swiss Francs 91

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

15.2 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 and directors at the discretion of the Board. Since the creation of the Plan in 1999, a total of seventeen allocation schemes have been offered. Optionees whose work contract is terminated loose their rights to options outstanding unless the Board resolves otherwise.

The terms and maturities of the non-lapsed allocations at 31 December 2015 are summarised below.

				Exercise Period		Analysis of status		
Allocation	Tranche	Strike Price	Number Options	Start	End	In the money	In exercise period	In the money & exercise period
13	3/3	34.27	63,889	September-14	August-16	-	63,889	-
14	2/3	32.20	57,085	September-14	August-16	-	57,085	-
	3/3		57,085	September-15	August-17	-	57,085	-
15	1/3	33.24	77,876	August-14	July-16	-	77,876	-
	2/3		77,968	August-15	July-17	-	77,968	-
	3/3		78,096	August-16	July-18	-	-	-
16	1/3	30.71	45,505	October-15	September-17	-	45,505	-
	2/3		45,505	October-16	September-18	-	-	-
	3/3		45,457	October-17	September-19	-	-	
17	1/3	25.66	50,340	August-16	July-18	-	-	-
	2/3		50,434	August-17	July-19	-	-	-
	3/3		50,472	August-18	July-20	-	-	-
		Total	**699,712**			-	**379,408**	-

All amounts in Swiss Francs 92

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

c) Seventeenth allocation

The fair value of the options is determined based on 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 (respectively 0.1% and 1.0% for the 2015 allocation). One option grants the right to acquire one share.

Date of Grant	04.08.2015
Strike price [CHF]	25.66
Number of equal tranches	3
Start of exercise period	
[years from date of Grant]	
Tranche 1	1
Tranche 2	2
Tranche 3	3
Max. duration of exercise period (years) for each tranche	2
Duration used for the calculation of the value of the option	1
Data on options granted and option price:	
Total number of options initially granted	159,270
Of which granted to Board of Directors	-
Of which granted to Executive Management	14,160
Of which granted to Others employees	145,110
Spot price at grant [CHF]	24.92
Volatility	29.0%
Fair value per option (average of all tranches) [CHF]	3.88
Of which:	
Tranche 1	*3.88*
Tranche 2	*3.90*
Tranche 3	*3.86*

Options are conditional on the employee completing at least one year's service after the grant date (vesting period).

All amounts in Swiss Francs 93

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

d) Movement in stock options granted

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

	Allocation							Conditional Shares available
	12th	13th	14th	15th	16th	17th	Total	for exercise
Strike price	47.50	34.27	32.20	33.24	30.71	25.66		
Share price at 31.12.2015	25.25	25.25	25.25	25.25	25.25	25.25		
Balance at 1 January 2014	**79,630**	**171,625**	**170,548**	**274,520**	-	-	**696,323**	**750,000**
Increase of conditional capital								210,000
Grants	-	-	-	-	151,925	-	151,925	
Exercised								
Covered by:								
the issue of new shares	-	-	-	-	-	-	-	
treasury shares	-	(7,458)	(1,950)	-	-	-	(9,408)	
Lapsed / Forfeited	(41,065)	(46,542)	(13,420)	(24,380)	(3,953)	-	(129,360)	
Balance at 31 December 2014	**38,565**	**117,625**	**155,178**	**250,140**	**147,972**	-	**709,480**	**960,000**
Balance at 1 January 2015	**38,565**	**117,625**	**155,178**	**250,140**	**147,972**	-	**709,480**	**960,000**
Grants	-	-	-	-	-	159,270	159,270	
Exercised								
Covered by:								
the issue of new shares	-	-	-	-	-	-	-	
treasury shares	-	-	-	-	-	-	-	
Lapsed / Forfeited	(38,565)	(53,736)	(41,008)	(16,200)	(11,505)	(8,024)	(169,038)	
Balance at 31 December 2015	-	**63,889**	**114,170**	**233,940**	**136,467**	**151,246**	**699,712**	**960,000**

Conditional shares available for exercise	960,000
Less outstanding options for SOP and others	(909,712)
Intermediary balance (including conditional shares)	**50,288**
Number of treasury shares available at 31 December 2015	421,388
Balance shares available for future grants	**471,676**

All amounts in Swiss Francs 94

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

e) Movement (fair value) in stock options

	Allocation						
	12th	13th	14th	15th	16th	17th	Total
Balance at 1 January 2014	**711,036**	**885,590**	**542,905**	**1,097,579**	**-**	**-**	**3,237,110**
Grants	-	-	-	-	816,425	-	816,425
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	(37,120)	(6,152)	-	-	-	(43,272)
Lapsed / Forfeited	(358,616)	(231,649)	(42,341)	(97,477)	(21,211)	-	(751,293)
Balance at 31 December 2014	**352,420**	**616,821**	**494,412**	**1,000,102**	**795,214**	**-**	**3,258,969**
Balance at 1 January 2015	**352,420**	**616,821**	**494,412**	**1,000,102**	**795,214**	**-**	**3,258,969**
Grants	-	-	-	-	-	619,920	619,920
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	-	-	-	-	-	-
Lapsed / Forfeited	(352,420)	(278,414)	(124,074)	(64,773)	(61,828)	(31,231)	(912,740)
Balance at 31 December 2015	**-**	**338,407**	**370,338**	**935,329**	**733,386**	**588,689**	**2,966,149**

f) Strike value of stock options outstanding and movements

	Allocation						
	12th	13th	14th	15th	16th	17th	Total
Balance at 1 January 2014	**3,782,426**	**5,881,589**	**5,491,646**	**9,125,045**	**-**	**-**	**24,280,705**
Grants	-	-	-	-	4,665,617	-	4,665,617
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	(255,586)	(62,790)	-	-	-	(318,376)
Lapsed / Forfeited	(1,950,588)	(1,594,994)	(432,124)	(810,391)	(121,397)	-	(4,909,494)
Balance at 31 December 2014	**1,831,838**	**4,031,009**	**4,996,732**	**8,314,654**	**4,544,220**	**-**	**23,718,453**
Balance at 1 January 2015	**1,831,838**	**4,031,009**	**4,996,732**	**8,314,654**	**4,544,220**	**-**	**23,718,453**
Grants	-	-	-	-	-	4,086,868	4,086,868
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	-	-	-	-	-	-
Lapsed / Forfeited	(1,831,838)	(1,841,533)	(1,320,458)	(538,488)	(353,319)	(205,896)	(6,091,532)
Balance at 31 December 2015	**-**	**2,189,476**	**3,676,274**	**7,776,166**	**4,190,901**	**3,880,972**	**21,713,789**

All amounts in Swiss Francs 95

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

15.3 Other reserve

	Available-for-sale financial assets	Hedge reserve	Remeasurement of defined benefit obligation	Revaluation reserve	Currency translation differences	Total
Balance at 1 January 2014	**1,589,324**	**-**	**(730,032)**	**1,037,624**	**(82,069)**	**1,814,847**
Revaluation of AFS - gross	(3,122,413)	-	-	-	-	(3,122,413)
Revaluation of AFS - tax	583,891	-	-	-	-	583,891
Remeasurement of defined benefit obligation - gross	-	-	(3,414,000)	-	-	(3,414,000)
Remeasurement of defined benefit obligation - tax	-	-	638,418	-	-	638,418
Foreign currency translation differences	-	-	-	-	352,842	352,842
Balance at 31 December 2014	**(949,198)**	**-**	**(3,505,614)**	**1,037,624**	**270,773**	**(3,146,415)**
Balance at 1 January 2015	**(949,198)**	**-**	**(3,505,614)**	**1,037,624**	**270,773**	**(3,146,415)**
Revaluation of AFS - gross	1,218,140	-	-	-	-	1,218,140
Revaluation of AFS - tax	(225,356)	-	-	-	-	(225,356)
Remeasurement of defined benefit obligation - gross	-	-	(147,000)	-	-	(147,000)
Remeasurement of defined benefit obligation - tax	-	-	27,195	-	-	27,195
Foreign currency translation differences	-	-	-	-	(145,967)	(145,967)
Balance at 31 December 2015	**43,586**	**-**	**(3,625,419)**	**1,037,624**	**124,806**	**(2,419,403)**

All amounts in Swiss Francs 96

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.4 Treasury shares

	2015	2014
Beginning of the year (shares)	**372,428**	**79,192**
Acquisition - shares	**58,848**	**394,533**
unit price ranging from CHF	21.30 to 32.00	28.22 to 40.10
Disposal - shares	-	**(91,889)**
unit price ranging from CHF	-	31.97 to 36.75
Remittance to optionees - shares	**(9,888)**	**(9,408)**
unit price ranging from CHF	24.85	32.20 to 34.27
End of the period - 31 December (shares)	**421,388**	**372,428**
Total cost (in CHF)	**13,915,807**	**12,567,806**
% of the issued shares	2.75%	2.43%

At 31 December 2015, remaining balance of 421,388 is primarily held for the purpose of covering employees share and option plans. During the year 2015, the Group granted and allocated for free a total of 9,888 shares blocked for a 5-year period to employees.

15.5 Retained earnings (dividend)

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.

	2015	2014	2013	2012	2011
Dividend per share	-	-	0.60	0.60	-
Other pay out per share	0.60 (*)	0.60	-	-	1.04

* Proposal of the Board of Directors

In 2015, CHF 8,945,776 were reimbursed from Share premium (Reserves from capital contribution) and, in 2014, CHF 8,648,833 were paid as dividend.

16. Net fee and commission income

	2015	2014
Brokerage and related	53,914,226	53,050,433
Custody and others	17,620,342	15,734,320
Advertising and subscription fees	2,805,494	2,156,729
Total fee and commission income	**74,340,062**	**70,941,482**
Fee and commission expenses	(7,704,664)	(7,999,515)
Total net fee and commission income	**66,635,398**	**62,941,967**

All amounts in Swiss Francs 97

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Net interest income

	Activities excluding Foreign exchange swaps	Foreign exchange swaps	2015	2014
Interest income				
Cash and short-term funds	295,463	-	295,463	142,258
Investment securities	10,360,945	-	10,360,945	13,464,706
Foreign exchange swaps	-	6,547,241	6,547,241	1,453,636
Loans to customers	4,189,276	-	4,189,276	3,913,634
	14,845,684	**6,547,241**	**21,392,925**	**18,974,234**
Negative interest expense				
Central banks and stock exchanges	(4,394,389)	(4,589,451)	(8,983,840)	-
	(4,394,389)	**(4,589,451)**	**(8,983,840)**	-
Interest expense				
Banks	(577,408)	-	(577,408)	(55,969)
Foreign exchange swaps	-	(391,084)	(391,084)	-
Customers - trading accounts	(554,993)	-	(554,993)	(2,595,039)
Customers - saving accounts	(638,533)	-	(638,533)	(1,710,917)
	(1,770,934)	**(391,084)**	**(2,162,018)**	**(4,361,925)**
Total net interest income	**8,680,361**	**1,566,706**	**10,247,067**	**14,612,309**

Negative interest rates are mainly identified on cash deposits at the Swiss National Bank that exceed a given exemption threshold. Negative interest expense arising from foreign exchange swaps relate to the deposit of the funds with central banks during the life time of instrument.

Net interest income may differ from interest received and paid as disclosed in the consolidated statement of cash flow in relation with the use of effective interest method for certain financial instruments.

18. Net trading income

	2015	2014
Foreign exchange revenues		
- Leveraged Forex (eForex)	54,014,651	54,794,430
- Other foreign exchange income	16,415,538	12,573,030
	70,430,189	**67,367,460**
Unrealised fair value gains/(losses)		
- From Investment securities	(1,755,965)	150,088
- From Trading assets	1,122,348	(109,326)
	(633,617)	**40,762**
Realised gains / (losses)		
- From financial assets	(57,354)	561,865
Total net trading income	**69,739,218**	**67,970,087**

All amounts in Swiss Francs 98

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Operating expenses

	2015	2014
Payroll & related expenses	57,442,606	57,987,295
Other operating expenses	29,734,268	30,079,373
Marketing expenses	18,748,038	15,022,471
Depreciation and amortisation	15,631,783	13,618,290
Provisions and impairment allowance (Notes 4 and 13)	23,127,074	596,719
Total	**144,683,769**	**117,304,148**

Payroll and related expenses consist of:

	2015	2014
Wages and salaries	60,204,330	58,204,439
Social security costs	4,915,814	4,913,726
Pension costs	2,562,199	2,675,190
	67,682,343	**65,793,355**
Less: capitalised costs	(10,239,737)	(7,806,060)
Total	**57,442,606**	**57,987,295**
Average headcount	530	503

With the development of international activities of the Group, Wages and salaries comprise of a balance of CHF 4.9 million which is not subject to Swiss social security (2014: CHF 4.8 million).

The costs were capitalised in connection with the inhouse development of the Group's IT systems (Note 7).

All amounts in Swiss Francs 99

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Earning 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 average number of ordinary shares purchased and held as treasury shares.

	2015	2014
Weighted average number of ordinary shares in issue	14,919,608	15,066,956
Net Profit	2,075,234	23,521,337
Earning per share	**0.14**	**1.56**

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: 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.

	2015	2014
Weighted average number of ordinary shares	14,919,608	15,066,956
Adjustments for share options	-	-
Weighted average number of ordinary shares for diluted earnings per share options	14,919,608	15,066,956
Net Profit	2,075,234	23,521,337
Diluted earning per share	**0.14**	**1.56**

All amounts in Swiss Francs 100

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Related party transactions

Related party transactions are defined as transactions and balances with members of the Board of Directors and of the Executive Management, as well as with shareholders with an interest in the Group of more than 5%.

	2015	2014
Key Management compensation		
Short term employee benefits	2,167,385	2,413,636
Post-employment benefits	266,119	279,040
Total	**2,433,504**	**2,692,676**
Of which:		
Share based payment (market value)	193,666	133,666
Loans and advances to customers	6,796,580	2,472,971
Due to customers	5,336,850	6,169,314
Interest income	25,542	32,291
Interest expenses	629	10,758

Related party transactions are made on an arm's lengths basis.

22. Commitments

Operating leases: Operating lease commitments consist of office space leases.

Payable	2015	2014
Not later than 1 year *	1,744,665	1,736,506
Later than 1 year and not later than 5 years	1,911,494	2,709,978
Later than 5 years	-	-
Total	**3,656,159**	**4,446,484**

* Including Capital Expenditures Committed.

Swiss deposits insurance:

Swiss banking law and the deposit insurance scheme require Swiss banks and securities dealers to jointly guarantee on 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 is CHF 24.9 million (2014: 23.6 million) and has to be recognised for as an irrevocable commitment under the off-balance sheet transactions.

All amounts in Swiss Francs 101

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Disclosure of shareholdings of the Board of Directors and Executive Management

In compliance with Art. 663c 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:

Participations

	Number of shares 2015	Number of shares 2014	Number of share options expiring				
			2016	2017	2018	2019	2020
Mario Fontana, Chairman of the Board	594,316	592,900	2,800	1,750	1,000	-	-
Mario Fontana, closely related persons (*1)	164,011	164,011	-	-	-	-	-
Markus Dennler, member of the Board	27,910	26,966	1,866	1,167	667	-	-
Martin Naville, member of the Board	7,366	6,422	1,866	1,167	667	-	-
Adrian Bult, member of the Board	3,144	2,200	1,866	1,167	667	-	-
Jean-Christophe Pernollet, member of the Board	1,244	-	-	-	-	-	-
Marc Bürki, CEO	1,924,200	1,921,100	7,466	6,240	5,813	3,147	1,574
Paolo Buzzi, CTO	1,924,175	1,919,075	7,466	6,240	5,813	3,147	1,574
Michael Ploog, CFO	67,850	67,750	7,466	6,240	5,813	3,147	1,574
Closely related persons (*2)	161,070	163,061	151	117	67	-	-
Former members	300	-	-	-	-	-	-
Total	**4,875,586**	**4,863,485**	**30,947**	**24,088**	**20,507**	**9,441**	**4,722**

(*1) Mario Fontana, Chairman of the Board, retains full control of the social rights attached to the shares.

(*2) The data reported in the table above is based on the Company's best knowledge of the number of shares owned by close relatives of the members of the Board and members of the Executive Management. Close relatives consist of spouse, children, father and mother as well as sisters and brothers. At 31 December 2015 and 31 December 2014, closely related persons are mainly related to Marc Bürki (CEO), Paolo Buzzi (CTO) and Michael Ploog (CFO).

All amounts in Swiss Francs 102

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Swissquote Group Holding Ltd, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 10 to 102), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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 Ltd

Beresford Caloia	Alain Lattafi
Audit expert Auditor in charge	Audit expert

Lausanne, 1 March 2016

Financial Report 2015
Statutory Financial Statements

STATUTORY FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 OF SWISSQUOTE GROUP HOLDING LTD

Financial Report 2015
Statutory Balance Sheet

	Notes	2015	2014
ASSETS			
Cash and cash equivalents		217,225	406,518
Receivable from subsidiaries	2	34,655,311	40,983,921
Accrued income and prepaid expenses		157,986	2,326
Total current assets		**35,030,522**	**41,392,765**
Investments in subsidiaries	1	99,775,956	99,612,780
Subordinated loan to subsidiaries	2	35,000,000	25,000,000
Total non-current assets		**134,775,956**	**124,612,780**
Total assets		**169,806,478**	**166,005,545**
LIABILITIES AND EQUITY			
Accrued expenses and deferred income		783,479	783,478
Income tax payable		426,035	316,601
Total short-term liabilities		**1,209,514**	**1,100,079**
Total liabilities		**1,209,514**	**1,100,079**
Equity			
Share capital	3	3,065,634	3,065,634
Legal capital reserve			
Reserves from capital contributions	4	16,513,816	25,459,592
Other capital reserves		6,109,093	6,109,093
Retained earnings	5	142,743,094	127,194,905
Net profit		14,081,134	15,644,048
Treasury shares		(13,915,807)	(12,567,806)
Total equity		**168,596,964**	**164,905,466**
Total liabilities and equity		**169,806,478**	**166,005,545**

The notes on pages 108 to 113 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Statutory Income Statement

	2015	2014
Royalties	7,266,417	7,124,911
Dividend received from subsidiaries	8,625,000	11,500,000
Interest income	208,370	526,234
Other revenues	619,920	813,288
Operating expenses	(1,884,419)	(2,829,239)
Depreciation	(275,394)	(424,421)
Operating profit	**14,559,894**	**16,710,773**
Realised loss on treasury shares	-	(96,206)
Fair value adjustment of treasury shares	-	(582,420)
Earnings before taxes	**14,559,894**	**16,032,147**
Income tax expense	(478,760)	(388,099)
Net profit	**14,081,134**	**15,644,048**

The notes on pages 108 to 113 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2015
Notes to the Statutory Financial Statements

SECTION I: GENERAL INFORMATION

Swissquote Group Holding Ltd (the "Company") was formed on 12 August 1999 and is registered in the Canton de 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. At 31 December 2015, the Company did not employ more than 10 full-time equivalents (2014: no changes).

The shares of Swissquote Group Holding Ltd are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

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

	2015			2014		
	Shares	Options	**Total**	Shares	Options	**Total**
Marc Bürki	12.55%	0.16%	**12.71%**	12.53%	0.17%	**12.70%**
Paolo Buzzi	12.55%	0.16%	**12.71%**	12.52%	0.17%	**12.69%**
PostFinance AG	5.00%	-	**5.00%**	5.00%	-	**5.00%**
Mario Fontana	4.94%	0.04%	**4.98%**	4.93%	0.06%	**4.99%**
Windel Investments Ltd (indirect holder: George Butros Mansour)	4.89%	1.37%	**6.26%**	4.89%	1.37%	**6.26%**
Basellandschaftliche Kantonalbank	4.77%	-	**4.77%**	4.77%	-	**4.77%**
UBS Fund Management (Switzerland) AG	3.22%	-	**3.22%**	3.22%	-	**3.22%**

	2015	2014
Treasury Shares:		
Swissquote Group Holding Ltd	2.75%	2.43%

The Statutory Financial Statements were approved for issue by the Board of Directors of the Company on 1 March 2016.

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.

Financial Report 2015
Notes to the Statutory Financial Statements

SECTION II: 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 (Art. 957 to 963b CO, effective since 1 January 2013 but applied by the Company for the first time for the year ended 31 December 2015). 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 the 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 amortisations.

B. Subordinated loan to subsidiaries

The subordinated loan is valued at the nominal value at the renewal date of the loan.

C. 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).

D. Comparatives

Comparative figures, where necessary, are adjusted to conform to any changes in presentation in the current year. The only material change in 2015 was related to the amendment of valuation and presentation principles provided by law for treasury shares (prospective change).

SECTION III: OTHER NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. Investment in subsidiaries

	Office/Country	2015		2014	
Swissquote Bank Ltd	Gland/Switzerland	100.0%	97,560,002	100.0%	97,560,002
Swissquote Trade Ltd	Gland/Switzerland	100.0%	238,950	100.0%	238,950
Swissquote Financial Services (Malta) Ltd	Mriehel/Malta	99.9%	1,977,004	99.9%	1,813,828
Total			**99,775,956**		**99,612,780**

The Company increased the investment in Swissquote Financial Services (Malta) Ltd of CHF 438,570 (with subsequent depreciation of CHF 275,394).

2. Receivables from subsidiaries and subordinated loan to subsidiaries

The current account of CHF 34,655,311 (2014: CHF 40,983,921) is related to cash deposited into a bank account opened with Swissquote Bank Ltd.

The subordinated loan of CHF 35,000,000 (2014: CHF 25,000,000) is due by Swissquote Bank Ltd. The terms of the subordinated loan comply with the provisions of Swiss Federal Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO). The subordinated loan agreement is renewed annually as long as no party terminates it as per 31 December of the relevant year. When the termination is notified by one party to the other, the agreement terminates five years after the first day of the year following the 31 December as per which the termination is notified. The interest rate is set annually and is based on the standards issued by the Swiss Tax Authorities. None of the parties notified the termination of the subordinated loan at 31 December 2015.

All amounts in Swiss Francs 110

SECTION III: OTHER NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. Share capital

	2015	2014
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		
Conditional share capital (nominal value)	192,000	192,000
Authorised share capital (nominal value)	362,040	362,040

Authorised and Conditional Share capital

The provision ruling the utilisation of the Authorised share capital provides that the Board of Directors is authorised until 7 May 2016 to increase the share capital of the Company by a maximum of CHF 362,040 by issuing no more than 1,810,200 new registered shares with a nominal value of CHF 0.20. The provision further provides details on the capital increase process and exercise of preferential subscription rights.

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 grant performed on behalf of 2014 and 2015 were as follows :

	Shares					
	2015			2014		
	Number	Market Value	Tax Value	Number	Market Value	Tax Value
Members of the Board	5,192	131,098	110,072	1,600	48,000	35,872

All amounts in Swiss Francs 111

SECTION III: OTHER NOTES TO THE STATUTORY FINANCIAL STATEMENTS

4. Legal capital reserves

On 5 March 2015, the Federal Tax Administration confirmed to the Company that an amount of CHF 25,182,184 was recognised as capital contributions. Following the reimbursment of CHF 8,945,776 out of the Reserves of the capital contributions, the remaining balance as of 31 December 2015 is CHF 16,236,408. Reimbursements from the Reserves from capital contributions are not subject to Swiss withholding tax and to income tax for private indviduals living in Switzerland who hold the shares as part of their private assets.

5. Retained earnings

	2015	2014
Retained earnings	127,194,905	118,742,418
Net profit (previous year)	15,644,048	17,101,320
1 January	**142,838,953**	**135,843,738**
Dividend paid on behalf of previous year	-	(8,648,833)
Realised loss on treasury shares	(95,859)	-
31 December	**142,743,094**	**127,194,905**

The dividend on behalf of exercise 2014 that was paid in 2015 (CHF 8,945,776) was reimbursed from the Reserves from capital contributions.

All amounts in Swiss Francs 112

Financial Report 2015
Proposed Appropriation of Retained Earnings

PROPOSAL OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF RESERVES FROM CAPITAL CONTRIBUTIONS AT 31 DECEMBER 2015

Reimbursement of Reserves from capital contributions

The Board of Directors proposes to the Annual General Meeting to reimburse the Reserves from capital contributions* as follows

In CHF	2015
Reserves from capital contributions at 31 December 2015	16,513,816
Proposed reimbursement (CHF 0.60 per share)	(9,196,902)
Reserves from capital contributions to be carried forward	**7,316,914**

*Out of the CHF 16,513,816, Federal Tax Authorities have confirmed an amount of CHF 16,236,408 as capital contributions.

Amount of proposed reimbursement is based on the number of shares issued at 31 December 2015. However no distribution is allocated to the Treasury shares.

All amounts in Swiss Francs 113

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swissquote Group Holding Ltd, which comprise the balance sheet, income statement and notes (pages 106 to 113), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

PricewaterhouseCoopers Ltd, avenue C.-F. Ramuz 45, case postale, CH-1001 Lausanne, Switzerland
Telephone: +41 58 792 81 00, Fax: +41 58 792 81 10, www.pwc.ch

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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 available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Beresford Caloia	Alain Lattafi
Audit expert Auditor in charge	Audit expert

Lausanne, 1 March 2016

Section 3: Corporate Governance Report 2015
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Corporate Governance Report 2015
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Corporate Governance Report 2015

Introduction

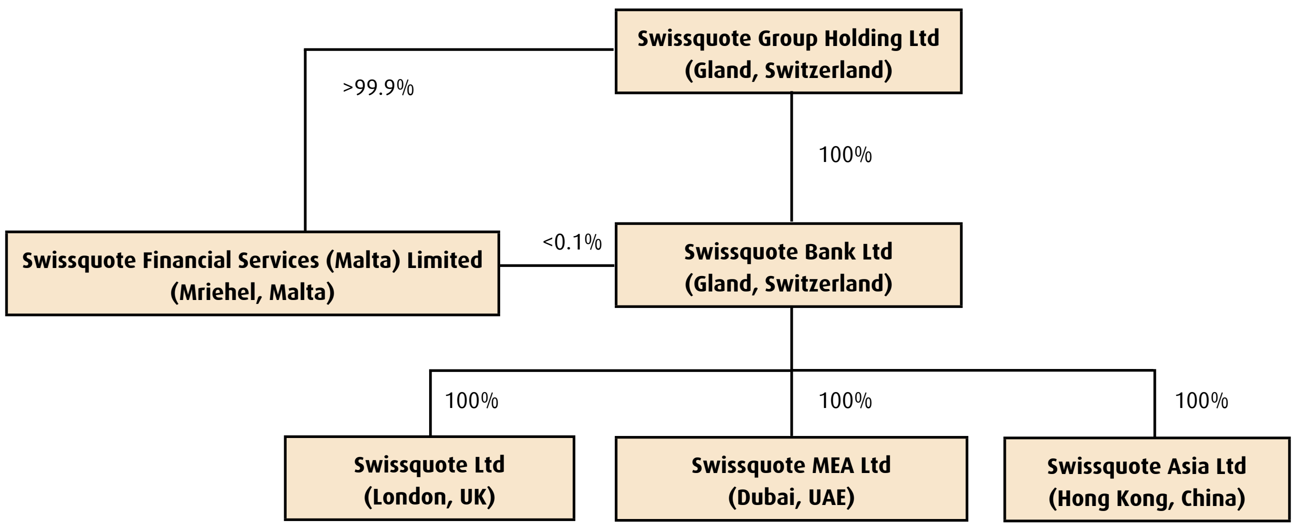
The Swissquote Group (the "Group") is fully committed to meeting the highest standards of corporate governance and acts in compliance with the standards established by the SIX Swiss Exchange Directive on Information Relating to Corporate Governance. This directive was amended in 2014 as a result of the adoption of the Ordinance against Excessive Compensation in Listed Corporations, which entered into force on 1 January 2014 and was implemented gradually throughout the course of 2015.

1. Group structure and shareholders

1.1 Group structure

The structure of the Group, which comprises Swissquote Group Holding Ltd and its subsidiaries, is designed to support the Group's operations within an efficient regulatory and tax framework.

Swissquote Group comprises the following active companies as at 31 December 2015:



1.1 Group structure (continued)

Swissquote Group Holding Ltd (the "Company") is the listed vehicle of the Group. It was incorporated on 12 August 1999. Its shares have been listed on SIX Swiss Exchange since 29 May 2000 with the symbol SQN, the security number 1,067,586 and the ISIN number CH0010675863. As at 31 December 2015, the market capitalisation for the Company amounted to CHF 387,036,293. The Group headquarters are located in Gland, Canton de Vaud, Switzerland. Details on the capital are provided in section 2.

Swissquote Bank Ltd (the "Bank") was incorporated on 24 November 2000 and is a bank under the supervision of the Swiss Financial Market Supervisory Authority FINMA ("FINMA"). The main office of the Bank is also located in Gland, Canton de Vaud, Switzerland, with a branch in Zürich and representative offices in Dubai and Hong Kong. The share capital of the Bank amounts to CHF 34,500,000 (5,750,000 registered shares with a nominal value of CHF 6).

Swissquote Financial Services (Malta) Limited has been a limited liability company incorporated in Malta since 19 October 2012. Swissquote Financial Services (Malta) Limited is an investment services company that operates as custodian for European investment funds under a Category 4a licence from the Malta Financial Services Authority (MFSA). The share capital of Swissquote Financial Services (Malta) Limited amounts to EUR 1,100,000, divided into 1,099,999 Ordinary Class A shares with a nominal value of EUR 1 (held by the Company) and 1 Ordinary Class B share with a nominal value of EUR 1 (held by the Bank).

Swissquote Ltd has been a limited liability company incorporated in London since 19 July 2011. Swissquote Ltd is an investment company that provides online trading services under the supervision of the Financial Conduct Authority (FCA). The share capital of Swissquote Ltd amounts to GBP 3,760,100 (3,760,100 ordinary shares with a nominal value of GBP 1).

Swissquote MEA Ltd (formerly Swissquote Bank MEA Ltd) has been a limited liability company incorporated in the Dubai International Financial Center (DIFC) since 14 June 2012. Swissquote MEA Ltd has a Category 4 licence and is under the supervision of the Dubai Financial Services Authority (DFSA). For the sake of clarity, the change of corporate name is due to new DFSA regulations relating to trading names and not to a change in licence held by Swissquote MEA Ltd. The share capital of Swissquote MEA Ltd amounts to USD 500,000 (500 registered shares with no nominal value).

Swissquote Asia Ltd has been a limited liability company incorporated in Hong Kong since 16 January 2012. Swissquote Asia Ltd is a licensed corporation under the supervision of the Securities and Futures Commission (SFC), from which it was granted a Type 3 licence (Leverage Foreign Exchange Trading). The share capital of Swissquote Asia Ltd amounts to HKD 5,500,000 (5,500,000 registered shares with a nominal value of HKD 1).

1.2 Significant shareholders

Under the Swiss Financial Market Infrastructure Act (FMIA) (formerly under the Swiss Federal Stock Exchanges and Securities Trading Act (SESTA)), any person holding shares in a company listed in Switzerland is required to notify the concerned company and the stock exchange, if the holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 33 1/3%, 50%, or 66 2/3% of the voting rights.

According to the information received by the Company and pursuant to section 1.2 of the Annex to the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, the shareholders with an interest in the Company above 3% as at 31 December 2015 are as follows:

	2015			2014		
	Shares	Options	**Total**	Shares	Options	**Total**
Marc Bürki	12.55%	0.16%	**12.71%**	12.53%	0.17%	**12.70%**
Paolo Buzzi	12.55%	0.16%	**12.71%**	12.52%	0.17%	**12.69%**
PostFinance AG	5.00%	-	**5.00%**	5.00%	-	**5.00%**
Mario Fontana	4.94%	0.04%	**4.98%**	4.93%	0.06%	**4.99%**
Windel Investments Ltd (indirect holder: George Butros Mansour)	4.89%	1.37%	**6.26%**	4.89%	1.37%	**6.26%**
Basellandschaftliche Kantonalbank	4.77%	-	**4.77%**	4.77%	-	**4.77%**
UBS Fund Management (Switzerland) AG	3.22%	-	**3.22%**	3.22%	-	**3.22%**

For further information on stock options, reference is made to the Remuneration Report.

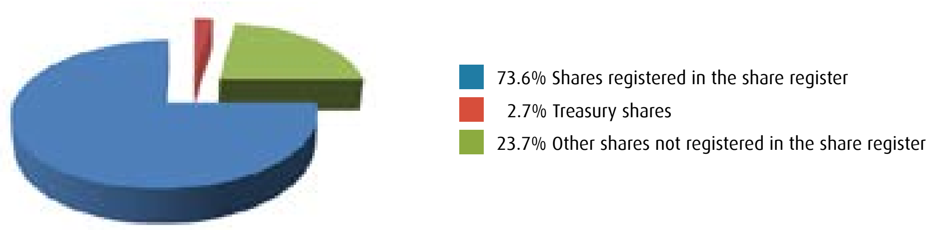
In 2015, there were no disclosure of shareholdings made in accordance with Art. 120 FMIA (formerly Art. 20 SESTA). A full list of past disclosures of shareholdings (including all details) is available on the website of SIX Swiss Exchange using the following link:

www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

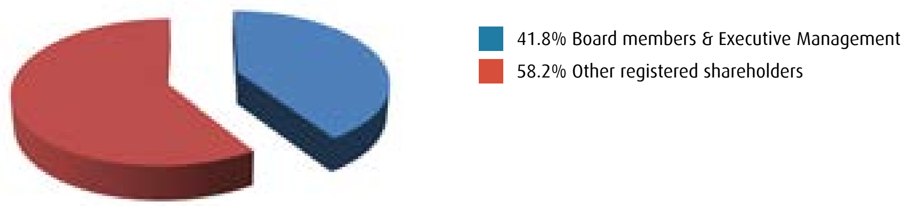
The Company is not aware of any relevant shareholder's agreements.

1.2 Significant shareholders (continued)

As at 31 December 2015, the issued share capital consisted of 15,328,170 ordinary registered shares with a nominal value of CHF 0.20 each. The shares registered in the share register amounted to 11,275,797 and the Company owned 421,388 treasury shares. The distribution of the shareholdings in the Company as of 31 December 2015 is reflected below:



Further the registered shareholders at 31 December 2015 are broken down as follows:



1.3 Cross-shareholdings

There are no cross-shareholdings.

2. Capital structure

2.1 Capital

Under Swiss company law, the general meeting of shareholders (the "General Meeting") has to approve any change in the total number of shares, whether with respect to the ordinary share capital or with respect to the creation of conditional capital or authorised capital.

As at 31 December 2015, the share capital of the Company amounted to CHF 3,065,634 (15,328,170 shares with a nominal value of CHF 0.20 each). The Company itself owned 421,388 treasury shares. Further, a conditional share capital amounting to CHF 192,000 and consisting of 960,000 shares with a nominal value of CHF 0.20 each and an authorised capital of CHF 362,040 consisting of 1,810,200 shares with a nominal value of CHF 0.20 each remained outstanding as at 31 December 2015.

SIX Swiss Exchange regulations provide that individual shareholdings exceeding 5% (save for, inter alia, certain investment funds) are deemed to be a permanent investment and are therefore to be excluded from the free float. In accordance with SIX Swiss Exchange regulations, the free float as at 31 December 2015 was 69.90% (2014: 69.95%).

2.2 Conditional and authorised capital in particular

In this section and in the remainder of the Corporate Governance Report, the Articles of Incorporation of the Company, last amended on 7 May 2015 and applicable as at 31 December 2015, available at www.swissquote.ch/articles in the French original version together with an English free translation, shall be referred to as the "AoI".

Art. 4^{bis} of the AoI on the utilisation of the conditional capital provides that the Board of Directors of the Company (the "Board") is authorised to increase the share capital of the Company by a maximum of CHF 192,000 by issuing no more than 960,000 new registered shares with a nominal value of CHF 0.20 each. The capital increase may be carried out through the exercise of options granted by the Board to certain employees of the Company and its group companies by a maximum of CHF 150,000 through the issuance of a maximum of 750,000 new registered shares with a nominal value of CHF 0.20 each. The capital increase may also be carried out through the exercise of options granted by the Board in connection with the acquisition of a business undertaking, parts of a business undertaking or acquisition of participations in a business undertaking by a maximum of CHF 42,000 through the issuance of a maximum of 210,000 new registered shares with a nominal value of CHF 0.20 each.

Art. 4^{ter} of the AoI governing the utilisation of the authorised capital provides that the Board is authorised until 7 May 2016 to increase the share capital of the Company by a maximum of CHF 362,040 by issuing no more than 1,810,200 new registered shares with a nominal value of CHF 0.20 each. The Board determines the amount of the issue, the point in time at which the shares confer a dividend entitlement, the method of payment in full for contributions and the subscription procedure. An increase in tranches or a partial increase is permissible. In accordance with the modalities laid down by the Board the amount of the increase must be fully paid-in. The restrictions on the transferability of registered shares set forth in the AoI also apply to the new shares.

In accordance with Art. 652b Para. 2 of the Swiss Code of Obligations (CO), only the General Meeting may decide to revoke subscription rights in the following cases:

- when the new registered shares are used for the acquisition of a business undertaking, parts of a business undertaking or for acquiring participations in a business undertaking, or are used to enable the conclusion and/or setting up of strategic partnerships;
- when, in connection with the acquisition of a business undertaking, parts of a business undertaking or acquisition of participations in a business undertaking, it is planned that the seller shall receive rights allowing it to buy Company shares at a set price and subject to the achievement of specific objectives or the fulfilment of specific criteria within a given timeframe. In this case, authorised capital may be used to the extent necessary to cover such rights, but solely provided that any authorised or conditional capital created for this specific purpose has already been exhausted.

In other instances of increases in share capital decided on the basis of Art. 4^{ter} of the AoI, shareholders may exercise their subscription rights proportionally to their previous shareholding. With regard to subscription rights assigned but not exercised, the Board may, without having to consult the General Meeting beforehand, either allow these to lapse or else offer them – or the corresponding new shares – wholly or in part to other shareholders in proportion to their previous shareholding or to third parties, under such conditions as it sees fit to impose. Subscription rights may only be exercised by shareholders entered in the share register. The Board must determine the modalities for the registration of shareholders who purchased shares in the Company until the day of the decision of the Board to increase the share capital, but who have not yet been entered in the share register. The Board may, as it sees fit, permit shares to be subscribed by third parties acting in a fiduciary capacity and define the relevant procedure.

2.3 Changes in capital

The following table summarises the changes in capital that took place within the last three financial years:

Number of shares	Ordinary shares issued	Unissued shares: Conditional capital	Unissued shares: Authorised capital	Total shares issued and unissued
As at 1 January 2013	**14,638,370**	**750,000**	**3,500,000**	**18,888,370**
Exercise of employees' stock options	-	-	-	-
Increase/(decrease) in capital	-	-	-	-
As at 31 December 2013	**14,638,370**	**750,000**	**3,500,000**	**18,888,370**
As at 1 January 2014	**14,638,370**	**750,000**	**3,500,000**	**18,888,370**
Exercise of employees' stock options	-	-	-	-
Increase/(decrease) in capital	689,800	210,000	(1,689,800)	(790,000)
As at 31 December 2014	**15,328,170**	**960,000**	**1,810,200**	**18,098,370**
As at 1 January 2015	**15,328,170**	**960,000**	**1,810,200**	**18,098,370**
Exercise of employees' stock options	-	-	-	-
Increase/(decrease) in capital	-	-	-	-
As at 31 December 2015	**15,328,170**	**960,000**	**1,810,200**	**18,098,370**

All amounts in Swiss Francs

2.3 Changes in capital (continued)

The following table summarises the changes in equity that took place within the last three financial years:

	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance as at 1 January 2013	**2,927,674**	**39,496,150**	**3,003,351**	**1,589,373**	**(9,184,665)**	**203,296,357**	**241,128,240**
Net profit	-	-	-	-	-	11,656,163	11,656,163
Dividend and reimbursement from reserves	-	-	-	-	-	(8,405,989)	(8,405,989)
Currency translation differences	-	-	-	1,574	-	-	1,574
Other movements (*)	-	(3,860,094)	(456,843)	223,900	6,224,896	1,429,214	3,561,073
Balance as at 31 December 2013	**2,927,674**	**35,636,056**	**2,546,508**	**1,814,847**	**(2,959,769)**	**207,975,745**	**247,941,061**
Balance as at 1 January 2014	**2,927,674**	**35,636,056**	**2,546,508**	**1,814,847**	**(2,959,769)**	**207,975,745**	**247,941,061**
Net profit	-	-	-	-	-	23,521,337	23,521,337
Dividend and reimbursement from reserves	-	-	-	-	-	(8,648,833)	(8,648,833)
Transaction costs related to capital increase	137,960	25,212,190	-	-	-	-	25,350,150
Currency translation differences	-	-	-	352,842	-	-	352,842
Other movements (*)	-	(96,206)	(253,342)	(5,314,104)	(9,608,037)	1,116,970	(14,154,719)
Balance as at 31 December 2014	**3,065,634**	**60,752,040**	**2,293,166**	**(3,146,415)**	**(12,567,806)**	**223,965,219**	**274,361,838**
Balance as at 1 January 2015	**3,065,634**	**60,752,040**	**2,293,166**	**(3,146,415)**	**(12,567,806)**	**223,965,219**	**274,361,838**
Net profit	-	-	-	-	-	2,075,234	2,075,234
Dividend and reimbursement from reserves	-	(8,945,776)	-	-	-	-	(8,945,776)
Transaction costs related to capital increase	-	-	-	-	-	-	-
Currency translation differences	-	-	-	(145,967)	-	-	(145,967)
Other movements (*)	-	(95,859)	(85,779)	872,979	(1,348,001)	980,989	324,329
Balance as at 31 December 2015	**3,065,634**	**51,710,405**	**2,207,387**	**(2,419,403)**	**(13,915,807)**	**227,021,442**	**267,669,658**

(*) For futher details, reference is made to the Consolidated Statement of Changes in Equity for the years ended 2015, 2014 and 2013.

All amounts in Swiss Francs 124

2.4 Shares and participation certificates

Pursuant to Art. 5 of the AoI, the Company may issue its registered shares in the form of single certificates, global certificates or uncertified securities. As at 31 December 2015, the share capital consisted of 15,328,170 registered shares. The share capital of the Company is fully paid-in. The dividend entitlement depends on the share's nominal value. Each of the Company's registered shares carries one voting right at the General Meeting. Upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. More information is provided in sections 2.6 and 6.

The Company does not issue any participation certificates.

2.5 Dividend-right certificates

The Company does not issue any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

In accordance with Art. 685a CO and Art. 7 Para. 1 of the AoI, the transfer of registered shares is subject to the approval of the Board. Upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. Pursuant to Art. 7 Para. 2 of the AoI, the Board may reject a request for entry into the share register within 20 days.

The AoI do not contain any express provision for granting exceptions to this limitation; no such exceptions were granted in the year under review. Nominees cannot be registered with voting rights; there were no exceptions in 2015.

Pursuant to Art. 14 Para. 1 of the AoI, decisions related to the restrictions on the transferability of registered shares can only be made by the General Meeting and require a qualified majority vote (two thirds of the votes represented and an absolute majority of the nominal values of the shares represented).

2.7 Convertible bonds and options

The Company does not issue any bonds, convertible bonds or warrants.

Information on the Group's stock option plan is provided in the Remuneration Report.

3. Board of Directors

The Board has the ultimate responsibility for the strategy and the management of the Company and for the supervision of the Executive Management of the Company (the "Executive Management"). Art. 16 Para. 1 of the AoI stipulates that the Board must be composed of a minimum of three members. As at 31 December 2015, the Board consisted of five members, all non-executive, details of which are presented here-below.

3.1 Members of the Board of Directors

At the annual ordinary General Meeting (the "Ordinary General Meeting") of 7 May 2015, the Company's now former member of the Board Paul E. Otth did not seek for re-election. Jean-Christophe Pernollet was newly elected and all four remaining members of the Board were re-elected.

Mario Fontana (1946 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since April 2001
Chairman of the Board of Swissquote Group Holding Ltd since April 2002
Chairman of the Board of Swissquote Bank Ltd since April 2004
Member of the Nomination & Remuneration Committee

Educational Background

1966 – 1969	ETH Zurich, Studies in Mechanical Engineering
1969 – 1970	Georgia Tech, USA, Master of Science Degree in Aerospace Engineering

Executive Experience

1970 – 1977	IBM Switzerland, Sales Representative and International Account Manager
1977 – 1980	Brown Boveri Brazil, Chief of Staff and CIO. Since 1997 is part of ABB
1981 – 1983	Storage Technology Switzerland, Country General Manager
1984 – 1993	Hewlett-Packard Switzerland, Country General Manager
1993 – 1995	Hewlett-Packard Germany, General Manager Computer Business
1995 – 1997	Hewlett-Packard Europe, General Manager Computer Business
1997 – 1999	Hewlett-Packard USA, General Manager Financial Services worldwide

Previous Board Mandates

1993 – 2006	Büro Fürrer, Member of the Board. Company acquired by Lyreco, France
1998 – 2008	SBB, Swiss Railways, Member of the Board
1999 – 2004	Bon appétit Group, Chairman. Company acquired by REWE, Germany
2000 – 2005	Leica Geosystems, Chairman. Company acquired by Hexagon, Sweden
2000 – 2003	AC Services, Germany, Member of the Board
2002 – 2006	Sulzer, Member of the Board
2003 – 2010	Inficon, Member of the Board
2004 – 2006	Amazys, Chairman. Company acquired by X-Rite, USA
2005 – 2013	Dufry, Member of the Board
2006 – 2008	X-Rite, USA, Member of the Board
2006 - 2013	Hexagon, Sweden, Member of the Board

Current Board Mandates

Since 2001	Swissquote, Chairman
Since 2010	Regent Lighting, Chairman

Other Activities

Since 2007	Investor and Board Member of various start-up companies
Since 2008	Own family foundation: www.fontana-foundation.org

Mario Fontana has not held official functions or political posts in 2015. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Markus Dennler (1956 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since March 2005
Vice-Chairman of the Board of Swissquote Bank Ltd since May 2015
Chairman of the Nomination & Remuneration Committee

Educational Background

1982	Licentiate in Law, University of Zurich
1984	Doctorate in Law, University of Zurich
1986	Attorney at Law, admitted to the Bar
1989	International Bankers School, New York
1997	Harvard Business School, Boston (AMP)

Executive Experience

1986 - 1994	Credit Suisse, Various assignments
1994 - 1996	CS Columna, Delegate to the Board of Directors
1997 - 1998	Winterthur Columna, CEO
1998 - 2000	Winterthur Insurance, Member of the Corporate Executive Board and Head of Individual and Group Life Division
2000 - 2003	Credit Suisse, Member of the Executive Board of CSFS and responsible for the operational global Life & Pensions business

Previous Board Mandates

2005 - 2006	Batigroup, Chairman
2005 - 2007	Converium, Chairman
2007 - 2010	Jelmoli, Member of the Board
2006 - 2013	Petroplus, Member of the Board
2006 – March 2015	Implenia, Chairman (2006 - September 2011: Vice-Chairman)

Current Board Mandates

Since 2003	British Swiss Chamber of Commerce, Councillor
Since 2005	Swissquote, Member of the Board (since May 2015: Vice-Chairman of Swissquote Bank Ltd)
Since December 2012	Allianz Suisse, Chairman (2006 - November 2012: Vice-Chairman)

Markus Dennler has not held official functions or political posts in 2015. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Martin Naville (1959 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since April 2007
Member of the Board of Swissquote Bank Ltd since April 2007
Member of the Audit & Risk Committee

Educational Background

1979 – 1984	University Zurich, Master of the Laws

Executive Experience

1985 – 1988	J.P. Morgan Bank, Assistant Treasurer in Zurich and New York
1988 - 1990	The Boston Consulting Group, Consultant in Munich
1990 – 1992	The Boston Consulting Group, Project Leader in Zurich
1992 – 1995	The Boston Consulting Group, Manager in New York
1995 – 2004	The Boston Consulting Group, Partner and Director in Zurich
Since 2004	Swiss-American Chamber of Commerce, CEO, Zurich

Current Board Mandates

Since 2004	Zoo Zürich Inc., Chairman (2002 - 2004: Member of the Board)
Since 2007	Swissquote, Member of the Board
Since 2014	Stanhope Capital, London, Member of Advisory Board

Martin Naville has not held official functions or political posts in 2015. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company’s subsidiaries.

Adrian Bult (1959 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since April 2008
Member of the Board of Swissquote Bank Ltd since April 2008
Member of the Audit & Risk Committee

Educational Background

1978 – 1983	University St. Gallen, MBA in Economics and Marketing

Executive Experience

1984 – 1987	IBM (Switzerland) Zürich, Marketing Assistant, Sales Representative
1988 – 1989	IBM United Kingdom, Industry Specialist
1989 – 1994	IBM (Switzerland) Zürich, Head of Market Development Banking, Head of Profit Center Banking
1995 – 1996	IBM (Switzerland), IBM (Austria), Head of Profit Center Switzerland, Austria and Eastern Europe and member of the management board IBM (Switzerland)
1997	IBM (Switzerland), Head of Region Switzerland, Austria, Eastern Europe, Germany
1997 – 1998	Telecom PTT (prior to the IPO), Head of IT
1998 – 2000	Swisscom AG, Chief Information Officer, Member of the management board
2001 – 2006	Swisscom Fixnet AG, Bern (wire line company), CEO and member of the management board Swisscom AG
2006 – 2007	Swisscom Mobile AG, Bern, CEO and member of the management board of Swisscom AG
2007 – 2012	COO Avaloq Evolution AG, Zürich, Member of the management team, shareholder

Current Board Mandates

Since 2008	Swissquote, Member of the Board
Since 2010	Regent Lighting, Member of the Board
Since 2012	Alfred Müller AG, Switzerland, Member of the Board
Since 2012	AdNovum AG, Switzerland, Member of the Board
Since December 2012	Swissgrid AG, Switzerland, Chairman of the Board (2007 - November 2012: Member of the Board)
Since 2013	Garaio AG, Switzerland, Chairman of the Board (2011 – August 2013: Member of the Board)
Since 2013	SWICA, Member of the Board
Since 2015	Parsumo Capital AG, Member of the Board

Adrian Bult has not held official functions or political posts in 2015. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Jean-Christophe Pernollet (1966 / French national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since May 2015
Member of the Board of Swissquote Bank Ltd since November 2014
Chairman of the Audit & Risk Committee

Educational Background

1986	Institut d'Etudes Politiques, Grenoble, Bachelor of Science in Economics and Politics
1986	Institute of European Studies, Hull
1990	EDHEC Business School, Lille, Master in Management
2002	Columbia Business School, New York, Senior Executive program

Executive Experience

1990 - 1993	Deloitte & Touche, Paris, France, Audit	
1993 - 2010	PricewaterhouseCoopers:	
	1993 – 1997	Geneva, Audit
	1997 – 1999	New York, Audit, Senior Manager since 1998
	1999 – 2010	Geneva, Audit, Partner since 2001 and Business Unit Leader
2010 - 2012	EFG International AG, Chief Financial Officer	
Since 2012	Edmond de Rothschild, Switzerland:	
	2012 – May 2015	Group Chief Financial Officer, then Chief Audit Executive
	Since June 2015	Group Chief Risk Officer

Previous Board Mandates

2010 – 2012	EFG Private Bank Ltd, London, Member of the Audit & Risk Committee
2013 – 2014	Edmond de Rothschild (Europe), Luxembourg, Chairman of the Audit Committee

Current Board Mandates

Since 2014	Swissquote Bank Ltd, Member of the Board
Since May 2015	Swissquote Group Holding Ltd, Member of the Board

Jean-Christophe Pernollet has not held official functions or political posts in 2015. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

3.2 Other activities and vested interests

None of the Board members has activities or vested interests (as defined in the SIX Swiss Exchange regulations) other than the ones described in section 3.1.

3.3 Number of permitted activities

The number of mandates held in superior governing or administrative bodies of legal entities outside the Company and its affiliates, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Board to fifteen mandates held in business undertakings, a maximum of four of which may be in listed companies, and to five mandates held in other legal entities such as foundations and associations. Mandates held in different legal entities of one and the same single group of companies or mandates on behalf of a group or legal entity be counted as one mandate. Limits may be exceeded for a short-term period of time, but by no more than one third of the number of permitted mandates per above-mentioned category.

3.4 Elections and terms of office

The Board must have a minimum of three members elected at the General Meeting of Shareholders for a one-year term. The Board members are eligible for re-election.

Since 2008 the Board has comprised five non-executive members. The Board acts at the same time as the Board of Directors of the Bank.

The time of the first election is mentioned in section 3.1.

3.5 Internal organisational structure

3.5.1 Generalities

The operating of a bank in Switzerland requires, inter alia, a proper organisation and a clear segregation between the duties and responsibilities of the Board and of the Executive Management.

The Group's internal regulation framework consists of a cohesive set of by-laws, regulations and policies that is organised with respect to the level of competence required for adopting new regulations and/or amending existing ones. The various levels of competence are the following:

- both the General Meeting and FINMA;
- the General Meeting;
- both the Board and FINMA;
- the Board;
- the Executive Management; and
- the Management.

The level of competence for making decisions in the Company (including according to levels of financial materiality) is set forth in the Organisation Regulations and other internal regulations and is summarised in the Regulation relating to responsibilities and financial powers.

After each Ordinary General Meeting, where all Board members and the Chairman are elected, the Board appoints its Secretary. The Board may form one or several advisory committees, which consist of members of the Board. The Committees are in charge of proposing board resolutions to the full Board with respect to specific matters. In 2015, there were two such Committees at the level of the Group: the Audit & Risk Committee and the Nomination & Remuneration Committee. Such Committees must report to the Board on a regular basis, but at least once per quarter for the Audit & Risk Committee and twice a year for the Nomination & Remuneration Committee. Further, certain functions of the Board are delegated to the Chairman.

New Board members are introduced to their new function through a specific program including presentations of the firm-wide considerations by the Executive Management and presentations by the Managers of each department. Further, new Board members receive a manual compiling the Company's internal regulations and by-laws.

3.5.1 Generalities (continued)

The Board meets as often as required, but at least four times a year. The Board and the Committees plan and coordinate their activities in accordance with a yearly planning schedule that covers all matters requiring the Board's attention and thus ensures that the Board's activity is compliant with applicable laws and regulations.

In 2015 the Board met 11 times (eight physical meetings and three conference calls), out of which one meeting was a two-day strategy session and another one, the so-called Annual Conference on Risks (see section 3.7). In average a physical meeting lasts four to five hours and a conference call lasts one to two hours. On various occasions, decisions were taken by means of circular resolutions and ratified at the next Board meeting.

3.5.2 Functions of the Board of Directors

The Board acts as the ultimate direction of the Company and has the power to decide on all matters that are not vested in the General Meeting or in any other body by law or pursuant to the AoI or the Organisation Regulations. It is the Board's responsibility to perform, inter alia, the following functions:

- Define the strategy and the objectives of the Company and approve the implementation or cessation of business activities;
- Establish the overall organisation and, in particular, approve the organisation chart of the Group based on the proposal of the Executive Management;
- Decide on the appointment, suspension and dismissal of the Executive Management and of the other signatories of the Company;
- Appoint the Chairman of the Committees;
- Based on the proposal of the Nomination & Remuneration Committee, submit to the General Meeting proposals of maximum aggregate amounts of remuneration for the Board and the Executive Management and decide, within the framework of the General Meeting's resolutions, on the remuneration of the Board and the Executive Management;
- Based on proposals of the Audit & Risk Committee, determine the applicable accounting standards, the principles governing the internal control system (including for what regards the financial control), the financial planning and the financial disclosure policy, as well as approve the capital planning and the annual budget;
- Approve the Annual Financial Statements and regular interim financial reporting prior to their disclosure and after clearance by the Audit & Risk Committee;
- Prepare the Annual Report, the Corporate Governance Report and the Remuneration Report;
- Prepare the General Meeting (including the invitation to the General Meeting) and execute the General Meeting's resolutions;
- Supervise the Executive Management, in particular with regard to compliance with laws, the AoI, the internal directives and the Board's instructions;
- Approve the organisation of the risk management and the key risk management principles;
- Pass resolutions in connection with a capital increase pursuant to Art. 651a, 652g, 653g CO and make decisions pursuant to Art. 634a Para. 1 CO (contributions on shares not fully paid-in) and 651 Para. 4 CO (increase of share capital in the case of authorised capital);
- Approve mass dismissal of employees in the sense of Art. 335d CO or similar foreign regulations;
- Approve those matters for which the Executive Management have to seek approval by the Board, in particular, through the approval of regulations applicable to the Group; and
- Notify the competent authority in case of over-indebtedness.

The Board's approval is also required for specific transactions that do not fall under the ordinary business activities and/or which financially exceed defined thresholds.

Board members may not act alone on behalf of the Company and may not give instructions on their own, except where the AoI, the internal regulations or a resolution of the Board provides otherwise.

3.5.3 Functions delegated to the Chairman

The Chairman performs, inter alia, the following functions:

- Chair the meetings of the Board and the General Meeting of Shareholders; and
- Represent the Board vis-à-vis the public at large, public officials and the shareholders.

3.5.4 Rules governing decisions

The majority of members shall be present for the Board to be quorate. Resolutions of the Board are passed by a majority of the votes cast by the members present. In the event of a tie, the Chairman has the casting vote. For decisions that are taken in relation to a capital increase (ordinary, conditional or authorised increase), including the related modifications of the Articles of Incorporation, the quorum is also achieved when a single member of the Board of Directors is present.

For further information on quorum and decisions, reference is made to the AoI (in particular Art. 17).

3.5.5 Audit & Risk Committee

Board members on the Committee: Jean-Christophe Pernollet (Chairman), Martin Naville, Adrian Bult.

The Audit & Risk Committee's primary function is to assist the Board in fulfilling its oversight responsibilities defined by law, the AoI, internal regulations or otherwise with respect to financial reporting and risk management. The Audit & Risk Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

In terms of financial reporting, the oversight responsibilities of the Audit & Risk Committee include, inter alia, the following:

- Monitor and assess the overall integrity of the financial statements;
- Monitor the adequacy of the financial accounting, financial planning and reporting processes and the effectiveness of internal controls over financial reporting;
- Monitor processes designed to ensure compliance by the Group and its entities in all significant respects with legal and regulatory requirements, including disclosure controls and procedures, and the impact (or potential impact) of developments related thereto;
- Make recommendations to the Board as to the application of accounting standards;
- Inform the Board of the result of the above-mentioned tasks and make a recommendation as to whether the financial statements should be submitted to the General Meeting;
- Assess the qualifications, independence and performance of the Auditors; and
- Review the risk analysis, the audit plan and all reports from the Auditors and supervise the actions taken by the Executive Management following the audit results.

In terms of risk management, the oversight responsibilities of the Audit & Risk Committee include, inter alia, the following:

- Make recommendations to the Board as to the Group's risk management framework, in particular the risk capacity, the risk appetite and the risk tolerance;
- Monitor and assess the risk management framework, including the internal control systems of the Company and of the Bank;
- Oversee that the Executive Management has identified and assessed all the significant risks that the Group and its entities face and has established a risk management infrastructure capable of addressing those risks;
- Oversee, in conjunction with the Board and, where applicable, other board-level committees, risks, such as strategic, credit, market, liquidity, operational, reputational, and other risks;
- Assess the qualifications, independence and performance of the internal auditor;
- Review the internal auditor's risk assessment, audit plans and all their reports and supervise the actions taken by the Management following the audit results; and
- Make recommendations to the Board as to the nomination, renewal or dismissal of the Auditors and of the internal auditor.

The Audit & Risk Committee meets at least once per quarter and, in 2015, it met five times. The average length of the meetings was 2.5 hours. At each meeting held in 2015, the Executive Management and the internal auditor were present, and the Auditors were present at four of these meetings. The other Board members attended the meetings as well. No external counsels attended the meetings.

3.5.6 Nomination & Remuneration Committee

Board members on the Committee: Markus Dennler (Chairman), Mario Fontana.

The Nomination & Remuneration Committee meets at least twice a year and, in 2015, it met five times. The average length of the meetings was 1.5 hours. At each meeting held in 2015, the Executive Management was present, except where there was a review of the personal situation of the members of the Executive Management. The other Board members attended the meetings as well. No external counsels attended the meetings.

Further details on the Nomination & Remuneration Committee are provided in the Remuneration Report.

3.6 Definitions of areas of responsibility

All executive functions within the Group not reserved for the Board or to the Chairman are delegated to the Executive Management. The Executive Management is responsible for the implementation of the business strategies approved by the Board and for the compliance of the operations with the risk management policies approved by the Board. Further, the Executive Management ensures the maintenance and development of a corporate framework as embedded in the corporate values approved by the Board. The Executive Management is accountable to the Board for the Company's results.

The Executive Management in particular has the responsibility to perform the following functions:

- Implement the strategy decided by the Board and execute its decisions and instructions;
- Prepare the items to be discussed by the Board;
- Ensure that the internal organisation of the Company meets the needs of its business activities and its development;
- Propose the organisation chart to the Board;
- Hire the employees and set their employment conditions according to the guidelines issued by the Board;
- Prepare the list of signatories for Board approval;
- Supervise accounting, financial control and financial planning;
- Prepare the budget for Board approval;
- Prepare the reporting to the attention of the Board;
- Prepare the financial statements for Board approval and publish them;
- Ensure compliance with laws and regulations, in particular for what regards capital adequacy requirements, liquidity, risk diversification and privileged deposits and monitor the related developments;
- Delegate competences to committees; and
- Draft the internal regulations for Board approval.

The delegation process to the General Management (i.e. the "directeurs" and "vice-directeurs") is documented in the internal regulations and the Board has an overview of the delegation process through the summary provided in the Regulation relating to responsibilities and financial powers.

The following business functions report to:

- Marc Bürki: eForex Private Clients & Partners / eForex Trading & Market Strategy / Sales eTrading Private Clients & Partners / Web Marketing / White Label and Institutional Forex Sales

- Paolo Buzzi: Back Office & Banking Applications / Information Technology & Security / Product Development / Project Management / Quantitative Asset Management / Software Development / Web Marketing

- Michael Ploog: ALM & Treasury / Customer Care / Facility Management / Finance, Reporting & Tax / Legal & Compliance / Trading

- Executive Management: Controlling & Risk / Human Resources / all foreign entities

The Executive Management is further assisted by committees consisting of members of the General Management that carry out coordination and reporting functions and make recommendations to the Executive Management. At least one member of the Executive Management sits in each committee.

3.7 Information and control instruments vis-à-vis the Executive Management

The Group operates a comprehensive management information system that provides the Executive Management with all data required to manage and control the business and to report relevant information to the Board.

The Board periodically reviews the nature of the formal reporting prepared by the Executive Management and the frequency of the respective reports. The reporting may be summarised as follows :

- Quarter 1 and 3 reporting includes a full set of Condensed Consolidated Interim Financial Statements and Interim Statutory Financial Statements (established for internal purposes only), as well as a financial report examining the key financial matters, including budgets, and capital management issues. A risk and compliance report summarises the key risk issues, new or amendments to internal regulations that require Board approval, and assesses the changes in the legislative and regulatory environment. Furthermore, the Board receives summary reports on key human resources and remuneration issues as well as an update on important projects, statistics on revenue developments and comments on the operations and the business environment;
- Half-yearly reporting covers the same scope of reporting as the quarter 1 and 3 reporting. However, the Condensed Consolidated Interim Financial Statements for the half-year are reviewed by the Auditors and serve as basis for the half-year press release; and
- Yearly reporting covers the same scope as the half-year report and includes the Audited Consolidated and Statutory Financial Statements.

Once a year the Board organises a conference dedicated to an in-depth review of the risks, internal control systems and risk management processes (the "Annual Conference on Risks"). The Executive Management and the respective heads of Legal & Compliance, Controlling & Risk, Finance, Reporting & Tax, Information Technology & Security and ALM & Treasury provide the Board with their own risk assessment and their recommendations with respect to the enhancement of the internal control systems and risk management processes.

Ad hoc reporting is addressed to the Board when required by the circumstances or upon request by the Board. Further, the Executive Management must immediately report to the Board material matters outside the ordinary course of business.

The Executive Management attends all meetings of the Board and of the Committees, unless otherwise requested by the Board or the concerned Committees.

The function of internal auditor, reporting directly and independently to the Board of Directors of the Bank, is outsourced to BDO SA, Geneva, which is a member of the Institute of Internal Auditing Switzerland. The duties of the internal auditor are governed by the Ordinance on Banks and Savings Banks, FINMA Circular 2008/24 on supervision and internal control and the applicable internal regulations. The internal auditor analyses the compliance of business activities with legal and regulatory requirements and applicable internal regulations. The internal auditor carries out the audit plan approved by the Board and reports its significant findings and recommendations in writing. It also executes ad hoc missions and investigations upon request of the Board. The internal auditor provides the Board with a specific half year summary report that reviews, inter alia, the progress made by the Company in implementing the recommendations made in earlier reports and includes relevant information with respect to the execution of the audit plan. The internal auditor participates in the Annual Conference on Risks and provides the Board with its own assessment of the risks, internal control systems and risk management processes. The Board formally takes note of the reports of the internal auditor and reviews the conclusions and comments made by the Audit & Risk Committee, which examines the reports in detail.

In terms of risk management, the Company complies, inter alia, with the requirements of FINMA Circular 2008/24 on supervision and internal control. In particular the Company operates an integrated risk management system called the "Core Manual", which deals with the risks related to a banking activity (credit risk, settlement risk, reputation risk, operational risk, interest risk, market risk, etc.). This system seeks to mirror the evolution of the Group. The Core Manual addresses, inter alia, the following matters:

- Objectives of the document, organisation of the Company as well as duties and responsibilities pertaining to the various organisation levels and the functioning of the committees set up by the Executive Management;
- Risk identification process; and
- Key procedures to control and/or mitigate risks.

4. Executive Management

4.1 Members of the Executive Management

The Executive Management consists of Marc Bürki, Chief Executive Officer, Paolo Buzzi, Chief Technology Officer and Michael Ploog, Chief Financial Officer. Marc Bürki and Paolo Buzzi are founding shareholders of the Company and are major shareholders as at 31 December 2015. All three members have been in their current positions at this level of the Group since its formation in 1999.

Marc Bürki (1961 / Swiss national, domiciled in Switzerland)
Chief Executive Officer (CEO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd
Founding partner of Swissquote Group Holding Ltd

Educational Background

1982 – 1987	Swiss Federal Institute of Technology (EPFL), Lausanne, Degree in electrical engineering

Professional Experience

1987 – 1990	European Space Agency, Nordweijk, Netherlands, Telecommunication specialist
1990 – 2002	Marvel Communications Ltd, Co-Managing Director
Since 1999	Swissquote Group Holding Ltd, Chief Executive Officer (co-CEO, shared responsibility)
Since 2002	Swissquote Bank Ltd, Chief Executive Officer

Previous Board Mandates

2012 – April 2015	Swissquote Financial Services (Malta) Limited, Mriehel, Malta, Chairman of the Board

Current Board Mandates

Since 2012	Swissquote MEA Ltd, Dubai, UAE, Chairman of the Board
Since 2014	Swissquote Ltd, London, UK, Chairman of the Board
Since 2014	Swissquote Asia Ltd, Hong Kong, Chairman of the Board

Paolo Buzzi (1961 / Swiss national, domiciled in Switzerland)
Chief Technology Officer (CTO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd
Founding partner of Swissquote Group Holding Ltd

Educational Background

1983 – 1988	Swiss Federal Institute of Technology (EPFL), Lausanne, Degree in micro-engineering

Professional Experience

1988 – 1990	Rolm Systems, Santa Clara, USA, Software Engineer and New Technology Integration Engineer
1990 – 2000	Marvel Communications SA, Co-Managing Director
2000 – 2002	Swissquote Info, Chief Executive Officer
Since 1999	Swissquote Group Holding Ltd, Chief Executive Officer (co-CEO, shared responsibility)
Since 2002	Swissquote Bank Ltd, Chief Technology Officer

Current Board Mandates

Since 2002	Swissquote Trade Ltd, Gland, Switzerland, Chairman of the Board
Since 2012	Swissquote MEA Ltd, Dubai, UAE, Member of the Board
Since 2012	Swissquote Financial Services (Malta) Limited, Mriehel, Malta, Chairman (2012 - March 2015: Vice-Chairman)

Michael Ploog (1960 / Swiss national, domiciled in Switzerland)
Chief Financial Officer (CFO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1980 - 1983	University of Lausanne, Hautes Etudes Commerciales
1986 - 1990	Swiss Institute of Certified Public Accountant, Lausanne, Swiss Certified Public Accountant

Professional Experience

1983 – 1985	University of Lausanne, Chair of Financial and Cost Accounting, Graduate Teaching Assistant	
1986 – 1998	Deloitte, Senior Manager since 1995	
	1986 – 1994	Geneva, Audit
	1994 – 1996	London, Corporate Finance
	1996 – 1998	Lausanne, Management Advisory Services
1998 – 1999	PricewaterhouseCoopers, Lausanne, Senior manager Transaction Services Group & Corporate Finances	
Since 1999	Swissquote Group Holding Ltd, Chief Financial Officer	
Since 2000	Swissquote Bank Ltd, Chief Financial Officer	

Previous Board Mandates

2012 – April 2015	Swissquote Financial Services (Malta) Limited, Mriehel, Malta, Member of the Board

Current Board Mandates

Since 1999	Swissquote Trade Ltd, Gland, Switzerland, Member of the Board
Since 2012	Swissquote MEA Ltd, Dubai, UAE, Vice-Chairman of the Board

Other Mandates

Since 1999	Swissquote Group Holding Ltd, Secretary of the Board
Since 2006	Swissquote Bank Ltd, Secretary of the Board of Directors
Since 2010	Foundation Swissquote 3rd Pillar, Chairman
Since 2012	FIT - Fondation pour l'Innovation Technologique, member of the Selection Committee

4.2 Other activities and vested interests

None of the members of the Executive Management has activities and vested interests (as defined in the SIX Swiss Exchange regulations) other than the ones described in section 4.1.

4.3 Number of permitted activities

The number of mandates held in superior governing or administrative bodies of legal entities outside the Company and its affiliates, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Executive Management to four mandates held in business undertakings, a maximum of one of which may be in a listed company, and to five mandates held in other legal entities such as foundations and associations. Mandates held in different legal entities of one and the same single group of companies or mandates on behalf of a group or a legal entity shall be counted as one mandate. Limits may be exceeded for a short-term period of time, but by no more than one third of the number of permitted mandates per above-mentioned category.

4.4 Management contracts

The Company has not entered into management contracts with third parties.

5. Remuneration, shareholding and loans

Details on the remuneration, shareholding and loans are provided in the Remuneration Report.

6. Shareholders' participation

6.1 Generalities

Shareholders in Swiss corporations limited by shares have extended protective and participatory rights. Protective rights include the right to inspection and information (Art. 696, 697 CO), the right to a special audit (Art. 697a CO), the right to call a General Meeting (Art. 699 Para. 3 CO), motion rights (Art. 699 Para. 3 CO), the right of challenging resolutions of the General Meeting (Art. 706 CO) and the right to instigate liability proceedings (Art. 752 ff CO). Participatory rights primarily include the right to participate in General Meetings of Shareholders, the right to express an opinion and voting rights (Art. 694 CO). The recent Ordinance against Excessive Compensation in Listed Corporations has introduced new rights for the shareholders, which have fully entered into force in 2015. For further information on the changes introduced by this ordinance, reference is made to the Remuneration Report.

The General Meeting is the highest body of the Company. It has the following non-transferable powers to:

- establish and amend the AoI;
- annually elect the members of the Board, the Chairman of the Board, the members of the Remuneration Committee, the independent proxy and the Auditors;
- approve the Annual Report and the Consolidated Financial Statements;
- approve the Annual Financial Statements and adopt resolutions concerning the allocation of the disposable profit, in particular set the dividend as well as the profit-sharing bonus;
- discharge the members of the Board;
- approve the remuneration of the Board and the Executive Management in accordance with Art. 14^{bis} of the AoI; and
- pass resolutions on all matters reserved to it by law or the AoI.

For further information on the General Meeting, reference is made to the AoI (in particular Art. 9, 10 and 11).

6.2 Voting-rights and representation restrictions

Pursuant to Art. 12 of the AoI, every person duly entered in the share register as a shareholder with voting rights is entitled to exercise the rights attached to the registered shares. Shareholders may have their shares represented at the General Meeting by a legal representative or, with a written power of attorney, by a third party, who is not required to be a shareholder of the Company. The Board shall decide on the requirements regarding powers of attorney and instructions; powers of attorney without qualified electronic signatures may also be recognised. The final decision on the validity of powers of attorney rests with the Chairman of the Board.

Pursuant to Art. 7 of the AoI, upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. The AoI do not contain any express provision for granting exceptions to this limitation.

The AoI do not contain any provisions on abolishing voting-rights restrictions; the general rules of the Swiss Code of Obligations apply.

Specific rules on the issue of instructions to the independent proxy or on the electronic participation in the General Meeting are set by the Board and communicated to shareholders in the invitation to the General Meeting.

6.3 Quorums required by the Articles of Incorporation

Where a General Meeting has been convened in accordance with the provisions of the law and the AoI, decisions may be taken, irrespective of the number of shares represented or shareholders present at the General Meeting. Pursuant to Art. 12 of the AoI, the General Meeting is therefore quorate regardless of the number of shares represented.

Except when law and/or the AoI provide otherwise, the General Meeting passes resolutions and conducts elections by an absolute majority of the voting rights validly represented. Elections require an absolute majority in the first round, and, if this is not achieved, a relative majority is sufficient in the second round. In the event of a tie, the Chairman of the Board has the casting vote. As a rule, votes are cast electronically. If the electronic voting system fails, an open vote shall be held unless one or more shareholders who alone or together represent at least 5% of the voting rights request a secret ballot.

Pursuant to Art. 14 of the AoI, a resolution of the General Meeting adopted by at least two thirds of the votes represented and an absolute majority of the nominal values of the shares represented is required for:

- a change to the Company's purpose;
- the introduction of preferred voting shares;
- the restriction of the transferability of registered shares;
- an authorised or conditional capital increase;
- a capital increase by recourse to equity, against contribution in kind or for the acquisition of assets and the granting of special benefits;
- the restriction or revocation of subscription rights;
- the relocation of the Company's registered office; and
- the dissolution of the Company.

6.4 Convocation of the General Meeting of Shareholders

The General Meeting is convened by the Board in the normal course of business or otherwise by the Auditors or the liquidator.

One or more shareholders of the Company may request the convocation of a General Meeting if all of the following conditions are satisfied:

- The shareholder or shareholders together hold at least 10% of the nominal value of the share capital entered in the commercial register on the day the request is received; and
- The shareholder or shareholders submit their request in writing and, at the same time, arrange for shares with a nominal value of at least 10% of the share capital to be blocked by the depository, the latter being required to issue confirmation that said shares have been blocked. The shares shall remain blocked until the day after the General Meeting.

For further information on the convocation of the General Meeting, reference is made to the AoI (in particular Art. 10 and 11).

6.5 Inclusion of items on the agenda

Pursuant to Art. 11 of the AoI, no resolutions may be passed on motions relating to agenda items that were not duly announced, except for motions by a shareholder to convene an extraordinary General Meeting, to carry out a special audit or to elect an auditor.

One or more shareholders of the Company may request that an item be included on the agenda if all of the following conditions are satisfied:

- The shareholder or shareholders together hold at least 5% of the nominal value of the share capital entered in the commercial register on the day the request is received;
- The shareholder or shareholders submit their request in writing and, at the same time, arrange for shares with a nominal value of at least 5% of the share capital to be blocked by the depository, the latter being required to issue confirmation that said shares have been blocked. The shares shall remain blocked until the day after the General Meeting; and
- The request is sent by registered letter to the attention of the Board to the registered office of the Company and shall arrive there at least 45 days prior to the General Meeting.

For further information on the agenda, reference is made to the AoI (in particular Art. 11).

6.6 Entries in the share register

Pursuant to Art. 6 of the AoI, the Company maintains a share register in which the names and addresses, respectively the corporate name and registered office of the owners of the registered shares and any usufructuaries are entered into. The Board has mandated ShareCommService AG, Europastrasse 29, CH-8152 Glattbrugg, to maintain the Company's share register.

Pursuant to Art. 7 of the AoI, upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. For practical reasons, no new registration is made in the share register for a period up to 20 days before a General Meeting. Shareholders who sell their shares prior to the General Meeting are no longer entitled to exercise their votes.

For further information on entries in the share register, reference is made to the AoI (in particular Art. 6 and 7).

7. Changes of control and defence measures

7.1 Duty to make an offer

Art. 135 FMIA (formerly Art. 32 SESTA) states that anyone who directly, indirectly or acting in concert with third parties acquires equity securities which, added to the equity securities already owned, exceed the threshold of 33% of the voting rights of a target company, whether exercisable or not, must make an offer to acquire all listed equity securities of the company. Art. 132 Para. 1 and 2 FMIA (formerly Art. 29 SESTA) outlines the Board's obligation, in the event of a public takeover bid, to provide shareholders with the information they need in order to evaluate the offer and also prohibits the Board from taking defensive measures. No significant alteration in the assets or liabilities of the target company is permitted as of the time of the bid, aside from transactions that have already been approved at the General Meeting.

The AoI do not include any opting out or opting up clause.

7.2 Clauses on changes of control

None of the members of the Board, the members of the Executive Management or other employees benefit from change of control clauses.

8. Auditors

8.1 Generalities

The main duties of the Auditors are to report to the General Meeting the results of their audit, the objective of which is to verify that the Annual Financial Statements, the Annual Report and the proposed appropriation of retained earnings comply with the law and the AoI.

The Auditors recommend the approval, with or without qualification, or the rejection of the Annual Financial Statements. Further, when the Company is required to deliver Consolidated Financial Statements, the Auditors must report on the compliance with the law and the accounting principles adopted for the consolidation. Auditors must be present at Ordinary General Meetings, unless a unanimous resolution of the shareholders provides otherwise.

The Consolidated Financial Statements and the Statutory Financial Statements of the Company have been audited by PricewaterhouseCoopers SA since 1999, which has been re-elected each year since then. Since 2015, all the subsidiaries of the Company (including those taken over via the acquisition of MIG Bank Ltd in September 2013) have been audited by PricewaterhouseCoopers SA. Since 2014, Beresford Caloia has been responsible for the audit of the Group.

The Auditors must be independent from the Board and from the shareholders. Except for tax matters, audit-related services and other services that can generally only be provided by the Auditors (e.g. reviews of documents filed with FINMA), the Group uses consultants who are independent from the Auditors.

In addition to their audit opinions, the Auditors are requested to provide the Audit & Risk Committee with specific information such as their audit findings, comments on accounting issues and auditing fee proposals.

8.2 Duration of the mandate and term of office of the lead auditor

The Auditors are elected for one-year terms by the General Meeting and are eligible for re-election. They were re-elected on 7 May 2015. The rotation frequency of the lead auditor is maximum 7 years.

8.3 Auditing fees and additional fees

The total fees charged by the Auditors to the Group in 2015 are analysed as follows:

in CHF	2015	2014
Auditing fees	441,700	479,700
Additional fees:		
Audit-related services	31,429	30,700
Tax	73,000	118,539
Total	**546,129**	**628,939**

Auditing fees are agreed upon in advance for the audits of the Consolidated and Statutory Financial Statements of the Group companies, as well as for the regulatory audit of the Bank. They can be adjusted in the course of the relevant year under special circumstances.

Audit-related services mainly consist of reports examining the Group's compliance with provisions of agreements or private regulations, such as the regulations related to the Bank's membership to SIX Swiss Exchange.

Tax-related additional fees mainly cover the assistance provided to the Group when filing local tax returns.

All amounts in Swiss Francs 141

8.4 Informational instruments pertaining to the Auditors

The Auditors closely interact with the Audit & Risk Committee and are usually invited to its meetings. In 2015, the Auditors met four times with the Audit & Risk Committee.

Year-round, the Auditors issue, inter alia, the following documents:

- planning of the statutory and consolidated financial audits with respect to the Statutory and Consolidated Financial Statements of the Company, respectively Statutory Financial Statements of the Bank. The document includes, inter alia, information on (i) the changes in the Group, (ii) the developments in accounting standards, (iii) the Auditors' risk assessment, (iv) the audit relating to the internal control system, (v) the coordination of the Auditors' activities with the internal auditor, (vi) the estimated fees and (vii) the timeline of the audit activities;
- information on the regulatory audit, which includes, inter alia, information on (i) the changes in the regulatory environment and accounting principles, (ii) the Auditors' risk analysis pursuant to FINMA Circular 2013/3 on auditing and the audit strategy, (iii) the estimated fees and (iv) the timeline of the audit activities;
- review report to the Audit & Risk Committee and to the Board with respect to the Condensed Consolidated Interim Financial Statements;
- comprehensive report to the Audit & Risk Committee and to the Board with respect to the Statutory and Consolidated Financial Statements of the Company, respectively to the Board of Directors of the Bank with respect to the Statutory Financial Statements of the Bank. The document includes, inter alia, the Auditors' key findings regarding the accounting, the internal control system and the performance and results of the audit;
- regulatory audit report to FINMA, a copy of which is addressed, inter alia, to the Board and the Board of Directors of the Bank; and
- report to the General Meeting of the Company, respectively of the Bank, on the results of the audit of the Financial Statements. The document includes, inter alia, (i) the Auditors' opinion as to whether the Financial Statements should be approved with or without qualification, or rejected, (ii) information on the independence of the Auditors, (iii) a confirmation as to whether an internal control system exists or not and (iv) a confirmation as to whether the proposed appropriation of retained earnings complies with the law and the AoI.

The above-mentioned documents are commented on by the Auditors in meetings of the Audit & Risk Committee, except for the planning of the statutory and consolidated financial audits and information on the regulatory audit, which are both discussed at the Annual Conference on Risks.

The Audit & Risk Committee also receives copies of the various reports issued by the Auditors within the framework of audit-related services, e.g. reports related to the Bank's compliance with the provisions of agreements or private regulations as described in section 8.3. This allows the Audit & Risk Committee to assess the work of the Auditors performed outside the standard audit services, in particular in terms of conflicts of interest.

Once a year, the Audit & Risk Committee reviews the qualification, independence and performance of the Auditors and assesses, inter alia, the level of expertise available, the adequacy of resources and the quality of the planning (in particular the coordination with the internal auditor). The Audit & Risk Committee assesses the Auditors' independence on the basis of the Auditor's related annual confirmation and on the Audit & Risk Committee's own assessment of the various reports addressed to its attention or of which it received a copy (including documents related to additional services). The Audit & Risk Committee also assesses whether the amount and trend in auditing fees appears reasonable. In this respect, changes to auditing fees must be justified by the Auditors in terms of marginal changes in volumes to be audited and/or complexity of the audit items.

Based on its annual assessment, the Audit & Risk Committee recommends to the Board to either propose the General Meeting to re-elect the Auditors or to start a process for the selection of new Auditors.

9. Information policy

9.1 General principles

The Company's information policy aims primarily at promoting confidence, creating a better understanding of the Company's business and developing and maintaining realistic investor expectations.

The Company commits to providing timely and orderly information in accordance with the legal and regulatory requirements, in particular with the provisions of the SIX Swiss Exchange regulations on ad hoc publicity. The Company aims at providing the financial market with consistent, accurate and complete information evenly during profitable or difficult periods and ensures that the investment community has fair access to such information.

It is the Company's policy not to release detailed earnings projections, but it may provide certain guidance to the investment community for them to assess the Company and its business prospects.

As a general rule, material or price-sensitive information must be released promptly as soon as the main aspects of such information are established by the Company. However, the Company is permitted under the relevant regulatory provisions to postpone the release of material information, if the information concerns a plan or negotiation of the Company and its premature disclosure would prejudice the legitimate interest of the Company. In such case, the Company will take adequate measures to ensure the effective confidentiality of the information and to prevent insiders from trading on the basis of that information. The Company will adequately inform the investment community in cases where the information previously kept confidential is substantially leaked into the market.

The Company will generally avoid releasing material and price-sensitive information during trading periods of the Company's shares or shortly before opening of trading. If the information is to be released during normal trading hours of the SIX Swiss Exchange (9 a.m. to 5.30 p.m.) or less than 90 minutes before the opening of trading, the competent department (SIX Exchange Regulation) must be informed at least 90 minutes prior to the release of such information. In situations where it cannot be avoided that material information be disclosed during trading hours, the CEO and CFO must consider whether a request for a suspension of trading is appropriate. If material and non-public information is divulged unintentionally in a selective setting, such as analyst meetings or conference calls, which are not open to the investment community, the Company will publicly disclose such information promptly after the meeting or after it learns of the selective disclosure.

If the Company discovers that a statement made was, in fact, materially incorrect at the time it was disclosed, the Company will publicly issue a corrective statement of such incorrect statement as soon as the error is discovered. The Company will also issue in due time a corrective statement when new facts have emerged that make a previous disclosure false or misleading.

The Company does not comment on market rumours and speculations.

9.2 Reporting and corporate calendar

9.2.1 Annual and interim reporting

Company results are published by media releases shortly after the Board approves them. Such media releases are followed by a media and analyst conference as well as optional call-in conferences. The media release, presentations made at call-in and press conferences, Annual Reports (including the Corporate Governance Report and the Remuneration Report) and Interim Consolidated Financial Statements are released on the Company website (www.swissquote.ch/sqw-group/investor/reporting.jsp). Annual Reports, including the Corporate Governance Report and the Remuneration Report, are available in print format on request.

Since 1 January 2014, the Company has reported interim results on a half-yearly basis (until 2013 it used to report on a quarterly basis).

9.2.2 Corporate calendar

The dates of the publication of the annual and interim results as well as the dates of the Ordinary General Meeting and of any extraordinary General Meeting are published on the Company website (www.swissquote.ch/sqw-group/index.jsp) and in media releases.

The Ordinary General Meeting generally takes place in April or May of each year and will, in 2016, take place on 13 May. The half-year reporting 2016 is scheduled on 29 July 2016.

9.3 Communication channels and contact addresses

Media releases (including ad hoc notices) and reports as well as other information made public are accessible on www.swissquote.ch in the section “The Company”. An e-mail service is available for subscription in the same section of the Company website and allows any interested party to automatically receive by e-mail all information made public by the Company.

Contact addresses can be found after the Remuneration Report.

Section 4: Remuneration Report 2015
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Remuneration Report 2015

1. Introduction

This Remuneration Report reports 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 remuneration policy and the components of the remuneration, and reports on the type and size of payments made during the period under review.

From 2011 to 2013, the Board has submitted every year a remuneration report (at the time called "Compensation Report") to a consultative vote by the shareholders. There were no legal requirements as to the content of such report, which was issued on a voluntary basis.

Since 2014, in accordance with the Ordinance against Excessive Compensation in Listed Corporations[1] that entered into force on 1 January 2014 (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 in its 1 October 2014 version 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 (the "Auditors"), PricewaterhouseCoopers Ltd, Lausanne; a copy of the audit report is enclosed.

Although still 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 13 May 2016.

The Ordinance also introduced a binding say on pay by the shareholders. As a result, 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, the format of which is adapted from time to time to reflect the Company's current remuneration policy, which report 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 the above-mentioned context, section 6 of this Remuneration Report in particular aims at reconciling the maximum aggregate remuneration of the Board with the remuneration actually paid. Since the first binding say on pay took place at the Ordinary General Meeting of 7 May 2015, it is only at or after the Ordinary General Meeting of 13 May 2016 that the Company will be in a position to perform a final reconciliation of the maximum aggregate remuneration of the Board with the remuneration actually paid and it is only after 31 December 2016 that final reconciliation can be performed for the first time with respect to the remuneration paid to the Executive Management. Therefore, such final reconciliations will be reported in the 2016 Remuneration Report. Nonetheless, this Remuneration Report provides preliminary indications on this reconciliation and contains an analysis of the factors affecting future remuneration, which will be taken into account by the Board when submitting its proposals to the General Meeting. 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 the sake of clarity, unless this Remuneration Report provides otherwise, reference to a period running from an Ordinary General Meeting to the next Ordinary General Meeting shall be explicit and any reference to a specific year shall not be construed as a reference to a period running from one Ordinary General Meeting to the next Ordinary General Meeting.

For further information on remuneration matters, reference is made to the Articles of Incorporation of the Company last amended on 7 May 2015 and applicable as at 31 December 2015, which are available at www.swissquote.ch/articles in the French original version together with an English free translation (the "AoI").

[1]Also known in German as "Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften" (VegüV) and in French as "Ordonnance contre les rémunérations abusives dans les sociétés anonymes cotées en bourse" (ORAb).

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. 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 AoI, 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 AoI, the Organisation Regulations and the Charter of the NRC. Pursuant to Art. 20^{bis} Para. 1 of the AoI 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 7 May 2015, Markus Dennler and Mario Fontana, both non-executive and independent Board members, were elected as members of the NRC. Markus Dennler was subsequently designated 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 2015, it met five times. The average length of the meetings was 1.5 hours. At each meeting held in 2015, the members of the Executive Management were present, except when their own remuneration was discussed. The other Board members attended the meetings as guests. No external advisors attended the meetings.

The Chairman 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.

As a general rule, the Company does not consult with permanent external advisors with respect to the structuring of remuneration and share-ownership, or to any related matters. In 2015, the Company did not consult with such external advisors.

Duties

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. 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 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 Chairman of the Board, other Board members as well as to the Chairman and members of each Board Committee, in line with the AoI and the resolutions of the General Meeting.

3.1 Nomination & Remuneration Committee (continued)

With respect to the Executive 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 AoI, including proposal to the Board of short- or long-term incentive plans and equity based plans (such as stock options, restricted shares and similar instruments), regular review of the plans and proposal of modifications, suspensions or discontinuation of such plans;
- in case of stock options or similar instruments, make proposals on to whom options shall be granted, the sizes of the option grant, the conditions, the exercise price as well as the exercise date;
- 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 14bis of the AoI (approval of remuneration) or in relation to the amendments to the provisions of the AoI that address remuneration matters.

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

3.2 Board of Directors

Subject to the prerogatives of the General Meeting and in line with the applicable laws and Art. 14bis of the AoI, 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

<u>Binding vote on pay</u>

Pursuant to Art. 9 Para. 6 and 14bis Para. 1 of the AoI, 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. 21bis of the AoI; and
- the remuneration payable to the Executive Management for the following financial year pursuant to Art. 21ter of the AoI.

This prospective vote allows the Company to avoid the legal uncertainties that could arise from post hoc votes. At the Ordinary General Meeting of 7 May 2015, the following maximum aggregate amounts were approved:

- CHF 640,000 for the Board; and
- CHF 2,800,000 for the Executive Management.

3.3 General Meeting (continued)

Pursuant to Art. 14^{bis} Para. 2 of the AoI, the Board may submit to the General Meeting for approval proposals concerning the maximum aggregate amounts or individual remuneration elements for other periods or with regard to supplementary amounts for special remuneration elements as well as supplementary conditional proposals.

Pursuant to Art. 14^{bis} Para. 3 of the AoI, the approval of proposals of the Board requires an absolute majority of the votes cast; abstentions do not count as votes cast. If the General Meeting rejects a proposal of the Board, the latter must decide what action is to be taken. The Board may inter alia convene an extraordinary General Meeting or, under consideration of all relevant factors, it may determine a maximum aggregate amount or several maximum partial amounts and submit this / these to the next Ordinary General Meeting for approval. The Company may pay out remuneration within the limits of a maximum aggregate or partial amount so determined, subject to the approval of the General Meeting.

Pursuant to Art. 14^{bis} Para. 4 of the AoI, remuneration may be paid by the Company or one of its group companies.

Pursuant to Art. 14^{bis} Para. 5 of the AoI, the Board shall calculate the amounts according to the same principles as the ones applied for this Remuneration Report. These amounts may, where necessary or appropriate, contain estimates and reserves for unforeseen cases, as well as valuations. In respect of remuneration approved in CHF but payable in a foreign currency, it is possible to exceed the approved amounts for reasons of foreign exchange rate fluctuations.

Pursuant to Art. 14^{bis} Para. 6 of the AoI, if, during a period for which the remuneration payable to the Executive Management has already been approved, new members join the Executive Management or members of the Executive Management are assigned additional tasks, the Company is authorised to pay them a supplementary amount not exceeding 40% of the approved aggregate amount of the remuneration payable to the Executive Management, provided the aggregate amount already approved for the period in question is not sufficient for the remuneration of said members. The supplementary amount drawn on does not need to be approved by the General Meeting and may be used by the Company for all types of remuneration.

For further information on the binding vote on pay, reference is made to the AoI.

<u>Consultative vote on Remuneration Report</u>

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.

4. Remuneration components

4.1 Generalities

As at 31 December 2015, the following remuneration components were available for the level of responsibilities listed below:

	Base remuneration		Variable remuneration			Pension fund contributions and benefits	Other remuneration
	Cash	Shares	Cash bonus	Shares	Stock options		
Board members	Yes	Yes	Not eligible	Not eligible (since 7 May 2015)	Not eligible	Not eligible	Eligible
Members of the Executive Management	Yes	Not eligible	Eligible	Eligible	Eligible	Eligible	Eligible
Other employees	Yes	Not eligible	Eligible	Eligible	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

At the Ordinary General Meeting of 7 May 2015, the General Meeting approved changes to the AoI, which provide that the Board is no longer eligible for variable remuneration. Since then, any grant of shares to a Board member is a part of his / her base remuneration. As a result, since 7 May 2015, the Board share plan has been distinct from the employee share plan and no longer relates to variable remuneration.

Variable remuneration

The current remuneration framework does no longer allow for any variable remuneration for the Board. Art. 21ter Para. 2 of the AoI 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 which will not exceed 150% of the base 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. 21ter Para. 3 of the AoI, 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 shall also stipulate 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.

4.1 Generalities (continued)

Employee share plan

Since 2014, the Group offers its 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 AoI 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 shall have 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 AoI 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 blockage period of the shares and its terms. During the blockage 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 blockage period.

In 2015, shares were offered to all eligible employees for free (no price paid for the acquisition). They are blocked for a period of 5 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. Except for options already granted, the stock option plan for the Board members has been discontinued in 2014 and the current remuneration framework does not allow for further grants to Board members.

Within the framework of the applicable laws, the AoI 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. Although terms have varied over the past years, since 1999 the Group's practice has been to offer an annual grant to all eligible employees. 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 2 years. The exercise of one option allows acquiring one Swissquote share (ratio 1:1). Options granted are vested at the date the exercise period begins. 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 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 1.5% in 2015 (1.4% in 2014, 2.4% in 2013). In ordinary business circumstances, the grant of options to individual employees is made based on the level of an employee in the organisation. 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 level of management, age, and remuneration.

Loans

Pursuant to Art. 21 Para. 2 of the AoI, 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.

4.1 Generalities (continued)

Indemnification

Pursuant to Art. 21 Para. 3 of the AoI, 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. 21bis Para. 1 of the AoI, the remuneration of the Chairman 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 are to be regarded as remuneration.

Base remuneration

Within the framework of the applicable laws, the AoI 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. 21bis Para. 2 of the AoI, 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. From 2015, the Board share plan has been distinct from the employee share plan and no longer relates to variable remuneration.

No variable remuneration

Since 7 May 2015, members of the Board have no longer been eligible for any variable remuneration and did not receive any during 2015.

Other remuneration

The Board members receive a fixed indemnity covering their estimated out-of-pocket expenses. Within the framework of the applicable laws, the AoI 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.

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 AoI, 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 (as from 2014);
  - 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 AoI 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 a cash component reviewed annually by the Board and, when necessary, adjusted by the Board at its discretion - within the framework of the applicable laws, the AoI 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 August 2013.

Variable remuneration

Annual cash bonus

Each year the Board sets a list of objectives to the Executive Management as a whole that will be measured against actual achievements. Objectives typically include growth and profitability targets as well as objectives relating to the strengthening of the organisation (risk management, compliance, people development, etc.). Members of the Executive Management are not set individual objectives.

The level of achievement of the objectives is measured on a scale ranging from missed to largely over-achieved. 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. Art. 21 Para. 2 of the AoI allows for a cash bonus up to 150% of the base remuneration. With due consideration for the Group's stage of development, and at least for the year under review, the Board has resolved that the cash bonus should not exceed 50% of the base remuneration and that the maximum cash bonus should only be granted provided that all objectives were largely over-achieved. Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board resolves, at its entire discretion, on the level of the cash bonus in response to a proposal by the NRC.

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

Employee share plan

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board is solely responsible for making discretionary decisions with respect to the terms of the share attributions and the number of shares offered, in response to a proposal by the NRC. The decision, made each year, is based on general considerations inter alia linked with the stage of development of the Group.

Employee option plan

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board is solely responsible for making discretionary decisions with respect to the terms of the options and the number of options offered, in response to a proposal by the NRC. The decision, made each year, is based on general considerations inter alia linked with the stage of development of the Group. The terms of the options provide that options offered are divided into three equal tranches, with each tranche becoming exercisable respectively one, two and three years after the date of grant. The exercise period for the options is 2 years. Options granted to the members of the Executive Management are vested at the date the exercise period begins.

Pension fund contributions and benefits

Pursuant to Art. 21ter Para. 1 of the AoI, 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 AoI 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 like 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 AoI, the Company may grant loans and credits to the members of the Board and 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 6 months.

5. Remuneration for financial year under review

This section of the Remuneration Report was audited by the Auditors. It replaces the information previously contained in the notes to the Consolidated Financial Statements pursuant to Art. 663b^{bis} CO.

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.

5.1 Remuneration of the members of the Board of Directors

The tables below show the total remuneration for the members of the Board for the financial years 2015 and 2014. 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 in an indemnity covering estimated out-of-pocket expenses.

Board remuneration 2015

All amounts in CHF	Base remuneration		Variable remuneration		Social insurance contributions	Other remuneration	Total
	Cash	Shares (tax value)	Shares (tax value)	Stock options (fair value)			
Mario Fontana, Chairman	120,000	30,020	Not applicable	Not applicable	7,477	2,000	159,497
Markus Dennler, member	80,000	20,013	Not applicable	Not applicable	6,676	2,000	108,689
Martin Naville, member	80,000	20,013	Not applicable	Not applicable	6,676	2,000	108,689
Adrian Bult, member	80,000	20,013	Not applicable	Not applicable	6,676	2,000	108,689
Jean-Christophe Pernollet, member	80,000	20,013	Not applicable	Not applicable	6,436	2,000	108,449
Paul E. Otth, former member	30,215	-	Not applicable	Not applicable	1,479	704	32,398
Sub-total	**470,215**	**110,072**	**N/A**	**N/A**	**35,420**	**10,704**	**626,411**
Difference between tax value and IFRS fair value of shares granted to the Board							21,026
Total remuneration 2015							**647,437**

As reflected in the above table, the total remuneration is, from this year onwards, calculated by taking into consideration the fair value of the shares granted to the Board.

Since 7 May 2015, the Board share plan has been distinct from the employee share plan and no longer relates to variable remuneration.

For further information on the tax value and on the fair value, reference is made to section 5.3.

At the Ordinary General Meeting of 7 May 2015, Jean-Christophe Pernollet was newly elected to the Board. The amount of his base remuneration for 2015 also covers his office time as member of the Board of Directors of the Bank since 1 January 2015. Paul E. Otth did not seek re-election. The latter's remuneration for 2015 only covers his period of office from 1 January 2015 to 7 May 2015. Apart from the amount paid to Paul E. Otth for his office time in 2015, no remuneration was paid, and no credit or loan was granted, to former Board members.

In 2015, 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.

All amounts in Swiss Francs 155

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

Board remuneration 2014

All amounts in CHF	Base remuneration		Variable remuneration		Social insurance contributions	Other remuneration	Total
	Cash	Shares (tax value)	Shares (tax value)	Stock options (fair value)			
Mario Fontana, Chairman	120,000	0	8,968	Not applicable	9,408	2,000	140,376
Paul E. Otth, member	80,000	0	6,726	Not applicable	6,374	2,000	95,100
Markus Dennler, member	80,000	0	6,726	Not applicable	6,374	2,000	95,100
Martin Naville, member	80,000	0	6,726	Not applicable	6,374	2,000	95,100
Adrian Bult, member	80,000	0	6,726	Not applicable	6,374	2,000	95,100
Sub-total	**440,000**	**0**	**35,872**	**N/A**	**34,904**	**10,000**	**520,776**
Difference between tax value and IFRS fair value of shares granted to the Board							12,128
Total remuneration 2014							**532,904**

Compared to the table shown in the 2014 Remuneration Report, the difference between the tax value and the IFRS fair value of the shares granted to the Board in 2014 was added.

For further information on the tax value and on the fair value, reference is made to section 5.3.

In 2014, no remuneration was paid, and no credit or loan was granted, to former Board members. 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 between 2014 and 2015

As mentioned in section 4 above, since 7 May 2015, the Board share plan has been distinct from the employee share plan and no longer relates to variable remuneration. Therefore, since 7 May 2015, members of the Board are no longer eligible for any variable remuneration.

The Board share plan is now part of the Board's base remuneration and for the financial year 2015 shares were granted to the Board for a total tax value of CHF 110,072 and blocked for a period of 3 years. In 2014, shares granted as part of the variable remuneration were blocked for a period of 5 years.

There were no changes for what regards the other remuneration.

All amounts in Swiss Francs

5.2 Remuneration of the members of the Executive Management

The tables below show the total remuneration of the members of the Executive Management for the financial years 2015 and 2014. 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 in an indemnity covering estimated out-of-pocket expenses.

Executive Management remuneration 2015

All amounts in CHF	Base remuneration	Variable remuneration			Social insurance contributions and pension fund contributions and benefits	Other remuneration	Total
	Cash	Cash bonus	Shares (tax value)	Stock options (fair value)			
Marc Bürki, CEO	482,400	0	1,860	18,371	76,171	18,000	596,802
Paolo Buzzi, CTO	482,400	0	1,860	18,371	76,539	18,000	597,170
Michael Ploog, CFO	474,000	0	1,860	18,371	77,989	18,000	590,220
Sub-total	**1,438,800**	**0**	**5,580**	**55,113**	**230,699**	**54,000**	**1,784,192**
Difference between tax value and IFRS fair value of shares granted to the Executive Management							1,875
Total remuneration 2015							**1,786,067**

As reflected in the above table, the total remuneration is, from this year onwards, calculated by taking into consideration the fair value of the shares granted to the Executive Management.

With respect to the cash bonus, reference is made to section 7.

For further information on the tax value and on the fair value, reference is made to section 5.3.

In 2015, 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.

The variable remuneration elements other than the short term performance-related remuneration (cash bonus) represent 4.2% of their total base remuneration.

All amounts in Swiss Francs 157

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

Executive Management remuneration 2014

All amounts in CHF	Base remuneration	Variable remuneration			Social insurance contributions and pension fund contributions and benefits	Other remuneration	Total
	Cash	Cash bonus	Shares (tax value)	Stock options (fair value)			
Marc Bürki, CEO	482,400	115,000	2,242	25,346	81,885	21,600	728,473
Paolo Buzzi, CTO	482,400	115,000	2,242	25,346	81,885	21,600	728,473
Michael Ploog, CFO	474,000	115,000	2,242	25,346	80,366	18,000	714,954
Sub-total	**1,438,800**	**345,000**	**6,726**	**76,038**	**244,136**	**61,200**	**2,171,900**
Difference between tax value and IFRS fair value of shares granted to the Executive Management							2,274
Total remuneration 2014							**2,174,174**

Compared to the table shown in the 2014 Remuneration Report, the difference between the tax value and the IFRS fair value of the shares granted to the Executive Management in 2014 was added.

The cash bonus represented the accrual cash bonus in 2014 of the bonus payable in 2015, based on the 2014 results.

For further information on the tax value and on the fair value, reference is made to section 5.3.

In 2014, 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.

The short term performance-related remuneration of the Executive Management (cash bonus) represented 24.0% of their total base remuneration. The other variable remuneration elements represented 5.8% of their total base remuneration.

Executive Management remuneration changes between 2014 and 2015

From 2014 to 2015, there was no change in the total base remuneration.

With respect to the cash bonus, reference is made to section 7. The shares' total tax value decreased from CHF 6,726 to CHF 5,580 representing a total decrease of 17.0%, while the stock options' total fair value decreased from CHF 76,038 to CHF 55,113 representing a total decrease of 27.5%.

From 2014 to 2015, the total social insurance contributions and pension fund contributions and benefits decreased from CHF 244,136 to 230,669 representing a total decrease of 5.5%.

From 2014 to 2015, the total for other remuneration decreased from CHF 61,200 to 54,000 representing a total decrease of 11.8%.

All amounts in Swiss Francs 158

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, 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 2015 was CHF 25.3 and the market price of those granted to the Executive Management was CHF 24.9 due to a different grant date. For the financial year 2014, for both the Board and the Executive Management, the market price of the share was CHF 30.0.

The tax value of the shares is determined based on the Swiss Federal Tax Administration Circular Letter No. 37 on Taxation of Employee Participations. 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 2015 are blocked for 3 years from their grant date and their tax value amount to CHF 21.2 per share. This tax value represents the market price of the share on grant date (i.e. CHF 25.3) discounted by 16.0%. Shares granted to the Executive Management in 2015 are blocked for 5 years from their grant date and their tax value amount to CHF 18.6 per share. This tax value represents the market price of the share on grant date (i.e. CHF 24.9) discounted by 25.3%.

Shares granted to both the Board and the Executive Management in 2014 are blocked for 5 years from their grant date and their tax value amounted to CHF 22.4 per share. This tax value represented the market price of the share on grant date (i.e. CHF 30.0) discounted by 25.3%.

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 3 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 2015, the fair value amounts to CHF 3.9 per option on grant date. For the financial year 2014, the fair value amounted to CHF 5.4 per option on grant date.

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 2015 with current and former members of the Board and of the Executive Management. All loans were granted at market conditions.

Members of the Board

All Amount in CHF	2015	2014
Mario Fontana, Chairman	-	-
Markus Dennler, member	-	-
Martin Naville, member	-	-
Adrian Bult, member	-	-
Jean-Christophe Pernollet, member	-	-
Closely related persons	3,975,280	-
Former members	-	-
Total	**3,975,280**	**-**

Members of the Executive Management

All Amount in CHF	2015	2014
Marc Bürki, CEO	2,821,300	2,472,971
Paolo Buzzi, CTO	-	-
Michael Ploog, CFO	-	-
Closely related persons	-	-
Former members	-	-
Total	**2,821,300**	**2,472,971**

All amounts in Swiss Francs

6. Reconciliation of remuneration with the approval of the General Meeting

As stated in sections 1 and 3 of this Remuneration Report, at the Ordinary General Meeting of 7 May 2015, the shareholders approved a maximum aggregate remuneration of the Board for the period of office from the Ordinary General Meeting of 7 May 2015 until the completion of the Ordinary General Meeting of 13 May 2016 in the amount of CHF 640,000. The total amount of remuneration paid out for this period is anticipated to be approx. CHF 620,000. The final amount will be disclosed in the 2016 Remuneration Report.

With respect to the remuneration for the Executive Management, the shareholders approved a maximum aggregate remuneration for the financial year 2016 of CHF 2,800,000. The reconciliation of the compensation for the Executive Management in the financial year 2016 with the amount approved by the Ordinary General Meeting of 7 May 2015 will be disclosed in the 2016 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). These typically include growth and profitability targets as well as objectives relating to the strengthening of the organisation.

The Board assessed that the objectives set to the Executive Management for 2015 were partly achieved. The Board initially set the aggregate short term variable remuneration (cash bonus) for the three members of the Executive Management to CHF 240,000. However, in view of the circumstances that prevailed in 2015 and the Company’s global results, the Executive Management proposed that the Board does not grant any cash bonus to the Executive Management for 2015, which the Board accepted.

As a result, for the year 2015, the short term performance-related remuneration of the Executive Management (cash bonus) represents 0% of their total base remuneration.

8. Share ownership information

As at 31 December 2015, the number of shares and options held by Board members, members of the Executive Management and closely related persons, was 4,964,991 or 32.4% of the share capital.

The following tables were produced in accordance with Art. 663c CO and are also available in Note 23 to the Consolidated Financial Statements (section VII).

8.1 Shareholdings

For the sake of clarity, except for the shares granted as mentioned in sections 5.1 and 5.2, 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.

Members of the Board

	Number of shares 2015	Number of shares 2014
Mario Fontana, Chairman	594,316	592,900
Mario Fontana, closely related persons	164,011	164,011
Markus Dennler, member	27,910	26,966
Martin Naville, member	7,366	6,422
Adrian Bult, member	3,144	2,200
Jean-Christophe Pernollet, member	1,244	-
Other closely related persons	-	2,000
Former members	300	300
Total	**798,291**	**794,799**

Members of the Executive Management

	Number of shares 2015	Number of shares 2014
Marc Bürki, CEO	1,924,200	1,921,100
Paolo Buzzi, CTO	1,924,175	1,919,075
Michael Ploog, CFO	67,850	67,750
Closely related persons	161,070	161,061
Former members	-	-
Total	**4,077,295**	**4,068,986**

8.2 Options

The following tables provide information on options granted to members of the Board and 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.

Members of the Board

Mario Fontana, Chairman of the Board

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
5,550	1,050	12.08.2011	12.08.2014	12.08.2016	34.27
	750	07.08.2012	07.08.2014	07.08.2016	32.20
	750	07.08.2012	07.08.2015	07.08.2017	32.20
	1,000	31.07.2013	31.07.2014	31.07.2016	33.24
	1,000	31.07.2013	31.07.2015	31.07.2017	33.24
	1,000	31.07.2013	31.07.2016	31.07.2018	33.24

Markus Dennler, member

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
3,700	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2014	07.08.2016	32.20
	500	07.08.2012	07.08.2015	07.08.2017	32.20
	666	31.07.2013	31.07.2014	31.07.2016	33.24
	667	31.07.2013	31.07.2015	31.07.2017	33.24
	667	31.07.2013	31.07.2016	31.07.2018	33.24

8.2 Options (continued)

Martin Naville, member

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
3,700	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2014	07.08.2016	32.20
	500	07.08.2012	07.08.2015	07.08.2017	32.20
	666	31.07.2013	31.07.2014	31.07.2016	33.24
	667	31.07.2013	31.07.2015	31.07.2017	33.24
	667	31.07.2013	31.07.2016	31.07.2018	33.24

Adrian Bult, member

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
3,700	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2014	07.08.2016	32.20
	500	07.08.2012	07.08.2015	07.08.2017	32.20
	666	31.07.2013	31.07.2014	31.07.2016	33.24
	667	31.07.2013	31.07.2015	31.07.2017	33.24
	667	31.07.2013	31.07.2016	31.07.2018	33.24

Jean-Christophe Pernollet, member: None

8.2 Options (continued)

Executive Management

Marc Bürki, CEO

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
24,240	2,800	12.08.2011	12.08.2014	12.08.2016	34.27
	2,000	07.08.2012	07.08.2014	07.08.2016	32.20
	2,000	07.08.2012	07.08.2015	07.08.2017	32.20
	2,666	31.07.2013	31.07.2014	31.07.2016	33.24
	2,667	31.07.2013	31.07.2015	31.07.2017	33.24
	2,667	31.07.2013	31.07.2016	31.07.2018	33.24
	1,573	31.10.2014	31.10.2015	31.10.2017	30.71
	1,573	31.10.2014	31.10.2016	31.10.2018	30.71
	1,574	31.10.2014	31.10.2017	31.10.2019	30.71
	1,573	04.08.2015	31.10.2016	31.10.2018	25.66
	1,573	04.08.2015	31.10.2017	31.10.2019	25.66
	1,574	04.08.2015	31.10.2018	31.10.2020	25.66

Paolo Buzzi, CTO

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
24,240	2,800	12.08.2011	12.08.2014	12.08.2016	34.27
	2,000	07.08.2012	07.08.2014	07.08.2016	32.20
	2,000	07.08.2012	07.08.2015	07.08.2017	32.20
	2,666	31.07.2013	31.07.2014	31.07.2016	33.24
	2,667	31.07.2013	31.07.2015	31.07.2017	33.24
	2,667	31.07.2013	31.07.2016	31.07.2018	33.24
	1,573	31.10.2014	31.10.2015	31.10.2017	30.71
	1,573	31.10.2014	31.10.2016	31.10.2018	30.71
	1,574	31.10.2014	31.10.2017	31.10.2019	30.71
	1,573	04.08.2015	31.10.2016	31.10.2018	25.66
	1,573	04.08.2015	31.10.2017	31.10.2019	25.66
	1,574	04.08.2015	31.10.2018	31.10.2020	25.66

8.2 Options (continued)

Michael Ploog, CFO

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
24,240	2,800	12.08.2011	12.08.2014	12.08.2016	34.27
	2,000	07.08.2012	07.08.2014	07.08.2016	32.20
	2,000	07.08.2012	07.08.2015	07.08.2017	32.20
	2,666	31.07.2013	31.07.2014	31.07.2016	33.24
	2,667	31.07.2013	31.07.2015	31.07.2017	33.24
	2,667	31.07.2013	31.07.2016	31.07.2018	33.24
	1,573	31.10.2014	31.10.2015	31.10.2017	30.71
	1,573	31.10.2014	31.10.2016	31.10.2018	30.71
	1,574	31.10.2014	31.10.2017	31.10.2019	30.71
	1,573	04.08.2015	31.10.2016	31.10.2018	25.66
	1,573	04.08.2015	31.10.2017	31.10.2019	25.66
	1,574	04.08.2015	31.10.2018	31.10.2020	25.66

Closely related persons

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
335	35	12.08.2011	12.08.2014	12.08.2016	34.27
	50	07.08.2012	07.08.2014	07.08.2016	32.20
	50	07.08.2012	07.08.2015	07.08.2017	32.20
	66	31.07.2013	31.07.2014	31.07.2016	33.24
	67	31.07.2013	31.07.2015	31.07.2017	33.24
	67	31.07.2013	31.07.2016	31.07.2018	33.24

9. Factors driving the trend in remuneration

As stated in sections 1 and 3 of this Remuneration Report, the AoI stipulate that shareholders must take separate votes in advance on the maximum remuneration for the Board (the next vote will cover the period from the Ordinary General Meeting of 13 May 2016 to the 2017 Ordinary General Meeting) and the Executive Management (the next vote will cover the financial year 2017). The corresponding proposals of the Board will be included in the invitation to the Ordinary General Meeting of 13 May 2016. As a reminder, such binding say on pay has taken place for the first time at the Ordinary General Meeting of 7 May 2015.

In this perspective, the following factors are likely to influence the level of remuneration of the Board and of the Executive Management in the future:

- The Group has been targeting the Swiss market exclusively until 2010 and past remuneration was deemed to reflect that of a local company;
- Since 2010, the Group has engaged into an internationalisation of its operations and now has offices in the United Kingdom, Malta, Dubai and Hong Kong. Through commercial and technological partnerships, the Group is consistently growing its international distribution channels. As a result an increasing part of the future growth of the Group is expected to be generated by international operations. The internationalisation is influencing the level and structure of remuneration of the Board and of the Executive Management;
- The Group seeks to offer diversified services for the purposes of mitigating the strong natural volatility of the individual components of its total revenues. Total revenues remain volatile for causes beyond the control of the Group, whereas operating costs are mainly fixed. Market conditions therefore have a strong impact on the profitability of the Group. Since 2007, the Group has experienced various external adverse conditions. Adverse conditions, such as negative interest rates prevailing in Switzerland, still prevail at the beginning of 2016. Experience shows that market conditions may change, sometimes quite significantly, and impact the level of profitability of the Group. In past years, external market conditions have been difficult, and although the Group successfully posted operational profit in all years since 2003, the level of variable remuneration has been at a low level.

10. Approval of the Remuneration Report

This Remuneration Report provides full transparency for the 2015 financial year 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 approves this Remuneration Report at the Ordinary General Meeting of 13 May 2016 (consultative vote).

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

We have audited the remuneration report of Swissquote Group Holding Ltd for the year ended 31 December 2015. 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 the section 5 on pages 155 to 160 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. 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 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 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers Ltd

Beresford Caloia Audit expert Auditor in charge	Alain Lattafi Audit expert

Lausanne, 1 March 2016

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