ANNUAL REPORT 2014

CORPORATE GOVERNANCE REPORT
REMUNERATION REPORT

SWISSQUOTE
THE SWISS LEADER IN ONLINE BANKING

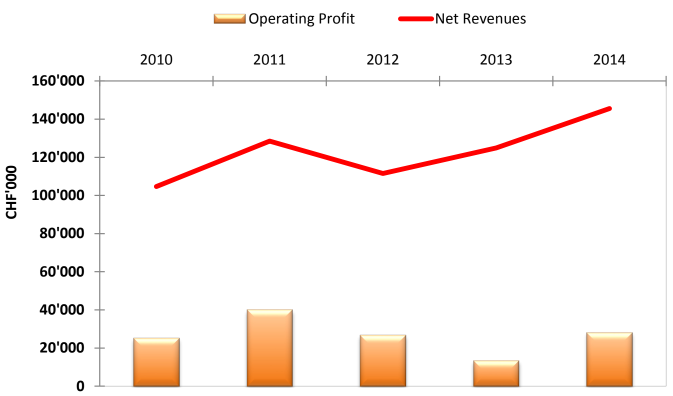
Annual Report 2014
Corporate governance report
Remuneration report

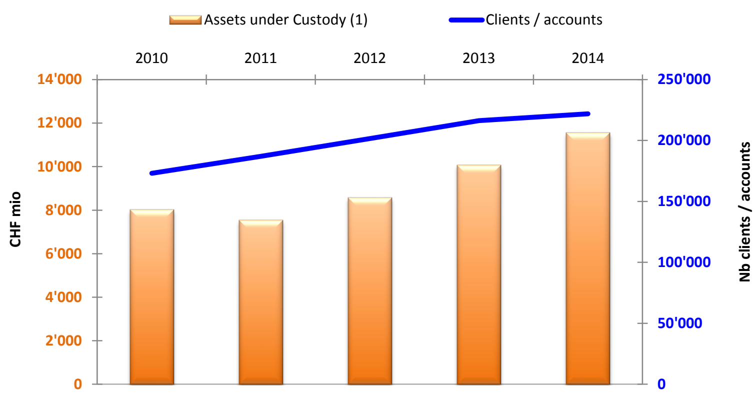
Section 1: Key Figures

	2014	2013	2012	2011	2010
Clients / accounts	221,922	216,357	201,582	187,077	173,058
% change	2.6%	7.3%	7.8%	8.1%	21.3%
Assets under Custody in CHFm (1)	11,562	10,083	8,581	7,537	8,030
% change	14.7%	17.5%	13.9%	-6.1%	22.0%
Employees	532	507	368	358	355
% change	4.9%	37.8%	2.8%	0.8%	50.4%

(1) including cash deposited by clients

All amounts in CHF '000	2014	2013	2012	2011	2010
Net revenues	145,524	124,871	111,492	128,444	104,645
% change	16.5%	12.0%	-13.2%	22.7%	6.1%
Operating Expenses	117,304	111,582	84,744	88,431	79,383
% change	5.1%	31.7%	-4.2%	11.4%	39.8%
Operating Profit	28,220	13,289	26,747	40,013	25,262
% change	112.4%	-50.3%	-33.2%	58.4%	-39.6%
Operating Profit Margin [%]	19.4%	10.6%	24.0%	31.2%	24.1%
Net Profit	23,521	11,656	22,004	31,407	21,157
% change	101.8%	-47.0%	-29.9%	48.4%	-39.5%
Net Profit Margin [%]	16.2%	9.3%	19.7%	24.5%	20.2%
Total Equity	274,362	247,941	241,128	229,746	199,011
% change	10.7%	2.8%	5.0%	15.4%	14.2%
% of Equity/Total Assets	7.4%	7.7%	8.6%	8.9%	8.5%
Number of shares	15,328,170	14,638,370	14,638,370	14,638,370	14,638,370
% change	4.7%	-	-	-	-





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 number is CH0010675863. Their ticker symbols are: SQN (Swissquote); SQZ.S (Reuters); SQNSW (Bloomberg); SQN (Telekurs).

Development of stock market share price (January to December 2014)

Share price in CHF	**2014**	**2013**	**2012**	**2011**	**2010**
High	40.10	39.85	42.40	61.70	54.80
Low	28.00	27.00	24.10	29.00	36.25
31 December	31.20	39.15	28.70	33.00	53.60

Market capitalisation in CHF million	**2014**	**2013**	**2012**	**2011**	**2010**
High	614.7	583.3	620.7	888.2	777.9
Low	429.2	395.2	352.8	417.5	514.6
31 December	478.2	573.1	420.1	475.0	760.8

Share data in CHF	**2014**	**2013**	**2012**	**2011**	**2010**
Net revenue per share	9.66	8.77	7.71	8.92	7.37
Net profit per share	1.56	0.82	1.52	2.18	1.49
Equity per share	17.90	16.94	16.47	15.69	13.60
Dividend per share	0.60(*)	0.60	0.60	-	0.60
Other pay out per share	-	-	-	1.04	-

* Proposal of the Board of Directors

Report to the Shareholders

The report to the Shareholders will be provided for the Annual General Meeting of Shareholders.

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Section 2: Financial Report 2014

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Financial Report 2014
Consolidated Statement of Financial Positions

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and balances with central bank	1	1,965,814,237	1,843,810,396
Treasury bills and other eligible bills	1	2,404,755	-
Loans and advances to banks	1	461,638,179	303,651,723
Derivative financial instruments	2	96,756,767	102,003,040
Trading assets	3	6,233,227	6,394,761
Loans and advances to customers	4	160,528,885	124,184,586
Investment securities	5	841,914,668	694,314,286
Deferred income tax assets	12	1,654,613	3,765,795
Other assets	9	34,243,733	25,384,973
Intangible assets	6	40,820,354	40,997,575
Information technology systems	7	29,450,982	24,036,680
Property, plant and equipment	8	64,128,154	66,134,735
Total assets		**3,705,588,554**	**3,234,678,550**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	1,753,552	1,528,791
Derivative financial instruments	2	33,357,984	35,312,224
Due to customers	10	3,352,513,466	2,891,520,464
Other liabilities	11	33,551,558	35,045,518
Current income tax liabilities	12	228,386	336,368
Deferred tax liabilities	12	1,466,640	1,501,045
Provisions	13	8,355,130	21,493,079
Total liabilities		**3,431,226,716**	**2,986,737,489**
Equity			
Ordinary shares	15.1	3,065,634	2,927,674
Share premium		60,752,040	35,636,056
Share option reserve	15.2	2,293,166	2,546,508
Other reserve	15.3	(3,146,415)	1,814,847
Treasury shares	15.4	(12,567,806)	(2,959,769)
Retained earnings		223,965,219	207,975,745
Total equity		**274,361,838**	**247,941,061**
Total liabilities and equity		**3,705,588,554**	**3,234,678,550**

The notes on pages 16 to 101 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
Consolidated Income Statement

	Notes	2014	2013
Fee and commission income	16	70,941,482	66,462,794
Fee and commission expense	16	(7,999,515)	(7,158,782)
Net fee and commission income		62,941,967	59,304,012
Interest income	17	18,974,234	19,631,478
Interest expense	17	(4,361,925)	(4,506,576)
Net interest income		14,612,309	15,124,902
Net trading income	18	67,970,087	50,441,828
Operating income		**145,524,363**	**124,870,742**
Operating expenses	19	(117,304,148)	(111,581,750)
Operating profit		**28,220,215**	**13,288,992**
Income tax expense	12	(4,698,878)	(1,632,829)
Net profit		**23,521,337**	**11,656,163**
Earning per share	*20*	*1.56*	*0.82*
Diluted earning per share	*20*	*1.56*	*0.82*
Weighted average number of shares	*20*	*15,066,956*	*14,239,826*

The notes on pages 16 to 101 are integral part of these financial statements

All amounts in Swiss Francs 11

Financial Report 2014
Consolidated Statement of Comprehensive Income

	Notes	2014	2013
Net profit for the period		**23,521,337**	**11,656,163**
Other comprehensive income: **Gains / (losses) recognised directly in equity**			
Items to be recycled			
Available-for-sale financial assets	5	(3,122,413)	(1,000,890)
Income tax relating to Available-for-sale financial assets		583,891	187,166
Currency translation differences		352,842	1,574
Items not to be recycled			
Remeasurement of defined benefit obligation	14	(3,414,000)	-
Income tax relating to defined benefit obligation		638,418	-
Revaluation of land and building		-	1,276,290
Income tax related to revaluation of land and building		-	(238,666)
Other comprehensive income for the period (net of tax)		**(4,961,262)**	**225,474**
Total comprehensive income for the period		**18,560,075**	**11,881,637**

The notes on pages 16 to 101 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
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 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	14	-	-	-	(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	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		-	-	863,628	-	-	-	**863,628**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period		-	-	(1,116,970)	-	-	1,116,970	-
Purchase of treasury shares	15.4	-	-	-	-	(13,304,933)	-	**(13,304,933)**
Sale 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 101 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
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 2013		**2,927,674**	**39,496,150**	**3,003,351**	**1,589,373**	**(9,184,665)**	**203,296,357**	**241,128,240**
Net profit of the period		-	-	-	-	-	11,656,163	**11,656,163**
Available-for-sale financial assets	5	-	-	-	(1,000,890)	-	-	**(1,000,890)**
Revaluation of land and building	8	-	-	-	1,276,290	-	-	**1,276,290**
Income tax relating to components of other comprehensive income		-	-	-	(51,500)	-	-	**(51,500)**
Currency translation differences		-	-	-	1,574	-	-	**1,574**
Total comprehensive income for the period		**-**	**-**	**-**	**225,474**	**-**	**11,656,163**	**11,881,637**
Dividend	15.5	-	-	-	-	-	(8,405,989)	**(8,405,989)**
Employee stock option plan:								
Value of services provided		-	-	972,371	-	-	-	**972,371**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period		-	-	(1,429,214)	-	-	1,429,214	-
Purchase of treasury shares	15.4	-	-	-	-	(22,343,827)	-	**(22,343,827)**
Sale of treasury shares	15.4	-	274,170	-	-	2,121,959	-	**2,396,129**
Remittance of treasury shares	15.4	-	(4,134,264)	-	-	26,446,764	-	**22,312,500**
Balance 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**

The notes on pages 16 to 101 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
Consolidated Statement of Cash Flow

	Notes	2014	2013
Cash flow from / (used in) operating activities:			
Fees and commission received		69,942,212	67,043,536
Fees and commission paid		(7,774,289)	(7,284,522)
Interest received		33,629,675	33,394,728
Interest paid		(4,358,617)	(4,669,198)
Net trading income		67,855,186	51,572,947
Income tax paid		(5,387,773)	(4,402,664)
Payments to employees		(49,050,647)	(44,145,198)
Payments to suppliers		(62,971,673)	(27,060,579)
Cash flow from operating profit before changes in operating assets and liabilities		**41,884,074**	**64,449,050**
Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities:			
Loans and advances to customers		(36,344,299)	(28,536,046)
Derivative financial instrument assets		5,246,273	(13,074,558)
Trading assets		323,068	(596,189)
Derivative financial instruments liabilities		(1,954,240)	7,900,672
Due to customers		444,993,546	217,308,889
Other liabilities		(15,021,576)	(800,936)
Net cash from operating activities		**439,126,846**	**246,650,882**
Cash flow from / (used in) investing activities:			
Purchase of Property, plant and equipment and Information technology systems	7/8	(16,848,786)	(30,609,286)
Proceeds from sale and reimbursement of investment securities	5	431,303,081	351,768,607
Purchase of investment securities	5	(578,407,924)	(327,123,303)
Purchase of subsidiary, net of cash acquired		-	90,189,290
Net cash from / (used in) investing activities		**(163,953,629)**	**84,225,308**
Cash flow from / (used in) financing activities:			
Purchase of treasury shares		(13,304,933)	(22,343,827)
Sale of treasury shares		3,600,690	2,396,129
Proceed from issuance of ordinary shares		25,350,150	-
Dividend and payments out of reserves		(8,648,833)	(8,405,989)
Net cash from / (used in) financing activities		**6,997,074**	**(28,353,687)**
Increase in cash and cash equivalents		**282,170,291**	**302,522,503**
Movements in cash and cash equivalents:			
Balance at beginning of year	1	2,145,933,328	1,843,410,825
Increase		282,170,291	302,522,503
Balance at 31 December	1	**2,428,103,619**	**2,145,933,328**

The notes on pages 16 to 101 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
Notes to the Consolidated Financial Statements

SECTION I: GENERAL INFORMATION

Swissquote Group Holding Ltd (the "Company") and its subsidiaries (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 which 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 through dedicated web portals. The Group foreign subsidiary which is based in United Kingdom (London) provides online foreign exchange trading for clients based in 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), United Arab Emirates (Dubai), United Kingdom (London), Malta (Mriehel) and Republic of China (Hong Kong). The Group employed 532 employees (full time equivalent) at the end of December 2014 (31 December 2013: 507).

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 2014 consisted of 15,328,170 ordinary shares of CHF 0.20 nominal value each (2013: 14,638,370 ordinary shares of CHF 0.20 nominal value). There is also a conditional share capital and an authorised share capital. Details are stated in Note 15.1.

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

	2014	2013
Mr. Marc Bürki	12.53%	13.11%
Mr. Paolo Buzzi	12.52%	13.10%
PostFinance AG	5.00%	-
Mr. Mario Fontana	4.93%	5.16%
Windel Investments Ltd (indirect holder: Mr. George Butros Mansour)	4.89%	5.12%
Basellandschaftliche Kantonalbank	4.77%	4.99%
UBS Fund Management (Switzerland) AG	3.22%	-
Treasury Shares:		
Swissquote Group Holding Ltd	2.43%	0.54%

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 2014. All shares are freely tradable. SIX Swiss Exchange Regulations however provide that individual shareholdings exceeding 5% (save inter alia for 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 2014 is 69.95% (2013: 63.51%).

The Remuneration Report replaces 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 20 February 2015.

Financial Report 2014
Notes to the Consolidated Financial Statements

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 Group at the SIX Swiss Exchange;
- 2001: granting of a banking license by the 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: granting of the authorisation by the FINMA to carry out a Swiss regulated Custodian Bank activity for Swiss regulated 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 consist in automated quantitative equity portfolio management systems for private individuals;
- 2011: distribution of online mortgages funded by Basellandschaftliche Kantonalbank (eMortgage);
- June 2012: setting up of a new subsidiary, Swissquote Bank MEA Ltd, based in Dubai (UAE) and granting of a Category 4 license by the Dubai Financial Services Authority;
- September 2013: acquisition of 100 percent holding in MIG Bank Ltd which employed an overall workforce of 133 staff members at its 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. Swissquote Bank Ltd will operate as of autumn 2015 as a trading platform, handling stock exchange orders placed by PostFinance's customers in e-trading. According to the partnership agreement, PostFinance AG acquired a 5 percent equity investment in the share capital of the Group.

As of 31 December 2014, the Group's operations consisted of:

- Providing online securities trading services (including custody services) and quantitative asset management services (ePrivate Banking among others), 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 to have 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") FX markets through in-house technology platform to:
    - Retail 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, GBP and EUR;
- Selling advertising space and providing financial information against subscription on www.swissquote.ch.

The Group does not carry out other banking activities. In particular it does not:

- 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 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, that may comprise one operating segment or an aggregation of operating segments, that 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. In 2014, the Group has decided to modify the disclosure of its operating segments in order to have a better segregation of the main business activities in which the Group is engaged. In comparison to previous year, the Group has decided to solely disclose its operating segments by the nature of the business activities as managed internally and presented to the Group Executive Management and 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 eForex segment 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 in-house technology platforms. The Group offers primarily 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, performance measurement and trend recognition in the Group are based on direct costing for revenues and related variables and direct fixed costs. Indirect fixed costs which represent the largest portion of the operating costs are analysed in major cost centers. 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;
- 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.

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

Based thereon, the analysis of reportable segments and cost centers for 2014 and 2013 are as follows:

In CHFm	2014	2013
Net Revenues - Securities Trading	90.8	86.8
Direct Operating Costs - Securities Trading	(13.9)	(11.2)
Direct Marketing Costs - Securities Trading	(4.1)	(3.9)
Direct Contribution margin - Securities Trading	*72.8*	*71.7*
Net Revenues - eForex	54.7	38.1
Direct Operating Costs - eForex	(18.5)	(16.0)
Direct Marketing Costs - eForex	(5.3)	(4.2)
Direct Contribution margin - eForex	*30.9*	*17.9*
Operating Cost - Technology	(24.7)	(21.7)
Operating Cost - Operations	(22.7)	(21.0)
Operating Cost - Marketing	(8.5)	(4.4)
Operating Cost - G&A	(19.0)	(13.0)
Platform and Infrastructure Operations (cost center)	*(74.9)*	*(60.1)*
Others - Provisions	(0.6)	(16.2)
Operating profit	**28.2**	**13.3**
Income tax expense	(4.7)	(1.6)
Net profit	**23.5**	**11.7**

The Net revenues from financial instruments held at fair value were disclosed separately in 2013 (CHF 0.6m) and have been included in Securities Trading segment in 2014.

At 31 December 2014:

- No other location (booking centre) 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	2014	2013
Assets - Securities / Private Clients	3,163.2	2,726.4
Assets - eForex	427.1	416.0
Assets - Platform and Infrastructure	115.3	92.3
Total assets	3,705.6	3,234.7
Liabilities - Securities / Private Clients	(3,047.5)	(2,610.5)
Liabilities - eForex	(348.1)	(345.7)
Liabilities - Platform and Infrastructure	(35.6)	(30.6)
Total liabilities	(3,431.2)	(2,986.8)
Total equity	**274.4**	**247.9**

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

The Consolidated Financial Statements for the year 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

(a) Standards, amendments and interpretations effective on or after 1 January 2014

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 and had an impact on the Group:

Standards / Interpretation	Content	Applicable for financial years beginning on / after
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities	1 January 2014

IAS 32 (amended), Offsetting Financial Assets and Financial Liabilities

The Group has adopted IAS 32 (amended), "Offsetting of Financial Assets and Financial Liabilities", with date of initial application of 1 January 2014. The amendments clarify the requirements for offsetting financial instruments. The Group assessed the impact of IAS 32 (amended) on its financial statements and did not identify any material impact.

(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 Group's accounting period:

Standards / Interpretation	Content	Applicable for financial years beginning on / after
IAS 39 (amended)	Novation of derivative and continuation of hedge accounting	1 January 2014
IAS 36 (amended)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IFRS 10, 12, 27 (amended)	Investment Entities	1 January 2014
IFRIC 21 (new)	Levies	1 January 2014
IAS 19 (amended)	Employee Contributions	1 July 2014

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 Group's accounting periods beginning on or after 1 January 2014 or later periods 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 2017
IFRS 9	Financial instruments	1 January 2018

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

The new standard specifies how to account for revenue which arises as a result from contract with customers. Moreover certain contracts with customers are scoped out because they are dealt within other standards.

The new standard introduces new requirements to move to a more conceptual approach. The application of this approach and the production of related disclosures may require modifications to existing accounting processes.

The Group is assessing IFRS 15 impact and will be ready to adopt it on 1 January 2017.

- **IFRS 9, "Financial instruments"**

IFRS 9 issued in July 2014 will be mandatory for periods beginning on or after 1 January 2018 with early adoption permitted. This standard is in the process to replace IAS 39 and addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard will require the Group to assess business models for its investment securities portfolio, to adapt measurement categories and internal impairment policy. Other changes are not expected to have a material impact on the financial statements.

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

(d) Early adoption of standards

The Group did not early adopt new or amended standards in 2014.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 International Financial Reporting Standards ("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 ultimately may 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	**Headquarters / Country**	**Status**	**2014**	**2013**
Swissquote Bank Ltd	Gland / Switzerland	Active	100.0%	100.0%
Swissquote Trade Ltd	Gland / Switzerland	Dormant	100.0%	100.0%
Swissquote Bank MEA Ltd	Dubai / UAE	Active	100.0%	100.0%
Swissquote Financial Services Ltd	Mriehel / Malta	Active	100.0%	100.0%
Swissquote Ltd	London / UK	Active	100.0%	100.0%
Swissquote Asia Ltd	Hong Kong / China	Active	100.0%	100.0%

ACM ME DMCC Ltd has been liquidated in 2014 (2013: 100%)

Swissquote Ltd - formerly: MIG Capital (Europe) Ltd - and Swissquote Asia Ltd - formerly: MIG Capital (Asia) Ltd - have been renamed in 2014.

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 (parent company), Swissquote Bank Ltd and Swissquote Trade Ltd. Functional and presentation currency of foreign subsidiaries are AED, GBP, HKD and EUR.

	2014		2013	
Foreign currency translation	Closing rates	Average rates	Closing rates	Average rates
EUR	1.2030	1.2125	1.2272	1.2290
USD	0.9941	0.9198	0.8921	0.9244
GBP	1.5493	1.5123	1.4774	1.4478
HKD	0.1282	0.1186	0.1150	0.1192
JPY	0.0083	0.0086	0.0085	0.0095
CAD	0.8557	0.8294	0.8398	0.8938
NOK	0.1334	0.1446	0.1471	0.1565
SEK	0.1275	0.1331	0.1387	0.1419
DKK	0.1615	0.1627	0.1645	0.1648
AUD	0.8118	0.8253	0.7966	0.8853
AED	0.2707	0.2504	0.2430	0.2520

Average rates that are disclosed in the table are indicative 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 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.

In 2014, the Group has decided to modify the disclosure of its operating segments in order to have a better segregation of the main business activities in which the Group is engaged. In comparison to previous year, the Group has decided to solely disclose 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 plateform), implies that the Group operates in two reported operating segments and one cost center:

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

Comparative information was adjusted accordingly.

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. Management determines the classification of its investments at initial recognition.

(F1) Trading assets & Financial assets at fair value through profit or loss

The Group designates certain financial assets upon initial recognition as 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. 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.

(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.

(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.

(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 asset). 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 (and for unlisted securities), 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.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Impairment of financial assets (continued)

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 reorganization;
- 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 judgment. 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 the 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 (defined by risk policy) at the time the investment is made.

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 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 currency swaps and 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 as 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	3 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 assets' 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 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 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 2014, the Group operates various post-employement schemes, including defined benefit and defined contribution pension plans (2013: 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 pension 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 by 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 pension expenses booked in the income statement correspond to the actuarially determined expense less employee contributions. 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.

Former employees of MIG Bank Ltd were affiliated to a defined contribution plan with AXA Foundation LPP, which comprised a full coverage of all pension risks through a collective insurance contract with AXA Vie SA (involving that financial risks from pension plan investments were fully covered for the minimal legal requirement due to the beneficiaries and for the additional supplementary portion of the pension plan). At 31 December 2014, all employees had been transferred to the Group pension plan.

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.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

R. Employee Share and Option Plan (ESOP)

In 2014, the Group has decided to add a Share Plan to the existing Stock Option Plan. The new equity-based compensation plan is called "Employee Share and Option Plan" ("ESOP"). The purpose of the plan is to furnish incentives to Eligible Employees of the Group 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.

Previously, the Employee Stock Option Plan was made available to all Eligible Employees and to the Members of the Board of Directors. The Share Plan is made available to all Eligible Employees and to the Members of the Board of Directors while the Option Plan is now 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 and a corresponding increase in equity shall be recognised. The fair value of the shares shall be measured at the market price of the entity's shares adjusted to take into account the terms and conditions upon which the shares were granted. For example, shares can be subject to restriction on transfer after grant and that condition shall be taken into account when determining the fair value.

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.

SECTION IV: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity including: cash and balances with the Swiss National Bank, amounts due from other banks and other short term highly liquid investments.

Z. Comparatives

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

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

A. Critical judgments 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 judgments that have most significant effect on the amounts recognised in the financial statements. At 31 December 2014, there were no such circumstances and related judgments to be reported (31 December 2013: none).

B. Critical accounting estimates and assumptions

Goodwill

Under IFRS standards, goodwill is not amortized, 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 recognized 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 model, which incorporates assumptions (such as growth rate 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 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.

Provisions

Provisions imply a greater degree of estimation than other balance sheet items and can therefore result in a higher or lower outflow, depending on the development of the relevant situation. Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of that outflow can be made. Provisions are recognised for the best estimate of the consideration required to settle the present obligation at the balance sheet date.

Recognition of provisions involves significant judgment in assessing the existence of an obligation resulting from past events and in estimating the probability, timing and amount of any outflow of resources. This is particularly the case with litigation and regulatory matters which, because of their nature, are subject to many uncertainties, making their outcome difficult to predict.

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

B. Critical accounting estimates and assumptions (continued)

Investment securities

Geopolitical tensions, weak macro momentum in Europe and general uncertainty around major central bank actions increased concerns on the indebtedness of peripheral European countries. Long-dated government bond yields continued to decline in the second-half of 2014 alongside lower inflationary pressure. Investment securities are subject to the risk of loss from adverse market conditions and unfavorable economic, monetary, political, legal and other developments.

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:

Pension Fund

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.

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 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 (of which 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 are designed to identify, to analyse these risks, to set appropriate risk limits and controls and to monitor the 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 and emerging best practices. Overall risk limits are set by the Board of Directors. 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 from - among others - by the risks underlying the activities and by 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 Asset Management Committee (formerly ALM & Investment Committee) which is responsible for the management of the balance sheet and liquidity. Those Committees are implemented at Executive Management level. Risk management is managed under policies approved by the Board and the adherence to said policies (and related limits) are controlled by the Risk function. Risk function is carried out 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”). Executive Management, external auditors and internal auditors provide the Board of Directors with its own risk assessments and its recommendations with respect to the enhancement of the risk assessment process and to 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	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 38

SECTION VI: FINANCIAL RISK MANAGEMENT

B. Financial assets and liabilities categorisation (continued)

Classes of financial assets	Amortised cost: Loans and advances	Amortised cost: Held-to-maturity	Fair value: Fair value through profit & loss	Fair value: Available-for-sale	Total	Fair value
Cash and balances with central bank	1,843,810,396	-	-	-	1,843,810,396	1,843,810,396
Loans and advances to banks	303,651,723	-	-	-	303,651,723	303,651,723
Derivative financial instruments	-	-	102,003,040	-	102,003,040	102,003,040
Trading assets	-	-	6,394,761	-	6,394,761	6,394,761
Loans and advances to customers	124,184,586	-	-	-	124,184,586	124,184,586
Investment securities	-	272,664,322	3,127,411	418,522,553	694,314,286	706,972,772
Other assets	25,384,973	-	-	-	25,384,973	25,384,973
Total financial assets	**2,297,031,678**	**272,664,322**	**111,525,212**	**418,522,553**	**3,099,743,765**	**3,112,402,251**
Deferred income tax assets					3,765,795	
Intangible assets					40,997,575	
Information technology systems					24,036,680	
Property, plant and equipment					66,134,735	
Total non financial assets					**134,934,785**	
Total assets at 31 December 2013					**3,234,678,550**	

Classes of financial liabilities	Fair value through profit & loss	Other liabilities	Total	Fair value
Deposits from banks	-	1,528,791	1,528,791	1,528,791
Derivative financial instruments	35,312,224	-	35,312,224	35,312,224
Due to customers	-	2,891,520,464	2,891,520,464	2,891,520,464
Other liabilities	-	35,045,518	35,045,518	35,045,518
Current income tax liabilities	-	336,368	336,368	336,368
Total financial liabilities	**35,312,224**	**2,928,431,141**	**2,963,743,365**	**2,963,743,365**
Deferred tax liabilities			1,501,045	
Provisions			21,493,079	
Total non financial liabilities			**22,994,124**	
Total liabilities at 31 December 2013			**2,986,737,489**	
Net balance			*247,941,061*	

All amounts in Swiss Francs

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 (i.e. SIX Swiss Exchange, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures (i.e. Nasdaq, S&P 500). 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 like 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.

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

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 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Investment securities	1,800,400	1,327,011	-	3,127,411
- Derivatives held for trading	87,171,894	14,822,900	-	101,994,794
- Trading assets	6,394,761	-	-	6,394,761
Derivatives used for hedging	-	8,246	-	8,246
Financial assets designated available-for-sale				
- Investment securities	139,999,753	278,522,800	-	418,522,553
Financial assets measured at fair value	**235,366,808**	**294,680,957**	**-**	**802,712,087**
Cash and balances with central bank	1,843,810,396	-	-	1,843,810,396
Loans and advances to banks	303,651,723	-	-	303,651,723
Loans and advances to customers	-	124,184,586	-	124,184,586
Investments held-to-maturity				
- Investment securities	142,373,149	130,291,173	-	272,664,322
Other assets	25,384,973	-	-	25,384,973
Total financial assets at 31 December 2013				**3,099,743,765**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives held for trading	30,648,073	4,647,267	-	35,295,340
Derivatives used for hedging	-	16,884	-	16,884
Financial liabilities measured at fair value	**30,648,073**	**4,664,151**	**-**	**35,312,224**
Due to customers				2,891,520,464
Others (deposits from banks, other liabilities, ...)				36,910,677
Total financial liabilities at 31 December 2013				**2,963,743,365**

All amounts in Swiss Francs 42

SECTION VI: FINANCIAL RISK MANAGEMENT

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if 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, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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 is not based on observable market data, the instrument is included in level 3.

D. Capital management

D1. Capital management framework

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

- To comply with principles defined in the Swiss Federal Law on Banks and Savings Banks, the Implementig Ordinance on Banks and Savings Banks and the Swiss Capital Adequacy Ordinance;
- To 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;
- To maintain a capital basis deemed adequate to support the development of its business.

SECTION VI: FINANCIAL RISK MANAGEMENT

D1. Capital management framework (continued)

The Group and Swissquote Bank Ltd are both subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA). The capital levels of the Group are subject to qualitative judgments by FINMA, about the components of capital, risk weightings and other factors.

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.

At 31 December 2014, 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.

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:

Credit risk	International Standard Approach - AS-BRI
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

The method of calculation for the market risk has been changed from the "De Minimis Approach" to the "Standardised Approach" with no major impact on risk-weighted assets. This change was triggered by the thresholds set out in FINMA 2008/20 "Market risks - banks".

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

D2. Risk-weighted assets

The balance sheet positions and off-balance sheet exposures 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.

SECTION VI: FINANCIAL RISK MANAGEMENT

D3. Eligible capital and capital ratios (unaudited)

Eligible capital	31 december 2014 Basel III	31 december 2013 Basel III
Ordinary shares	3,065,634	2,927,674
Share premium	60,752,040	35,636,056
Share option reserve	2,293,166	2,546,508
Other reserve	(3,146,415)	1,814,847
Treasury shares	(12,567,806)	(2,959,769)
Retained earnings	223,965,219	207,975,745
Sub-total	274,361,838	247,941,061
General adjustments		
Intangible assets	(40,820,354)	(40,997,575)
Others	(2,692,237)	(6,758,142)
Total Common Equity Tier 1 capital	**230,849,247**	**200,185,344**
Total Tier 2 capital	-	-
Total eligible capital	**230,849,247**	**200,185,344**

At 31 December 2014, no large exposure has to be reported as per Capital Adequacy Ordinance. Such a large exposure would have been deducted from total eligible capital.

Risk-weighted assets	31 december 2014 Basel III	31 december 2013 Basel III
Credit risk	562,988,478	500,276,659
Non-counterparty risk	93,579,136	90,171,415
Market risk	45,138,773	85,014,440
Operational risk	287,477,007	296,154,688
Total risk weighted assets	**989,183,394**	**971,617,202**
Capital ratios	**23.3%**	**20.6%**

The Group as well as the applicable subsidiaries comply with the minimum capital requirements at 31 December 2014 (23.3%) and has done so at all times during 2014 and 2013.

All amounts in Swiss Francs

SECTION VI: FINANCIAL RISK MANAGEMENT

E. Compliance with depositor protection rules

The Swiss Federal Banking Act 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 December 2008 immediate measures have been implemented to secure these privileged deposits with bank assets (Art. 37B para. 5 of Banking Act).

As a consequence, Banks are required to hold 125% of total privileged deposits in adequate eligible assets. The Group met those requirement during the year ended 2014 (31.12.2014: coverage of 168%) and 2013.

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, quantify, price, 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 recognizing credit impairments.

SECTION VI: FINANCIAL RISK MANAGEMENT

F1. Credit risk measurement

(I) Loans and advances to customers

Loans and advances to customers are principally in the form:

- lombard loans (covered loans); and
- eForex credit lines.

These credit limits are principally used by clients for leveraging their securities trading or their eForex operations.

Lombard loans: the maximum amount of margin (and hence of credit to a client) is based on the aggregate margin determined on each item of the customer's portfolio. The margin rate for securities is based on the type of security (mainly listed shares and bonds), and various other features such as liquidity, volatility and external rating. The amount of maximum margin is remeasured at each 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.

eForex credit lines: open positions of eForex clients are authorised to a maximum leverage of their equity (margin deposit). With the aim to ensure the financial losses dot not exceed eForex 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 eForex 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 eForex clients may exceed the credit line. The legal terms agreed with eForex clients provide that the eForex clients are solely liable for these financial losses.

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 client. 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 conditions that include the external rating of the counterparty, the domicile of the counterparty and the duration of the financial instrument.

(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 (formerly ALM & Investment 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 and 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.

SECTION VI: FINANCIAL RISK MANAGEMENT

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.

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	
	2014	2013
Credit risk exposure relating to on balance sheet assets are as follows:		
Cash and balances with central bank	1,965,814,237	1,843,810,396
Treasury bills and other eligible bills	2,404,755	-
Loans and advances to banks	461,638,179	303,651,723
Derivative financial instruments	96,756,767	102,003,040
Loans and advances to customers	160,528,885	124,184,586
Investment securities	841,914,668	694,314,286
Others (Trading assets and Other assets)	40,476,960	31,779,734
Total credit exposure on financial assets (A)	**3,569,534,451**	**3,099,743,765**
Non financial assets (no counterparty exposure)	136,054,103	134,934,785
Total assets at 31 December	3,705,588,554	3,234,678,550
Credit risk exposure relating to off balance sheet assets are as follows:		
Financial guarantees	4,446,484	26,484,984
Loan commitments (depositor protection contribution - Art. 37H BA)	23,600,000	22,294,000
Total credit exposure on off balance sheet (B)	**28,046,484**	**48,778,984**
Total credit exposure (A) + (B)	**3,597,580,935**	**3,148,522,749**

At 31 December 2014, 54.6% of total credit exposure is related to Swiss National Bank (2013: 58.6%).

	2014	2013
Collateral at fair value to support Loans and advances to customers	498,984,070	460,468,377
Cash deposits to support Derivative financial instruments	240,990,593	232,575,208

All amounts in Swiss Francs

SECTION VI: FINANCIAL RISK MANAGEMENT

F5. Loans and advances

	31 December 2014		31 December 2013	
	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	160,528,885	461,638,179	124,184,586	303,651,723
Past due but not impaired	-	-	-	-
Impaired	306,929	-	489,904	-
Gross	**160,835,814**	**461,638,179**	**124,674,490**	**303,651,723**
Less: allowance for impairment	(306,929)	-	(489,904)	-
Balance at year end	**160,528,885**	**461,638,179**	**124,184,586**	**303,651,723**

Loans and advances to customers are spread over 17,748 (2013: 18,690) distinct customers, 84% of them are domiciled in Switzerland (2013: 87%). The largest balance at 31 December 2014 is CHF 13,770,544 (2013: CHF 11,488,321).

Loans and advances to banks are spread over 29 (2013: 31) distinct counterparties. The largest balance at 31 December 2014 is CHF 150,228,373 (2013: CHF 70,150,546).

All amounts in Swiss Francs 50

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-	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**

Unrated counterparties mainly relate to banks domiciled in Switzerland (CHF 2.4) and Middle East (CHF 0.5m).

No credit limits were exceeded during 2014 and 2013.

At year-end, Loans and advances to banks are pledged up to CHF 259.9m (2013: CHF 179.9m) 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-	114,003,245	-	-	114,003,245
	from A+ to A-	136,445,778	-	-	136,445,778
	from BBB+ to BBB-	26,714,685	-	-	26,714,685
Speculative Grade	from BB+ to BB-	-	-	-	-
	from B+ to B-	188,238	-	-	188,238
	from CCC+ to CCC-	-	-	-	-
	from CC+ to C-	-	-	-	-
Other	Unrated	26,299,777	-	-	26,299,777
Total at 31 December 2013		**303,651,723**	-	-	**303,651,723**

All amounts in Swiss Francs

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F6. Investment securities, treasury bills and other eligible bills

Investment securities (CHF 841.9m), treasury bills and other eligible bills (CHF 2.4m at 31 December 2014) 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-	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**

At 31 December 2014, the balance of CHF 10.1m identified as speculative grade mainly consist of bonds issued by Republic of Indonesia (CHF 2.0m), European corporates (CHF 3.7m) and European banks (CHF 4.1m). The balance of CHF 21.3m identified as unrated mainly consist of Swiss corporates (CHF 20.9m) and European corporates (CHF 0.4m).

None of the above receivables are past due or impaired.

	S&P	Less than 1 year	1-2 years	2-5 years	Over 5 years	Gross amount
Investment Grade	from AAA to AA-	32,084,831	50,308,754	35,639,927	59,137,758	177,171,270
	from A+ to A-	107,006,845	67,199,305	31,414,829	7,954,524	213,575,503
	from BBB+ to BBB-	122,690,966	50,183,738	77,902,293	1,598,178	252,375,175
Speculative Grade	from BB+ to BB-	804,075	1,906,093	2,194,713	197,933	5,102,814
	from B+ to B-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-
Other	Unrated	39,364,329	972,443	5,752,752	-	46,089,524
Total at 31 December 2013		**301,951,046**	**170,570,333**	**152,904,514**	**68,888,393**	**694,314,286**
Cash and balances with central bank						1,843,810,396
Other assets than investment securities and treasury bills						696,553,868
Total assets at 31 December 2013						**3,234,678,550**

None of the above receivables are past due or impaired.

All amounts in Swiss Francs 52

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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);
- To a lesser extent with clients domiciled outside of Switzerland to whom the Group has granted credit limits (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	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**

	Switzerland	Europe	North America	Middle East & Asia	Others	Total
Cash and balances with central bank	1,843,810,396	-	-	-	-	1,843,810,396
Loans and advances to banks	104,798,175	136,095,823	60,388,156	2,369,569	-	303,651,723
Derivative financial instruments	25,163,640	26,053,542	3,456,940	45,440,767	1,888,151	102,003,040
Trading assets	6,394,761	-	-	-	-	6,394,761
Loans and advances to customers	122,289,876	512,286	6,351	1,353,791	22,282	124,184,586
Investment securities	143,986,322	308,429,652	104,897,387	60,213,333	76,787,592	694,314,286
Other assets	25,384,973	-	-	-	-	25,384,973
Total at 31 December 2013	**2,271,828,143**	**471,091,303**	**168,748,834**	**109,377,460**	**78,698,025**	**3,099,743,765**

All amounts in Swiss Francs

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 2014	Total at 31 December 2013
Banks	-	13,453,560	461,638,179	262,717,666	737,809,405	468,470,121
Central Banks	1,965,814,237	-	-	-	1,965,814,237	1,843,810,396
Sovereign	-	-	-	295,235,358	295,235,358	205,732,158
Sub-total	**1,965,814,237**	**13,453,560**	**461,638,179**	**557,953,024**	**2,998,859,000**	**2,518,012,675**
Automobiles & Parts	-	-	-	30,132,122	30,132,122	17,343,654
Aerospace & Defense	2,404,755	-	-	-	2,404,755	-
Basic Resources	-	-	-	5,679,626	5,679,626	4,175,312
Chemicals	-	-	-	8,525,830	8,525,830	12,380,888
Constructions & Materials	-	-	-	12,490,049	12,490,049	7,703,203
Food & Beverages	-	-	-	21,367,692	21,367,692	35,759,185
Health Care	-	-	-	11,669,695	11,669,695	12,409,716
Individuals	-	83,303,207	160,528,885	-	243,832,092	225,085,572
Industrials Goods & Serv.	-	-	-	45,885,955	45,885,955	53,024,663
Insurance	-	-	-	5,002,851	5,002,851	18,051,647
Oil & Gas	-	-	-	53,213,713	53,213,713	45,209,887
Personal & Household Goods	-	-	-	11,975,089	11,975,089	9,293,479
Real Estate	-	-	-	-	-	1,093,815
Retail	-	-	-	12,271,441	12,271,441	20,047,615
Supranational	-	-	-	12,176,056	12,176,056	12,197,982
Technology	-	-	-	4,726,544	4,726,544	7,601,797
Telecommunications	-	-	-	16,378,229	16,378,229	16,028,358
Travel & Leisure	-	-	-	1,621,227	1,621,227	1,407,844
Utilities	-	-	-	30,845,525	30,845,525	51,136,738
Sub-total	**1,968,218,992**	**96,756,767**	**622,167,064**	**841,914,668**	**3,529,057,491**	**3,067,964,030**
Other assets with no industry sector concentration					176,531,063	166,714,520
Total assets					**3,705,588,554**	**3,234,678,550**

All amounts in Swiss Francs

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
Currency 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**
Currency swaps	1,085,619	1,085,619	-	1,085,619
Currency options	8,189	8,189	-	8,189
Interest rate futures	8,246	8,246	-	8,246
Currency forwards, precious metals forwards and CFD derivatives	100,900,986	100,900,986	232,575,208	-
Balance at 31 December 2013	**102,003,040**	**102,003,040**	**232,575,208**	**1,102,054**

Derivative financial instruments (liabilities)

	Gross amounts of recognised financial liabilities	Presented in statement of financial positions
Currency 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 swaps	1,094,913	1,094,913
Currency options	8,189	8,189
Interest rate futures	16,884	16,884
Currency forwards, precious metals forwards and CFD derivatives	34,192,238	34,192,238
Balance at 31 December 2013	**35,312,224**	**35,312,224**

Currency forwards, precious metals forwards and CFD derivatives recognised as derivative financial instruments correspond to open positions of 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

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 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)**

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G2. Non-derivative cash flows (continued)

At 31 December 2013	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	1,528,791	-	-	-	-	1,528,791
Due to customers	2,891,520,464	-	-	-	-	2,891,520,464
Other liabilities	35,045,518	-	-	-	-	35,045,518
Current income tax liabilities	336,368	-	-	-	-	336,368
Total non-derivative financial liabilities (contractual maturity dates) - (A)	**2,928,431,141**	-	-	-	-	**2,928,431,141**
Derivative financial instruments						35,312,224
Non financial liabilities						22,994,124
Total liabilities						**2,986,737,489**
Commitments (B)	-	-	26,405,874	14,032,870	8,340,240	48,778,984
Total maturity grouping (A) + (B)	**2,928,431,141**	-	**26,405,874**	**14,032,870**	**8,340,240**	**2,977,210,125**
Total non-derivative financial assets (expected maturity dates)	(2,319,858,051)	(14,700,349)	(47,279,652)	(134,119,784)	(63,898,720)	(2,579,856,556)
Net balance	**608,573,090**	**(14,700,349)**	**(20,873,778)**	**(120,086,914)**	**(55,558,480)**	**397,353,569**

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SECTION VI: FINANCIAL RISK MANAGEMENT

G3. Derivative cash flows

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						
- Currency 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						
- Currency 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 eForex clientele at 31 December 2014. Those transactions have to be classified in category "up to 1 month".

All amounts in Swiss Francs 58

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 2013	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						
- Currency swaps	234,573	746,042	105,004	-	-	1,085,619
- Currency options	-	4,344	3,845	-	-	8,189
- Currency forwards	87,183,550	628,812	773,574	-	-	88,585,936
- Precious metals forwards	10,197,180	-	-	-	-	10,197,180
- CFD derivatives	2,117,870	-	-	-	-	2,117,870
Derivatives held for hedging						
- Interest rate futures	-	6,579	-	424	1,243	8,246
- Currency options	-	-	-	-	-	-
Total	**99,733,173**	**1,385,777**	**882,423**	**424**	**1,243**	**102,003,040**
Liabilities						
Derivatives held for trading						
- Currency swaps	404,670	656,339	33,904	-	-	1,094,913
- Currency options	-	4,344	3,845	-	-	8,189
- Currency forwards	30,731,269	709,675	792,424	-	-	32,233,368
- Precious metals forwards	1,723,912	-	-	-	-	1,723,912
- CFD derivatives	234,958	-	-	-	-	234,958
Derivatives held for hedging						
- Interest rate futures	-	16,884	-	-	-	16,884
- Currency options	-	-	-	-	-	-
Total	**33,094,809**	**1,387,242**	**830,173**	**-**	**-**	**35,312,224**

Currency forwards, Precious metals forwards and CFD derivatives (indices and commodities) are mainly related to open transactions of eForex clientele at 31 December 2013. Those transactions have to be classified in category “up to 1 month”.

All amounts in Swiss Francs

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 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**

At 31 December 2013	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	22,294,000	-	-	22,294,000
Operating lease commitments	4,111,874	14,032,870	8,340,240	26,484,984
Total	**26,405,874**	**14,032,870**	**8,340,240**	**48,778,984**

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

G5. Basel III liquidity framework (unaudited)

The Liquidity Ordinance, which implements Basel III requirements into Swiss law, entered into force on 1 January 2014. This Ordinance requires appropriate management and monitoring of liquidity risks. The requirements apply to all banks, but are tiered according to the type, complexity and degree of bank's activities.

The LCR has been introduced on 1 July 2013 (minimum ratio: 100%) following an observation period which began in 2011 in which the Group was proactively involved. The LCR addresses a liquidity risk over a 30-day period and comprises of two components: (1) the value of the stock of high quality liquid assets in stressed conditions and (2) the total net cash outflows calculated according to specified scenario parameters.

Liquidity Coverage Ratio (LCR) CHF million, except where indicated	31.12.2014
Cash outflows	964,578
Cash inflows	(720,365)
Net cash outflows	244,213
Liquidity asset buffer	2,043,026
Liquidity coverage ratio (LCR in %)	**837%**

The structural liquidity ratio (Net Stable Funding Ratio, hereafter "NSFR") should be applied in Switzerland as a minimum requirement (minimum ratio: 100%) starting on 1 January 2018. The Basel Committee adopted the NSFR on 31 October 2014. The NSFR will complement the LCR in line with the framework related to the introduction of the Basel III regulations. The NSFR is structured to ensure that illiquid assets are funding with an appropriate amount of stable long term funds. At 31 December 2014, the Group estimates that its NSFR ratio is in excess of 100%.

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.

eForex business

Foreign exchange risk arises from eForex activities and clients trading foreign currencies.

As a consequence of the acquisition of MIG in 2013, the Group has operated a principal model until mid-year 2014. In an agency model, when a customer executes a trade, the Group acts as a riskless intermediary, simultaneously entering into trades with the customer and the FX market maker. In a principal model, the Group may maintain the trading position and not offset the trade with another party. As a result, price changes in currencies and lack of liquidity in currencies may incur trading gains or losses using principal model execution.

The Group predominantly operates an agency model to execute client trades as it is considered as fundamental in the core business model philosophy in order to align the Group interests with those of its customers.

Clients positions are monitored at a Group level so all open positions held by clients are combined to calculate the total net client exposure to ensure optimal hedging decisions are made. All transactions used to hedge client positions are margin-traded so the profit or loss arising on the position is settled on a daily basis. The Group benefits from a number of factors (such as diversification and liquidity of its product range as well as diversification of the client base) that also reduce the volatility of its revenue and protect from market movements.

The Board sets limits on the level of exposure by currency and in aggregate which are monitored daily.

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**

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 2013	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	1,843,726,239	19,287	58,408	6,462	1,843,810,396
Loans and advances to banks	198,501,750	42,478,124	19,008,233	43,663,616	303,651,723
Derivative financial instruments	10,122,059	52,687,694	2,433,556	36,759,731	102,003,040
Trading assets	546,504	-	5,848,257	-	6,394,761
Loans and advances to customers	63,413,728	29,018,279	28,831,106	2,921,473	124,184,586
Investment securities	284,173,302	122,850,413	283,225,025	4,065,546	694,314,286
Other assets	14,919,635	1,034,323	7,229,702	2,201,313	25,384,973
Total financial assets	**2,415,403,217**	**248,088,120**	**346,634,287**	**89,618,141**	**3,099,743,765**
Liabilities					
Deposits from banks	536	1,001,068	387,110	140,077	1,528,791
Derivative financial instruments	6,042,774	13,304,137	344,345	15,620,968	35,312,224
Due to customers	1,736,534,238	467,208,077	614,271,348	73,506,801	2,891,520,464
Other liabilities	33,928,435	69,755	448,693	598,635	35,045,518
Current income tax liabilities	336,368	-	-	-	336,368
Total financial liabilities	**1,776,842,351**	**481,583,037**	**615,451,496**	**89,866,481**	**2,963,743,365**
Net on balance sheet financial position	**638,560,866**	**(233,494,917)**	**(268,817,209)**	**(248,340)**	**136,000,400**
Off balance sheet notional position	(554,911,240)	266,481,031	264,525,998	23,904,211	-
Credit commitments	-	-	-	-	-
Net exposure	**83,649,626**	**32,986,114**	**(4,291,211)**	**23,655,871**	**136,000,400**

All amounts in Swiss Francs

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 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	**2,962,151,900**	**188,135,059**	**345,795,708**	**73,451,784**	**-**	**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	**(455,576,045)**	**184,461,644**	**345,792,122**	**73,451,784**	**-**	**148,129,505**
Off balance sheet	-	-	-	-	-	-
Net exposure	**(455,576,045)**	**184,461,644**	**345,792,122**	**73,451,784**	**-**	**148,129,505**

All amounts in Swiss Francs

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 2013	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	1,843,810,396	-	-	-	-	1,843,810,396
Treasury bills and other eligible bills	-	-	-	-	-	-
Loans and advances to banks	303,651,723	-	-	-	-	303,651,723
Derivative financial instrument	101,118,950	882,423	424	1,243	-	102,003,040
Trading assets	6,394,761	-	-	-	-	6,394,761
Loans and advances to customers	124,184,586	-	-	-	-	124,184,586
Investment securities	111,148,245	216,910,523	297,367,125	68,888,393	-	694,314,286
Other assets	18,980,708	6,404,265	-	-	-	25,384,973
Total financial assets	**2,509,289,369**	**224,197,211**	**297,367,549**	**68,889,636**	**-**	**3,099,743,765**
Liabilities						
Deposits from banks	1,528,791	-	-	-	-	1,528,791
Derivative financial instruments	34,482,051	830,173	-	-	-	35,312,224
Due to customers	2,891,520,464	-	-	-	-	2,891,520,464
Other liabilities	35,045,518	-	-	-	-	35,045,518
Current income tax liabilities	336,368	-	-	-	-	336,368
Total financial liabilities	**2,962,913,192**	**830,173**	**-**	**-**	**-**	**2,963,743,365**
Net on balance sheet	**(453,623,823)**	**223,367,038**	**297,367,549**	**68,889,636**	**-**	**136,000,400**
Off balance sheet	-	-	-	-	-	-
Net exposure	**(453,623,823)**	**223,367,038**	**297,367,549**	**68,889,636**	**-**	**136,000,400**

All amounts in Swiss Francs

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

		Sensitivity analysis (cumulated impact)*			
		+ 5% EUR + 5% USD		- 5% EUR - 5% USD	
At 31 December 2014	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	1,965,814	4	-	(4)	-
Treasury bills and other eligible bills	2,405	120	-	(120)	-
Loans and advances to banks	461,638	1,861	-	(1,861)	-
Loans and advances to customers	160,529	4,152	-	(4,152)	-
Investment securities	841,915	26,807	-	(26,807)	-
Others (Derivatives, Trading assets and Other assets)	137,234	3,791	-	(3,791)	-
Total impact on financial assets		**36,735**	-	**(36,735)**	-
Financial liabilities					
Deposits from banks	1,754	(41)	-	41	-
Due to customers	3,352,513	(66,331)	-	66,331	-
Others (Derivatives and Other payables)	66,910	(961)	-	961	-
Total impact on financial liabilities		**(67,333)**	-	**67,333**	-
Total impact on balance sheet positions		**(30,598)**	-	**30,598**	-
Impact on off balance sheet positions		30,479	-	(30,479)	-
Net impact before income tax expense		**(119)**	-	**119**	-
Income tax expense		22	-	(22)	-
Net impact after income tax expense		**(97)**	-	**97**	-
Sensitivity analysis at 31 December 2013		*276*	-	*(276)*	-

The sensitivity analysis assumes normal market conditions in particular with regards liquidity, which may affect execution prices (See Note 24).

**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 (2013: CHF 0.2m).*

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

		Sensitivity analysis			
		+100 bp		-100 bp	
At 31 December 2014	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	1,965,814	9,424	-	-	-
Treasury bills and other eligible bills	2,405	17	-	(6)	-
Loans and advances to banks	461,638	7,457	-	(2,581)	-
Loans and advances to customers	160,529	1,516	-	(143)	-
Investment securities	841,915	110	(5,792)	(2,618)	5,959
Total impact on financial assets		**18,524**	**(5,792)**	**(5,348)**	**5,959**
Financial liabilities					
Deposits from banks	1,754	(186)	-	-	-
Due to customers	3,352,513	(11,158)	-	1,717	-
Total impact on financial liabilities		**(11,344)**	**-**	**1,717**	**-**
Net impact before income tax expense		**7,180**	**(5,792)**	**(3,631)**	**5,959**
Income tax expense		(1,343)	-	679	-
Net impact after income tax expense		**5,837**	**(5,792)**	**(2,952)**	**5,959**
Sensitivity analysis at 31 December 2013		*5,126*	*(4,443)*	*(1,502)*	*4,166*

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 these products cannot 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 FINMA 2008/11 "Operating risks at banks" and defines the roles and responsibilities with regards operational risk.

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 8.4 bn (2013: CHF 7.3 bn).

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SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2014	2013
Cash and balances with central bank	1,965,814,237	1,843,810,396
Treasury bills and other eligible bills	2,404,755	-
Loans and advances to banks	461,638,179	303,651,723
Deposits from banks	(1,753,552)	(1,528,791)
Total net	**2,428,103,619**	**2,145,933,328**
Less: Due from other banks above 3 months	-	-
Cash and cash equivalents	**2,428,103,619**	**2,145,933,328**

Loans and advances to banks are pledged (2014: CHF 259.9m - 2013: CHF 179.9m) in favor of third parties mainly in order to secure the settlement of client transactions.

Deposits from banks are related to collateral deposits required by the Group to banking counterparties.

All amounts in Swiss Francs 70

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Derivative financial instruments

	31 December 2014		
	Fair value		Contract
	Assets	Liabilities	Notional amount
Derivatives held for trading			
- Currency 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**
Current	84,497,765	(25,220,170)	
Non-current	12,259,002	(8,137,814)	

Derivatives held for trading are linked to clients' transactions. Derivatives held for hedging are related to the Group's own transactions.

	31 December 2013		
	Fair value		Contract
	Assets	Liabilities	Notional amount
Derivatives held for trading			
- Currency swaps	1,085,619	(1,094,913)	567,568,454
- Currency options	8,189	(8,189)	2,063,724
- Currency forwards	88,585,936	(32,233,368)	8,632,803,140
- Precious metals forwards	10,197,180	(1,723,912)	328,050,065
- CFD derivatives (indices and commodities)	2,117,870	(234,958)	68,673,397
Total derivatives held for trading	**101,994,794**	**(35,295,340)**	**9,599,158,780**
Derivatives held for hedging			
Derivatives designated as fair value hedge:			
- Interest rate futures	8,246	(16,884)	296,957,521
Total derivatives held for hedging	**8,246**	**(16,884)**	**296,957,521**
Total derivatives financial instruments	**102,003,040**	**(35,312,224)**	**9,896,116,301**
Current	99,733,173	(33,094,809)	
Non-current	2,269,867	(2,217,415)	

All amounts in Swiss Francs

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.

	2014	2013
European equities	5,753,289	6,034,188
Swiss equities	479,938	360,573
Total	**6,233,227**	**6,394,761**

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), which are held with Swissquote Bank Ltd.

	2014	2013
Loans and advances		
Covered loans	160,528,885	124,184,586
Overdrafts	306,929	489,904
Total	**160,835,814**	**124,674,490**
Impairment allowance	(306,929)	(489,904)
Balance at 31 December	**160,528,885**	**124,184,586**
Collateral to support Loans and advances to customers	*498,984,070*	*460,468,377*

	2014	2013
Impairment allowance		
Balance at 1 January	489,904	376,615
Decrease	(182,975)	-
Increase - acquisition of subsidiary	-	175,000
Bad debts written-off	-	(61,711)
Balance at 31 December	**306,929**	**489,904**

All amounts in Swiss Francs 72

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 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**

	Fair value through P&L	Available for-sale	Held-to-maturity	Total
At 1 January 2013	**7,470,900**	**381,317,084**	**330,126,930**	**718,914,914**
Exchange difference on monetary assets	73,776	(846,260)	1,810,039	1,037,555
Additions	1,076,217	323,752,640	17,143,384	341,972,241
Premium / (discount)	(260)	(12,254,665)	(2,353,154)	(14,608,079)
Disposals (sale and redemption)	(5,238,033)	(272,473,712)	(74,056,862)	(351,768,607)
Gains / (losses) from changes in fair value	(255,189)	(972,534)	(6,015)	(1,233,738)
At 31 December 2013	**3,127,411**	**418,522,553**	**272,664,322**	**694,314,286**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investment securities (continued)

	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***

In 2014, CHF 3,122,413 of unrealised losses arised from changes in fair value of available-for-sale assets have been recognised in the statement of comprehensive income (2013: unrealised loss of CHF 1,000,890). The cumulated balance recorded in comprehensive income represents loss of CHF 1,167,690 (2013: gain of CHF 1,954,723), gross of deferred tax impact.

	31 December 2013			Recognition as per IAS 39		
	Carrying value	Fair value	Unrealised gains/(losses)	Comprehensive income	Income Statement	Not recognised
Fair value through profit & loss	3,127,411	3,127,411	(2,330,348)	-	*(2,330,348)*	-
Available-for-sale	418,522,553	418,522,553	1,954,723	*1,954,723*	-	-
Held-to-maturity	272,664,322	285,322,808	12,658,486	-	-	*12,658,486*
	694,314,286	**706,972,772**	**12,282,861**	**1,954,723**	***(2,330,348)***	***12,658,486***

All amounts in Swiss Francs 74

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investment securities (continued)

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

	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)**

	2013	
	Unrealised gains/ (losses) at 31.12.2013	**Change versus 2012**
Fair value through profit & loss	(2,330,348)	(249,062)
Available-for-sale	1,954,723	(1,000,890)
Held-to-maturity	12,658,486	(8,995,632)
	12,282,861	**(10,245,584)**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible assets

	Customer relationships	Goodwill	Total
Gross value			
At 1 January 2013	3,300,000	20,029,472	23,329,472
Addition	-	18,959,594	18,959,594
At 31 December 2013	3,300,000	38,989,066	42,289,066
Addition	-	-	-
At 31 December 2014	**3,300,000**	**38,989,066**	**42,289,066**
Accumulated depreciation			
At 1 January 2013	(1,114,268)	-	(1,114,268)
Depreciation	(177,222)	-	(177,222)
At 31 December 2013	(1,291,490)	-	(1,291,490)
Depreciation	(177,222)	-	(177,222)
At 31 December 2014	**(1,468,712)**	-	**(1,468,712)**
Net Book Value at 31 December 2014	**1,831,288**	**38,989,066**	**40,820,354**
Net Book Value at 31 December 2013	2,008,510	38,989,066	40,997,575

All amounts in Swiss Francs 76

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 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 next year's business plans. 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. As at 31 December 2014, 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:

Business acquired	Tradejet Ltd	MIG Bank Ltd	ACM Advanced Currency Markets Ltd
Year of acquisition	2010	2013	2010
Carrying amount of intangible asset	CHF 1,831,288	CHF 18,959,594	CHF 20,029,472
Depreciation method	15 years	Indefinite useful life	Indefinite useful life
Reportable segment	Securities Trading	eForex	eForex
Basis for recoverable amount	Value in use	Value in use	Value in use
Type	Customer relationships	Goodwill	Goodwill
Cash flow projections	15 years	5 years + terminal value	5 years + terminal value
Main assumptions	Assets under Custody	eForex volume + Net margin	eForex volume + Net margin

Sensitivity analysis: At 31 December 2014, the annual testing for impairment demonstrated that either an increase of +1.0% in the discount rate used for the calculation of value in use or a decrease of - 5.0% in main revenue driver would not result in the recognition of an impairment loss.

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware & Telecom Systems	Total
Gross value				
At 1 January 2013	10,457,077	30,594,043	7,502,775	48,553,895
Addition	789,946	8,157,164	1,341,167	10,288,277
Addition through acquisition	-	687,946	1,480,989	2,168,935
Other changes	(1,288,292)	(1,380,582)	(2,314,238)	(4,983,112)
At 31 December 2013	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**
Accumulated depreciation				
At 1 January 2013	(5,175,291)	(15,988,195)	(5,646,586)	(26,810,072)
Amortisation / depreciation	(1,811,698)	(5,966,984)	(1,202,919)	(8,981,601)
Impairment	-	(608,844)	(573,910)	(1,182,754)
Other changes	1,288,292	1,380,582	2,314,238	4,983,112
At 31 December 2013	(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)**
Net Book Value at 31 December 2014	**3,403,645**	**23,654,575**	**2,392,762**	**29,450,982**
Net Book Value at 31 December 2013	4,260,034	16,875,130	2,901,516	24,036,680

Additions to Information technology systems include an amount of CHF 7.8m (2013: CHF 5.2m) representing own costs capitalised in connection with the development of the systems of the bank and in particular with the development of eForex trading platforms, mobile technology and ePrivate Banking.

Other changes of CHF 12.1m are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

All amounts in Swiss Francs 78

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 2013	46,500,406	3,259,487	3,311,563	53,071,456
Addition	19,821,203	262,765	237,041	20,321,009
Revaluation	1,276,290	-	-	1,276,290
Addition through acquisition	-	41,365	376,532	417,897
Other changes	-	(1,295,431)	(56,479)	(1,351,910)
At 31 December 2013	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**
Accumulated depreciation				
At 1 January 2013	(2,958,339)	(2,294,725)	(2,026,129)	(7,279,193)
Amortisation / depreciation	(828,417)	(321,341)	(105,069)	(1,254,827)
Impairment	-	(41,365)	(376,532)	(417,897)
Other changes	-	1,295,431	56,479	1,351,910
At 31 December 2013	(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)**
Net Book Value at 31 December 2014	**61,791,996**	**875,661**	**1,460,497**	**64,128,154**
Net Book Value at 31 December 2013	63,811,143	906,186	1,417,406	66,134,735

Other changes of CHF 1.2m 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 measurement at 31 December 2014 was performed internally. The fair value was determined based on comparable market prices, vacancy rates and discount rate, which resulted in a level 2 fair value.

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Other assets

	2014	2013
Accrued income and other receivables	27,769,325	19,861,104
Others	6,474,408	5,523,869
Total	**34,243,733**	**25,384,973**

10. Due to customers

	2014	2013
Due to customers - saving accounts	428,380,427	432,093,343
Due to customers - others	2,924,133,039	2,459,427,121
Total	**3,352,513,466**	**2,891,520,464**

Due to customers - others comprise of cash deposited through trading and eForex accounts.

All amounts in Swiss Francs 80

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Other liabilities

	2014	2013
Accrued expenses	14,413,080	11,577,185
Account payables	4,563,717	14,421,556
Social security and other taxes	7,389,885	2,734,404
Others	7,184,876	6,312,373
Total	**33,551,558**	**35,045,518**

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 2013	-	**366,520**	-	**366,520**
In connection with acquisition of subsidiaries	2,600,000	302,379	513,726	3,416,105
In connection with change in tax rate	-	(16,830)	-	(16,830)
Balance at 31 December 2013	**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 remeasurement of defined benefit obligation	-	488,818	-	488,818
Balance at 31 December 2014	-	**1,140,887**	**513,726**	**1,654,613**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Taxation (continued)

b) Deferred tax liabilities

	Revaluation Reserve	Temporary differences	Total deferred tax liabilities
Balance at 1 January 2013	-	**894,235**	**894,235**
Reversal of fair valued liabilities at date of acquisition of subsidiaries	-	418,132	418,132
Revaluation of land and building	238,666	-	238,666
Change in applicable tax rate at date of acquisition of subsidiaries	-	(22,656)	(22,656)
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	-	68,774	68,774
Other movements	-	(11,673)	(11,673)
Balance at 31 December 2013	**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**

	2014	2013
Revaluation of land and building	238,666	238,666
Acquisition of subsidiaries	776,752	861,185
Different capitalisation and depreciation method	451,222	401,194
Total	**1,466,640**	**1,501,045**

Deferred income taxes are calculated on all temporary differences under the liability method using various tax rates (depending on the tax status applicable to the subsidiary consolidated).

All amounts in Swiss Francs 82

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Taxation (continued)

c) Current income tax liabilities

	2014	2013
Related to parent company	228,386	336,368
Total	**228,386**	**336,368**

d) Income tax expense

	2014	2013
Current year income tax expense	4,733,283	1,699,647
Change in deferred income tax assets	-	(16,830)
Change in deferred tax liabilities	(34,405)	(49,988)
Total	**4,698,878**	**1,632,829**

Reconciliation of taxes	**2014**	**2013**
Operating profit	28,220,215	13,288,992
Income tax expense computed at statutory rate (18.70%)	5,277,180	2,485,042
Increase / (decrease) in income taxes resulting from:		
Lower taxed income	(566,411)	(729,429)
Non-deductible expenses and others	30,395	200,828
Unrecognised deferred tax impacts and others	(200,178)	(510,373)
Effect of different tax rates of foreign subsidiaries	157,892	186,761
Income tax expense	**4,698,878**	**1,632,829**

In 2014, the Group met specific conditions that make Swissquote Bank Ltd eligible to a preferred tax rate at Swiss cantonal level for a period of maximum 10 years (reduction of 25% on ordinary tax rate until 2019). These conditions have to be met during the full period. In 2014, the applied tax rate is 18.70% (2013: 18.70%).

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Provisions

	2014	2013
Balance at 1 January	**21,493,079**	**3,899,016**
Increase:		
- Restructuring costs	-	12,043,242
- Acquisition of subsidiaries	-	9,103,310
- Others provisions	2,480,532	-
Used / Reversed:		
- Restructuring costs	(9,703,247)	(2,180,901)
- Acquisition of subsidiaries	(4,513,760)	(1,340,153)
- Others provisions	(1,496,434)	-
Exchange differences	94,960	(31,435)
Balance at 31 December	**8,355,130**	**21,493,079**

	2014	2013
Restructuring costs	363,101	10,066,348
Acquisition of subsidiaries and others	7,992,029	11,426,731
Total	**8,355,130**	**21,493,079**

All amounts in Swiss Francs 84

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 2014, 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 defined benefit plans under IAS 19R;
- 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 2014, the rate was 1.75% per annum (2013: 2.0% per annum).

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

	2014	2013
Discount Rate	1.25%	2.35%
Rate of future increase in compensations	1.00%	1.00%
Interest rate credited on savings accounts	1.75%	2.00%
Pension indexation	0.25%	0.50%
Inflation rate	1.00%	1.00%
Mortality tables	BVG 2010G	BVG 2010G
Retirement age	65 (male) / 64 (female)	65 (male) / 64 (female)
Turnover	18% on average	20% 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 figures	
(all amounts in thousands CHF)	2014	2013
Present value of obligation	(36,430)	(35,426)
Fair value of plan assets	29,454	31,864
Net asset/(liability) recognised	**(6,976)**	**(3,562)**

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Pension (continued)

c) Defined benefit obligation

	Actuarial	
(all amounts in thousands CHF)	**2014**	**2013**
Defined benefit obligation at beginning of the year	(35,426)	(21,781)
Service cost and employees' contributions	(4,893)	(3,664)
Interest cost	(741)	(467)
Actuarial gains / (losses)	(3,110)	1,447
Liabilities assumed in a business combination	-	(10,223)
Liabilities extinguished on settlements and curtailments	1,917	-
Plan amendments	(21)	-
Benefit payments	5,844	(738)
Defined benefit obligation at end of the year	**(36,430)**	**(35,426)**

Actuarial losses of CHF 3.1m is the net amount of Changes arising from economic assumption (CHF 4.4m) and Changes arising from experience (CHF 1.3m).

Liabilities extinguished on settlements and curtailments include a gross amount of CHF 0.4m of gains on curtailments arising from involuntary leaving of employees.

d) Plan assets

	Actuarial	
(all amounts in thousands CHF)	**2014**	**2013**
Fair value of plan assets at beginning of the year	31,864	19,897
Return on plan assets and interest income	504	(556)
Employees' contributions	2,141	1,484
Group contribution	2,450	1,832
Assets assumed in a business combination	-	8,606
Assets distributed on settlement	(1,502)	-
Benefit payments & administration expense	(6,003)	601
Fair value of plan assets at end of the year	**29,454**	**31,864**

e) Components of total pension costs

	Actuarial	
(all amounts in thousands CHF)	**2014**	**2013**
Service cost	(2,358)	(2,180)
Actuarial (gain) / loss	(3,110)	1,447
Return on plan assets (excluding interest income)	(210)	(1,007)
Net interest	(27)	(16)
Administrative expense	(159)	(137)
Company's pension cost	**(5,864)**	**(1,893)**

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)	2014	2013
Beginning of year	(3,562)	(1,884)
Defined benefit cost	(5,864)	(1,893)
Group contribution	2,450	1,832
Business combination	-	(1,617)
Net asset / (liability)	**(6,976)**	**(3,562)**

g) Components defined benefit obligation

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

(all amounts in thousands CHF)	2014	2013
Defined benefit obligation for active employees	(35,469)	(34,513)
Defined benefit obligation for pensioners	(961)	(913)
End of year	**(36,430)**	**(35,426)**

h) Categories of plan assets

	2014 proportion in CHF'000	2013 proportion in CHF'000
Cash	5,143	13,591
Bonds (listed)	18,206	14,334
Equities (listed)	5,626	3,803
Real estate	363	64
Other	116	72
Total	**29,454**	**31,864**

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 2014, 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.

In the meantime, 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 2014, the actuarial analysis demonstrated that an increase or a decrease of 0.25% in discount rate would lead to a maximum change of CHF 1.5m (2013: CHF 1.3m) in the defined benefit obligation. Other assumptions changes do not impact to the same extent defined benefit obligation.

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity

15.1 Share capital

a) 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**

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 authorized capital, to extend its maturity to 7 May 2016 and to authorize the utilization of the authorized 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. The new issued shares reduced the authorized capital accordingly.

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

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

15.1 Share capital (continued)

b) Number of Shares in 2013

	1 January	Change	Increase	Utilisation	31 December
Issued shares					
Ordinary share capital					
Number of shares	14,638,370	-	-	-	**14,638,370**
Nominal value per share (CHF)	0.20	-	-	-	**0.20**
Total nominal value (CHF)	2,927,674	-	-	-	**2,927,674**
Unissued shares					
Conditional capital					
Number of conditional shares	750,000	-	-	-	**750,000**
Nominal value per share (CHF)	0.20	-	-	-	**0.20**
Total nominal value (CHF)	150,000	-	-	-	**150,000**
Authorised capital					
Number of authorised shares	3,500,000	-	-	-	**3,500,000**
Nominal value per share (CHF)	0.20	-	-	-	**0.20**
Amount authorised (CHF)	700,000	-	-	-	**700,000**

All amounts in Swiss Francs 90

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

15.2 Share options reserve (employee stock options plan)

a) Components of share options reserve

Allocation	Tranche	Value of services to be reclassified to accumulated profits	Value of services to be amortised through profit and losses	Share option reserve
12	3/3	352,421	-	352,421
13	2/3	260,988	-	260,988
13	3/3	355,834	-	355,834
14	1/3	107,497	-	107,497
14	2/3	190,389	-	190,389
14	3/3	196,526	(39,305)	157,221
15	1/3	317,181	-	317,181
15	2/3	336,323	(97,672)	238,651
15	3/3	346,596	(182,785)	163,811
16	1/3	262,422	(208,565)	53,857
16	2/3	266,776	(214,514)	52,262
16	3/3	266,016	(222,962)	43,055
Total		**3,258,969**	**(965,803)**	**2,293,166**

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 sixteen 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 2014 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
12	3/3	47.50	38,565	September-13	August-15	-	38,565	-
13	2/3	34.27	50,446	September-13	August-15	-	50,446	-
	3/3		67,179	September-14	August-16	-	67,179	-
14	1/3	32.20	35,898	September-13	August-15	-	35,898	-
	2/3		59,640	September-14	August-16	-	59,640	-
	3/3		59,640	September-15	August-17	-	-	-
15	1/3	33.24	83,266	August-14	July-16	-	83,266	-
	2/3		83,367	August-15	July-17	-	-	-
	3/3		83,507	August-16	July-18	-	-	
16	1/3	30.71	49,343	October-15	September-17	49,343	-	-
	2/3		49,343	October-16	September-18	49,343	-	-
	3/3		49,286	October-17	September-19	49,286	-	-
		Total	**709,480**			**147,972**	**334,994**	-

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

c) Sixteen 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 2014 allocation). One option grants the right to acquire one share.

Date of Grant	31.10.2014
Strike price [CHF]	30.71
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	151,925
Of which granted to Board of Directors	-
Of which granted to Executive Management	14,160
Of which granted to Others employees	137,765
Spot price at grant [CHF]	29.82
Volatility	32.41%
Fair value per option (average of all tranches and including assumption of lapse rate) [CHF]	5.37
Of which:	
Tranche 1	*5.32*
Tranche 2	*5.41*
Tranche 3	*5.40*

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

All amounts in Swiss Francs 92

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
	11th	12th	13th	14th	15th	16th	Total	for exercise
Strike price	63.24	47.50	34.27	32.20	33.24	30.71		
Share price at 31.12.2014	39.15	39.15	39.15	39.15	39.15	39.15		
Balance at 1 January 2013	**50,624**	**123,075**	**227,409**	**201,030**	**-**	**-**	**602,138**	**750,000**
Grants	-	-	-	-	288,100	-	288,100	
Exercised								
Covered by:								
the issue of new shares	-	-	-	-	-	-	-	
treasury shares	-	-	(46,446)	(24,052)	-	-	(70,498)	
Lapsed / Forfeited	(26,096)	(43,445)	(9,338)	(6,430)	(13,580)	-	(98,889)	
Balance at 31 December 2013	**24,528**	**79,630**	**171,625**	**170,548**	**274,520**	**-**	**720,851**	**750,000**
Balance at 1 January 2014	**24,528**	**79,630**	**171,625**	**170,548**	**274,520**	**-**	**720,851**	**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	(24,528)	(41,065)	(46,542)	(13,420)	(24,380)	(3,953)	(153,888)	
Balance at 31 December 2014	**-**	**38,565**	**117,625**	**155,178**	**250,140**	**147,972**	**709,480**	**960,000**

Conditional shares available for exercise	960,000
Less options outstanding	(709,480)
Intermediary balance (including conditional shares)	**250,520**
Number of treasury shares available at 31 December 2014	372,428
Balance shares available for future grants	**622,948**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Equity (continued)

e) Movement (fair value) in stock options

	Allocation						
	11th	12th	13th	14th	15th	16th	Total
Balance at 1 January 2013	**657,294**	**1,061,028**	**1,166,760**	**635,391**	**-**	**-**	**3,520,473**
Grants	-	-	-	-	1,151,877	-	1,151’877
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	-	(233,090)	(72,024)	-	-	(305,114)
Lapsed / Forfeited	(331,751)	(349,992)	(48,080)	(20,462)	(54,298)	-	(804,583)
Balance at 31 December 2013	**325,543**	**711,036**	**885,590**	**542,905**	**1,097,579**	**-**	**3,562,653**
Balance at 1 January 2014	**325,543**	**711,036**	**885,590**	**542,905**	**1,097,579**	**-**	**3,562,653**
Grants	-	-	-	-	-	816,425	816,425
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	-	(37,120)	(6,152)	-	-	(43,272)
Lapsed / Forfeited	(325,543)	(358,616)	(231,649)	(42,341)	(97,477)	(21,211)	(1,076,837)
Balance at 31 December 2014	**-**	**352,420**	**616,821**	**494,412**	**1,000,102**	**795,214**	**3,258,969**

f) Strike value of stock options outstanding and movements

	Allocation						
	11th	12th	13th	14th	15th	16th	Total
Balance at 1 January 2013	**3,201,462**	**5,846,063**	**7,793,306**	**6,473,166**	**-**	**-**	**23,313,997**
Grants	-	-	-	-	9,576,444	-	9,576,444
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	-	(1,591,704)	(774,474)	-	-	(2,366,178)
Lapsed / Forfeited	(1,650,311)	(2,063,637)	(320,013)	(207,046)	(451,399)	-	(4,692,406)
Balance at 31 December 2013	**1,551,151**	**3,782,426**	**5,881,589**	**5,491,646**	**9,125,045**	**-**	**25,831,857**
Balance at 1 January 2014	**1,551,151**	**3,782,426**	**5,881,589**	**5,491,646**	**9,125,045**	**-**	**25,831,857**
Grants	-	-	-	-	-	4,665,617	4,665,617
Exercise: new shares	-	-	-	-	-	-	-
Exercise: treasury shares	-	-	(255,586)	(62,790)	-	-	(318,376)
Lapsed / Forfeited	(1,551,151)	(1,950,588)	(1,594,994)	(432,124)	(810,391)	(121,397)	(6,460,645)
Balance at 31 December 2014	**-**	**1,831,838**	**4,031,009**	**4,996,732**	**8,314,654**	**4,544,220**	**23,718,453**

All amounts in Swiss Francs 94

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 2013	**2,403,048**	**-**	**(730,032)**	**-**	**(83,643)**	**1,589,373**
Revaluation of AFS - gross	(1,000,890)	-	-	-	-	(1,000,890)
Revaluation of AFS - tax	187,166	-	-	-	-	187,166
Remeasurement of defined benefit obligation - gross	-	-	-	-	-	-
Remeasurement of defined benefit obligation - tax	-	-	-	-	-	-
Revaluation of land and building - gross	-	-	-	1,276,290	-	1,276,290
Revaluation of land and building - tax	-	-	-	(238,666)	-	(238,666)
Foreign currency translation differences	-	-	-	-	1,574	1,574
Balance at 31 December 2013	**1,589,324**	**-**	**(730,032)**	**1,037,624**	**(82,069)**	**1,814,847**
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
Revaluation of land and building - gross	-	-	-	-	-	-
Revaluation of land and building - tax	-	-	-	-	-	-
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)**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.4 Treasury shares

	2014	2013
Beginning of the year (shares)	**79,192**	**175,133**
Acquisition - shares	**394,533**	**725,557**
unit price ranging from CHF	28.22 to 40.10	27.92 to 39.85
Disposal - shares	**(91,889)**	**(751,000)**
unit price ranging from CHF	31.97 to 36.75	29.75 to 34.45
Remittance to optionees - shares	**(9,408)**	**(70,498)**
unit price ranging from CHF	32.20 to 34.27	32.20 to 34.27
End of the period - 31 December (shares)	**372,428**	**79,192**
Total cost (in CHF)	**12,567,806**	**2,959,769**
% of the issued shares	2.43%	0.54%

Out of the 91,889 treasury shares sold in 2014, 76,800 shares have been sold to PostFinance AG in the context of the new partnership with the Group and the acquisition by PostFinance AG of a five percent equity investment in the capital of the Group.

As at 31 December 2014 remaining balance of 372,428 is primarly acquired for the purpose of covering employees share and option plans.

On 25 September 2013, 750,000 shares have been transfered as part of the consideration for the acquisition of MIG Bank Ltd.

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.

	2014	2013	2012	2011	2010
Dividend per share	0.60(*)	0.60	0.60	-	0.60
Other pay out per share	-	-	-	1.04	-

* Proposal of the Board of Directors

16. Net fee and commission income

	2014	2013
Brokerage and related	53,050,433	50,532,700
Custody and others	15,734,320	13,237,628
Advertising and subscription fees	2,156,729	2,692,466
Total fee and commission income	**70,941,482**	**66,462,794**
Fee and commission expenses	(7,999,515)	(7,158,782)
Total net fee and commission income	**62,941,967**	**59,304,012**

All amounts in Swiss Francs 96

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Net interest income

	2014	2013
Interest income		
Cash and short-term funds	142,258	401,579
Investment securities	13,464,706	14,873,187
Currency derivatives revaluation	1,453,636	1,344,704
Loans to customers	3,913,634	3,012,008
	18,974,234	**19,631,478**
Interest expense		
Banks	(55,969)	(8,442)
Customers - trading accounts	(2,595,039)	(2,466,218)
Customers - saving accounts	(1,710,917)	(2,031,916)
	(4,361,925)	**(4,506,576)**
Total net interest income	**14,612,309**	**15,124,902**

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.

18. Net trading income

	2014	2013
Foreign exchange revenues		
- eForex	54,794,430	38,083,606
- Others foreign exchange income	12,573,030	11,405,664
	67,367,460	**49,489,270**
Unrealised fair value gains/(losses)		
- From Investment securities	150,088	(258,719)
- From Trading assets	(109,326)	896,697
	40,762	**637,978**
Realised gains / (losses)		
- From financial assets	561,865	314,580
Total net trading income	**67,970,087**	**50,441,828**

All amounts in Swiss Francs

SECTION VII: OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Operating expenses

	2014	2013
Payroll & related expenses	57,987,295	47,312,503
Other operating expenses	30,079,373	36,190,797
Marketing expenses	15,022,471	14,336,854
Depreciation and amortisation	13,618,290	12,100,353
Provisions	596,719	1,641,243
Total	**117,304,148**	**111,581,750**

Payroll and related expenses consist of:

	2014	2013
Wages and salaries	58,204,439	46,780,446
Social security costs	4,913,726	3,666,541
Pension costs	2,675,190	2,067,667
	65,793,355	**52,514,654**
Less: capitalised costs	(7,806,060)	(5,202,151)
Total	**57,987,295**	**47,312,503**
Average headcount	503	420

With the development of international activities of the Group, Wages and salaries comprise of a balance of CHF 4.8m which is not subject to Swiss social security (2013: CHF 2.1m).

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

Share plan

The fair value of the attributed shares is fully recognised as expense at the date of grant and a corresponding increase in equity shall be recognised. The fair value of the shares shall be measured at the market price of the entity's shares adjusted to take into account the terms and conditions upon which the shares were granted. During the 2014, the Group granted a total of 11,589 shares retricted for a 5 years period (representing CHF 0.35m).

All amounts in Swiss Francs 98

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.

	2014	2013
Weighted average number of ordinary shares in issue	15,066,956	14,239,826
Net Profit	23,521,337	11,656,163
Earning per share	**1.56**	**0.82**

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.

	2014	2013
Weighted average number of ordinary shares	15,066,956	14,239,826
Adjustments for share options	-	-
Weighted average number of ordinary shares for diluted earnings per share options	15,066,956	14,239,826
Net Profit	23,521,337	11,656,163
Diluted earning per share	**1.56**	**0.82**

All amounts in Swiss Francs

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 Executive Management, as well as with shareholders with an interest in the Group of more than 5%.

	2014	2013
Key Management compensation		
Short term employee benefits	2,413,636	2,277,800
Post-employment benefits	279,040	214,216
Total	**2,692,676**	**2,492,016**
Of which:		
Share based payment	118,636	140,000
Loans and advances to customers	2,472,971	2,529,727
Due to customers	6,169,314	9,922,961
Interest income	32,291	29,769
Interest expenses	10,758	12,566

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

22. Commitments

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

Payable	2014	2013
Not later than 1 year *	1,736,506	4,111,874
Later than 1 year and not later than 5 years	2,709,978	14,032,870
Later than 5 years	-	8,340,240
Total	**4,446,484**	**26,484,984**

* Including Capital Expenditures Committed.

Loan commitments:

Loan commitments of CHF 23,600,000 (2013: CHF 22,294,000) are related to the Group contribution to the Swiss depositor protection scheme (Art. 37H Banking Act). The depositor scheme is responsible for ensuring that clients' deposits at Swiss banks are protected. In the event of a bank going bankrupt, all Swiss banks have to transfer within five days the amounts required. As per FINMA guidelines, the payment obligation has to be recognised for as an irrevocable commitment under the off-balance sheet transactions.

All amounts in Swiss Francs 100

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 Obligation Code, the following table summarises all compensations held by each member of the Board of Directors and Executive Management:

Participations

	Number of shares 2014	Number of shares 2013	Number of share options expiring				
			2015	2016	2017	2018	2019
Mario Fontana, Chairman of the Board	592,900	592,500	2,550	2,800	1,750	1,000	-
Mario Fontana, closely related persons (*1)	164,011	164,011	-	-	-	-	-
Paul E. Otth, member	300	73,700	1,700	1,866	1,167	667	-
Markus Dennler, member	26,966	26,666	1,700	1,866	1,167	667	-
Martin Naville, member	6,422	6,122	1,700	1,866	1,167	667	-
Adrian Bult, member	2,200	-	500	1,866	1,167	667	-
Marc Bürki, CEO	1,921,100	1,918,670	6,800	7,466	6,240	4,240	1,574
Paolo Buzzi, CTO	1,919,075	1,916,975	6,800	7,466	6,240	4,240	1,574
Michael Ploog, CFO	67,750	67,650	6,800	7,466	6,240	4,240	1,574
Closely related persons (*2)	163,061	161,750	35	151	117	67	-
Total	**4,863,785**	**4,928,044**	**28,585**	**32,813**	**25,255**	**16,455**	**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 its best knowledge of the number of shares owned by close relatives of the members of the Board and members of Executive Management. Close relatives consist of spouse, children, father and mother as well as sisters and brothers. At 31 December 2014 and 31 December 2013, closely related persons are mainly related to Paolo Buzzi (CTO), Marc Bürki (CEO) and Michael Ploog (CFO).

24. Subsequent event

The decision taken by Swiss National Bank on 15 January 2015 to remove the 1.20 floor on the EUR/CHF resulted in an extreme market situation, which left many clients with a negative balance. The Group has decided to record a provision of CHF 25 million (impairment allowance), which will impact the results of 2015 (non-adjusting event for 2014). The reduction of the impact and the timeline of its final measurement will depend on the ability to recover these negative balances from clients and the time needed to do so, but the impact will not require the Group to record additional provision. The Group is actively seeking to recover these negative balances.

All amounts in Swiss Francs

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 16 to 101), for the year ended 31 December 2014.

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 2014 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 SA

Beresford Caloia Audit expert Auditor in charge	Daniel Salama Audit expert

Geneva, 20 February 2015

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Financial Report 2014
Statutory Financial Statements

STATUTORY FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013 OF SWISSQUOTE GROUP HOLDING LTD

Financial Report 2014
Statutory Balance Sheet

	Notes	2014	2013
ASSETS			
Current assets			
Cash and banks		406,518	603,752
Receivable from subsidiaries - current account	5	40,983,921	27,628,839
Receivables and prepayments		2,326	117,636
Securities (treasury shares)	3	11,575,598	2,549,982
Total current assets		**52,968,363**	**30,900,209**
Non-current assets			
Investments in subsidiaries	4	99,612,780	99,612,780
Receivable from subsidiaries - subordinated loan	5	25,000,000	15,000,000
Total non-current assets		**124,612,780**	**114,612,780**
Total assets		**177,581,143**	**145,512,989**
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		783,478	898,788
Income tax payable		316,601	478,502
Total current liabilities		**1,100,079**	**1,377,290**
Equity			
Share capital	6	3,065,634	2,927,674
Legal reserve - general	7	1,485,115	11,093,151
Legal reserve - capital contribution reserve	7	25,459,592	247,402
Reserve for own shares	3/7	12,567,806	2,959,770
Retained earnings	7	133,902,917	126,907,702
Total equity		**176,481,064**	**144,135,699**
Total liabilities and equity		**177,581,143**	**145,512,989**

The notes on pages 107 to 111 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
Statutory Statement of Operations

	2014	2013
Income		
Revenues from investments	813,288	1,151,877
Fair value adjustment of treasury shares	-	3,748,560
Interest income	526,234	758,142
Royalties	7,124,911	6,173,716
Dividend received from subsidiaries	11,500,000	11,500,000
Total	**19,964,433**	**23,332,295**
Expenses		
Realised loss on treasury shares	96,206	3,860,094
Fair value adjustement of treasury shares	582,420	-
Operating expenses	2,829,239	1,373,252
Depreciation	424,421	431,162
Tax expense	388,099	566,467
Total	**4,320,385**	**6,230,975**
Net profit of the year	**15,644,048**	**17,101,320**

The notes on pages 107 to 111 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2014
Notes to the Statutory Financial Statements

1. Introduction

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 (main operating subsidiary being Swissquote Bank Ltd).

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 (in the sense of art. 20 Stock Exchange Act - SESTA) are:

	2014	2013
Mr. Marc Bürki	12.53%	13.11%
Mr. Paolo Buzzi	12.52%	13.10%
PostFinance AG	5.00%	-
Mr. Mario Fontana	4.93%	5.16%
Windel Investments Ltd (indirect holder: Mr. George Butros Mansour)	4.89%	5.12%
Basellandschaftliche Kantonalbank	4.77%	4.99%
UBS Fund Management (Switzerland) AG	3.22%	-
Treasury Shares:		
Swissquote Group Holding Ltd	2.43%	0.54%

The Statutory Financial Statements were approved for issue by the Board of Directors of the Company on 20 February 2015.

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

2. Corporate governance, risk assessment and disclosure of compensation in accordance with art 663b ^{bis} and 663c CO

The detailed Corporate Governance Report established in compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance is included in Section 3 of the 2014 Annual Report of Swissquote Group Holding Ltd and subsidiaries. The Board of Directors is composed of MM Mario Fontana (Chairman of the Board and member of the Nomination and Remuneration Committee), Paul E. Otth (Chairman of the Audit & Risk Committee), Markus Dennler (Chairman of the Nomination & Remuneration Committee), Martin Naville (member of the Audit & Risk Committee), and Adrian Bult (member of the Audit & Risk Committee). Executive Management is composed of MM Marc Bürki (CEO), Paolo Buzzi (CTO) and Michael Ploog (CFO).

The Board met nine times in 2014, out of which three meetings were held via telephone conference and six were physical meetings. One meeting was the Annual Conference on Risks dedicated to an in-depth review of risks and of risk management processes and attended by the full Board, the Executive Management, the Heads of department of Swissquote Bank Ltd who are involved in specific risk management functions, Internal Audit and External Audit. Each body / person submitted to the Board its own independent assessment and, based thereon and on its own assessment the Board concluded on the adequacy of risk management and, when required, resolved on enhancements to the risk assessment process and to internal control.

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.

3. Securities (Treasury shares)

	2014	2013
Beginning of the year (shares)	**79,192**	**175,133**
Acquisition - shares	**394,533**	**725,557**
Unit price ranging	28.22 to 40.10	27.92 to 39.85
Disposal - shares	**(91,889)**	**(751,000)**
Unit price ranging	31.97 to 36.75	29.75 to 34.45
Remittance to optionees - shares	**(9,408)**	**(70,498)**
Unit price ranging	32.20 to 34.27	32.20 to 34.27
End of the period - 31 December (shares)	**372,428**	**79,192**
% of the issued shares	2.43%	0.54%

Out of the 91,889 treasury shares sold in 2014, 76,800 shares have been sold to PostFinance AG in the context of the new partnership with the Group and the acquisition by PostFinance AG of a five percent equity investment in the capital of the Group.

As at 31 December 2014 remaining balance of 372,428 is primarily acquired for the purpose of covering employees share and option plans.

	2014	2013
Total cost (Reserve for own shares)	**12,567,806**	**2,959,770**
Share price at year end	31.20	39.15
Strike prices (non lapsed allocations)	30.71 to 47.50	32.20 to 63.24
Total Securities (Treasury shares)	**11,575,598**	**2,549,982**

The Treasury shares are primarily acquired for the purpose of covering the employee stock option plan. The voting rights on the Treasury shares and the rights associated therewith are suspended. As per Swiss law (art. 659a Swiss Obligation Code), the Company must set aside an amount equivalent to the cost of acquiring its owns shares as a separate reserve (reserve for own shares).

Treasury shares are valued at the lowest of cost or a lower amount in the following cases:

When the market value is below both the cost and the expected strike price of options outstanding (options are out-of the money):	Valuation at market value
When the market value is above the strike price of options outstanding (options in the money), but the strike price is below the cost:	Valuation at the strike of options outstanding

Treasury shares in excess of share options to be covered are valued at the lowest either the cost either the market price.

All amounts in Swiss Francs 108

4. Investments in subsidiaries

Investments in subsidiaries consist of:

	2014		2013	
Swissquote Bank Ltd	100.0%	97,560,002	100.0%	97,560,002
Swissquote Trade Ltd	100.0%	238,950	100.0%	238,950
Swissquote Financial Services Ltd	99.9%	1,813,828	99.9%	1,813,828
Total		**99,612,780**		**99,612,780**

The Company increased the investment in Swissquote Financial Services Ltd of CHF 424,421 (with subsequent depreciation for the same amount).

5. Receivables from subsidiaries

The current account of CHF 40,983,921 (2013: CHF 27,628,839) is related to cash deposited by Swissquote Group Holding Ltd into a bank account opened with Swissquote Bank Ltd.

The subordinated loan of CHF 25,000,000 (2013: CHF 15,000,000) 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 2014.

6. Share capital

	2014	2013
Ordinary issued share capital		
Number of shares in issue	15,328,170	14,638,370
Nominal value of each share (Registered shares)	0.20	0.20
Ordinary share capital	**3,065,634**	**2,927,674**
Unissued share capital		
Conditional share capital (nominal value)	192,000	150,000
Authorised share capital (nominal value)	362,040	700,000

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 500,000 by issuing no more than 2,500,000 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.

On 7 May 2014, the Annual General Meeting of Shareholders resolved inter alia to increase by CHF 42,000 the conditional share capital.

On 25 June 2014, and in the context of the strategic partnership signed with PostFinance AG on 2 May 2014, the Company 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. The new issued shares reduced the authorized capital accordingly.

All amounts in Swiss Francs

7. Legal reserves, Reserve for own shares and Retained earnings

	2014	2013
Legal reserve - general:		
At beginning of year	11,093,151	4,868,256
Allocation from Reserve for own shares	(9,608,036)	6,224,895
At end of year	**1,485,115**	**11,093,151**
Legal reserve - capital contribution reserve:		
At beginning of year	247,402	247,402
Capital increase	25,212,190	-
At end of year	**25,459,592**	**247,402**
Reserve for own shares:		
At beginning of year	2,959,770	9,184,665
Allocation to General reserve	9,608,036	(6,224,895)
At end of year	**12,567,806**	**2,959,770**
Retained earnings:		
At beginning of year	126,907,702	118,212,371
Dividend paid	(8,648,833)	(8,405,989)
Net profit of the year	15,644,048	17,101,320
Available Retained earnings, end of year	**133,902,917**	**126,907,702**

All amounts in Swiss Francs 110

Financial Report 2014
Proposed Appropriation of Retained Earnings

PROPOSAL OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF RETAINED EARNINGS AT 31 DECEMBER 2014

Allocation of available retained earnings

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

In CHF	2014
Available retained earnings at 31 December 2014	133,902,917
Proposed dividend (CHF 0.60 per share)	(9,196,902)
Retained earnings to be carried forward at 1 January 2015	**124,706,015**

Amount of proposed dividend is based on the number of shares issued at 31 December 2014.

The Company is in the process to request the confirmation from Federal Tax Administration that the capital contribution reserve at 31 December 2014 is eligible for a distribution of CHF 0.60 per share. Such a distribution is not subject to the deduction of the Swiss withholding tax and to income tax for private individuals living in Switzerland who hold the shares as part of their private assets. If the confirmation is obtained, the Board of Directors will propose the distribution from capital contribution reserve instead of the above suggested distribution from retained earnings. This confirmation will be included in the invitation to the Annual General Meeting of Shareholders.

All amounts in Swiss Francs

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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 107 to 111), for the year ended 31 December 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

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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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Beresford Caloia Audit expert Auditor in charge	Daniel Salama Audit expert

Geneva, 20 February 2015

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Section 3: Corporate Governance Report 2014
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Corporate Governance Report 2014

Introduction

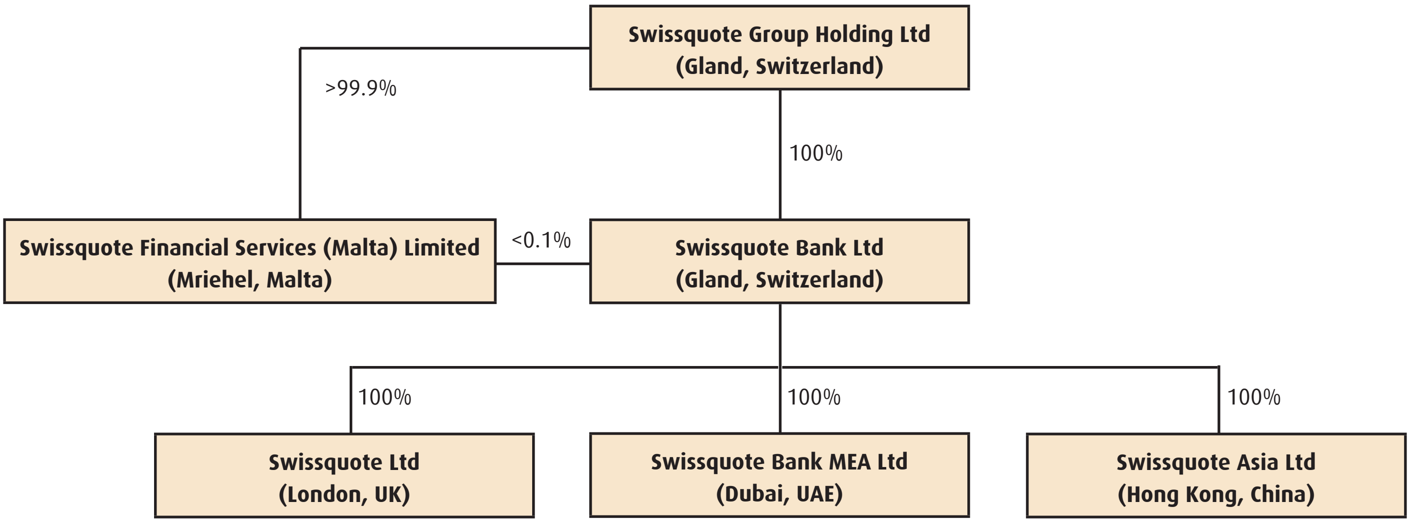
The Swissquote Group (the "Group") is fully committed to meeting the highest standards of corporate governance and acts in compliance with the standards established by the "SIX Swiss Exchange Directive on Information Relating to Corporate Governance". This directive has been amended in 2014 as a result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



Corporate Governance Report 2014

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 2014, the market capitalisation for the Company amounted to CHF 478,238,904. 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 Swissquote Bank Ltd 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 par value of CHF 6).

Swissquote Financial Services (Malta) Limited (formerly Swissquote Europe Ltd) has been a limited liability company incorporated in Malta since 19 October 2012. Swissquote Financial Services (Malta) Limited is an investment services company under the supervision of the Malta Financial Services Authority ("MFSA"). In 2014, this company changed its business model and was in this context granted a Category 4a license from the MFSA in order to start new operations as custodian for European investment funds. The share capital of Swissquote Financial Services (Malta) Limited amounts to EUR 1,000,000, divided into 999,999 Ordinary Class A shares with a par value of EUR 1 (held by the Company) and 1 Ordinary Class B share with a par value of EUR 1 (held by the Bank).

Swissquote Ltd (formerly MIG Capital (Europe) Ltd) has been a limited liability company incorporated in London since 19 July 2011. Swissquote Ltd is an investment company 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 par value of GBP 1).

Swissquote Bank MEA Ltd has been a limited liability company incorporated in the Dubai International Financial Center (DIFC) since 14 June 2012. Swissquote Bank MEA Ltd was granted a Category 4 license and is under the supervision of the Dubai Financial Services Authority (DFSA). The share capital of Swissquote Bank MEA Ltd amounts to USD 500,000 (500 registered shares with no par value).

Swissquote Asia Ltd (formerly MIG Capital (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 par value of HKD 1).

For futher details, reference is made to section II of the Notes to the Consolidated Financial Statements of the Financial Report 2014.

1.2 Significant shareholders

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 SIX Swiss Exchange Directive on Information Relating to Corporate Governance, the shareholders with an interest in the Company above 3% as at 31 December are as follows:

	2014			2013		
	Shares	Options	**Total**	Shares	Options	**Total**
Mr. Marc Bürki	12.53%	0.17%	**12.70%**	13.11%	0.19%	**13.30%**
Mr. Paolo Buzzi	12.52%	0.17%	**12.69%**	13.10%	0.19%	**13.29%**
PostFinance AG	5.00%	-	**5.00%**	-	-	-
Mr. Mario Fontana	4.93%	0.06%	**4.99%**	5.16%	0.08%	**5.24%**
Windel Investments Ltd (indirect holder: Mr. George Butros Mansour)	4.89%	1.37%	**6.26%**	5.12%	1.44%	**6.56%**
Basellandschaftliche Kantonalbank	4.77%	-	**4.77%**	4.99%	-	**4.99%**
UBS Fund Management (Switzerland) AG	3.22%	-	**3.22%**	-	-	-

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

The following table reports the main information pertaining to the disclosures of shareholdings made in accordance with Art. 20 SESTA in 2014:

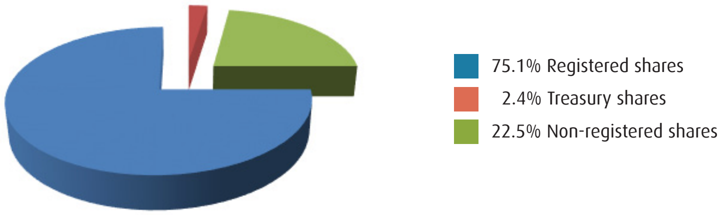
Date	**Shareholder / Group**	**Indirect holder**	**Trigger**	**New interest**	**New percentage of voting rights**
01.05.2014	Die Schweizerische Eidgenossenschaft	PostFinance AG	Acquisition	770,441	5.26%
30.06.2014	Mario Fontana	-	Capital increase	766,500	5.00%
30.06.2014	Windel Investments Ltd	George Mansour	Capital increase	960,000	6.26%
30.07.2014	Mario Fontana	-	Expiration of financial instruments	765,900	4.99%
12.12.2014	UBS Fund Management (Switzerland) AG	-	Acquisition	494,277	3.22%

A full list of past disclosures of shareholdings made in accordance with Art. 20 SESTA (including all details) is available on the website of SIX Swiss Exchange using the following link:

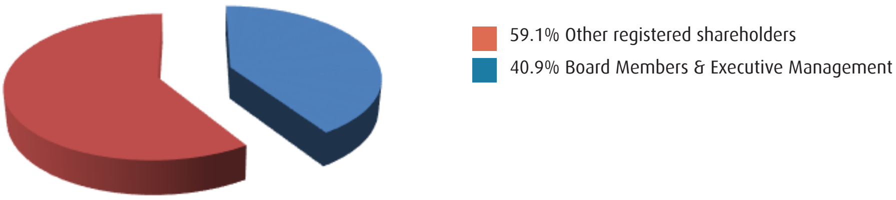
www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

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

As at 31 December 2014, the issued share capital consisted of 15,328,170 ordinary registered shares with a nominal value of CHF 0.20 each. The registered shareholders held 11,502,068 shares and the Company owned 372,428 treasury shares. The distribution of the shareholdings in the Company as of 31 December 2014 is reflected below:



Further the registered shareholders at 31 December 2014 are analysed as follows:



1.3 Cross-shareholdings

There are no cross-shareholdings.

2. Capital structure

2.1 Capital

Under Swiss Company Law, shareholders have to approve in a General Meeting of Shareholders any increase in the total number of issued shares, which may be an ordinary share capital increase or the creation of conditional or authorised capital.

As at 31 December 2014, 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 372,428 treasury shares. Further a conditional share capital amounting to CHF 192,000 and consisting of 960,000 ordinary conditional shares with a nominal value of CHF 0.20 each and an authorised capital of CHF 362,040 consisting of 1,810,200 authorised shares remained outstanding as at 31 December 2014.

SIX Swiss Exchange Regulations provide that individual shareholdings exceeding 5% (save inter alia for 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 2014 was 69.95% (2013: 63.51%).

2.2 Conditional and authorised capital in particular

In this section and in the remainder of this Report, the Articles of Incorporation of the Company, adopted in June 2014 and applicable as at 31 December 2014, 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 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 of Directors of the Company (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), the General Meeting of Shareholders shall 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 of Shareholders 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 2012	**14,638,370**	**750,000**	**3,500,000**	**18,888,370**
Exercise of employees' stock options	-	-	-	-
Increase/(decrease) in capital	-	-	-	-
As at 31 December 2012	**14,638,370**	**750,000**	**3,500,000**	**18,888,370**
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**

2.3 Changes in capital (continued)

	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance as at 1 January 2012	**2,927,674**	**39,418,265**	**2,785,238**	**(1,574,167)**	**(9,444,191)**	**195,502,558**	**229,615,377**
Net profit	-	-	-	-	-	22,004,317	22,004,317
Dividend / pay out	-	-	-	-	-	(15,045,034)	(15,045,034)
Currency translation differences	-	-	-	45,599	-	-	45,599
Other movements (*1)	-	77,885	218,113	3,117,941	259,526	834,516	4,507,981
Balance as at 31 December 2012	**2,927,674**	**39,496,150**	**3,003,351**	**1,589,373**	**(9,184,665)**	**203,296,357**	**241,128,240**
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	-	-	-	-	-	(8,405,989)	(8,405,989)
Currency translation differences	-	-	-	1,574	-	-	1,574
Other movements (*1)	-	(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	-	-	-	-	-	(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 (*1)	-	(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**

(*1) For futher details, reference is made to the Consolidated Statement of Changes in Equity for the years ended 2014, 2013 and 2012.

All amounts in Swiss Francs

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 2014 the share capital consisted of 15,328,170 registered shares. The share capital of the Company is fully paid-in. The dividend entitlement is in accordance with par value of the share. Each of the Company's registered shares carries one voting right at the General Meeting of Shareholders. 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 pursuant to 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 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; they were no exceptions in 2014.

Pursuant to Art. 14 Para. 1 of the AoI, decisions related to the introduction and removal of restrictions on the transferability of registered shares can only be made by the General Meeting of Shareholders 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 Group's stock option plan is provided in the Remuneration Report.

3. Board of Directors

The Board is the most senior body of the Company with 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 2014, 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 General Meeting of Shareholders on 7 May 2014, all Board members seeking their re-election 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 2014. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Paul E. Otth (1943 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since April 2002
Vice Chairman of the Board of Swissquote Bank Ltd since March 2004
Chairman of the Audit & Risk Committee

Educational Background

1972	Swiss Certified Public Accountant

Executive Experience

1962 - 1965	Elektrodenfabrik Oerlikon Bührle, Financial and Cost Accounting	
1965 - 1967	Zürcher Kantonalbank, Traditional Banking and Internal Audit	
1968 - 1974	Neutra Treuhand, Consulting and Auditing	
1974 - 1988	Corange Group (Boehringer Mannheim):	
	1974 - 1977	International Division, Head of Organisation, Consulting, Internal Audit
	1978 - 1979	Boehringer Mannheim France, Co-General Manager, Finance and Administration
	1980 - 1982	International Division, Head of Organisation, Consulting, Internal Audit
	1982 - 1988	Corange Group, Head of Corporate Controlling and Holding Treasurer
1988 - 1989	Budliger Treuhand, Partner	
1989 - 1996	Landis & Gyr:	
	1989 - 1994	Division Building Control, Head of Finance and Controlling
	1994 - 1994	Landis & Gyr Europe, Head of Finance and Controlling and Informatics
	1994 - 1996	CFO and member of the Group Executive Board
1996 - 1998	Elektrowatt Group, CFO and member of the Group Executive Board	
1998 - 2000	Siemens Building Technologies, CFO and member of the Group Executive Board	
2000 - 2002	Unaxis, CFO and member of the Group Executive Board	

Previous Board Mandates

1998 – 2008	SBB, Swiss Railways, Member of the Board and Chairman of the Audit Committee
2000 – 2001	Elma, Member of the Board
2000 – 2004	Esec, Member of the Board
2000 – 2012	Inficon, Vice-Chairman
2002 – 2014	Ascom, Vice-Chairman and Chairman of the Audit Committee

Current Board Mandates

Since 1999	EAO, Chairman
Since 2002	Swissquote, Member of the Board

Paul E. Otth has not held official functions or political posts in 2014. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Paul E. Otth will not seek for re-election at the General Meeting of Shareholders on 7 May 2015.

Markus Dennler (1956 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since March 2005
Member of the Board of Swissquote Bank Ltd since March 2005
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

Current Board Mandates

Since 2003	British Swiss Chamber of Commerce, Councillor
Since 2005	Swissquote, Member of the Board
Since October 2011	Implenia, Chairman (2006 - September 2011: Vice-Chairman)
Since December 2012	Allianz Suisse, Chairman (2006 - November 2012: Vice-Chairman)

Markus Dennler has not held official functions or political posts in 2014. 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 2014. 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 2013	SWICA, Member of the Board
Since December 2012	Swissgrid AG, Switzerland, Chairman of the Board (2007 - November 2012: Member of the Board)
Since 2008	Swissquote, Switzerland, 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 2013	Garaio AG, Switzerland, Chairman of the Board (2011 – August 2013: Member of the Board)

Other Mandates

Since 2006	Swiss Marketing Association, Member of the Board

Adrian Bult has not held official functions or political posts in 2014. 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 corresponding 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 need to 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 such group shall jointly 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 Swissquote Bank Ltd.

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

3.5 Internal organisational structure

3.5.1 Generalities

The Board is the supreme management body of the Company. It consists of at least three members and may form one or several advisory committees.

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 Company'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 of Shareholders and FINMA;
- The General Meeting of Shareholders;
- 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 summarised in a single document, the Regulation on Competences.

After each Annual General Meeting of Shareholders, where all Board members and the Chairman are elected, the Board elects its Vice Chairman and 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 2014, 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 including the Company's internal regulations and by-laws.

3.5.1 Generalities (continued)

The Board meets as often as business requires, 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 2014 the Board met ten times (five physical meetings and five 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 has the ultimate responsibility for the strategic direction of the Group, for the appointments and dismissals of members of the Executive Management, for the approval of the overall organisation of the Group as well as its risk principles and risk capacities. 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 provide otherwise.

The Board has the power to decide on all matters, which are not vested in the General Meeting of Shareholders or in any other body by law or pursuant to the AoI or the Organisational Regulations. Furthermore, it is the Board's responsibility to perform the following functions:

- Act as the ultimate direction of the Company;
- Define and modify the strategy of the Company as well as approve resolutions regarding the implementation or cessation of business activities;
- Establish the overall organisation;
- Choose the Chairman of the Committees;
- Based on the proposal of the Nomination & Remuneration Committee, decide on the Board's and the Executive Management's remuneration as well as on the appointment, suspension and dismissal of the Executive Management and of other signatories of the Company, and submit such proposals on maximum aggregate amounts to the General Meeting of Shareholders, as applicable;
- Define the finance and investment policy;
- Approve the annual budget;
- Based on the proposal of the Audit & Risk Committee, approve the financial planning and financial controls, determine the applicable accounting standards and decide on accounting issues where the accounting standards allow the Company to choose between different solutions;
- Approve the financial disclosure policy;
- Approve the Annual Financial Statements and regular interim financial reporting prior to their disclosure and after clearance by the Audit & Risk Committee;
- Approve the organisation of the risk identification and monitoring;
- Supervise the Executive Management, especially with respect to compliance with laws, the AoI, the internal directives and the Board's instructions;
- Prepare the Annual Report, the Remuneration Report and the General Meeting of Shareholders (invitations included) as well as execute its decisions;
- 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; 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.

3.5.3 Functions delegated to the Chairman

The Chairman performs the following functions:

- Chair the meetings of the Board and the General Meeting of Shareholders;
- Represent the Board vis-à-vis the public at large, public officials and the shareholders; and
- Supervise the execution of measures, which the Board has enacted.

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. The presence of only one member of the Board is sufficient for the Board to be quorate in respect of resolutions to be passed in connection with a capital increase, including the accompanying amendments to the AoI.

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

3.4.5 Audit & Risk Committee

Board members on the Committee: Paul E. Otth (Chairman), Martin Naville, Adrian Bult.

The principal duty of the Audit & Risk Committee is to supervise the regular financial reporting, the risk management and the audit functions of the Group. In particular, the Audit & Risk Committee performs the following functions and reports thereon to the Board:

- Overview the entire financial reporting;
- Review significant accounting issues and propose changes of accounting standards;
- Review the audit results and supervise the actions taken by the management on the Auditors' management letters;
- Advise the Board on whether the existing or new Auditors shall be proposed to the General Meeting of Shareholders;
- Check the independence of the Auditors;
- Review the audit plan; and
- Assess the qualification of Auditors and the quality of their audit work.

The Audit & Risk Committee meets at least once per quarter and in 2014 it met five times. The average length of the meetings was 2.5 hours. At each meeting held in 2014, the Executive Management, the Internal Auditor and the Auditors were present. The other Board members attended the meetings as well. No external counsels attended the meetings.

The Audit & Risk Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

3.5.6 Nomination & Remuneration Committee

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

The Committee meets at least twice a year and in 2014 it met five times. The average length of the meetings was 1.5 hours. At each meeting held in 2014 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

The Executive Management assumes the business management responsibility of the Group. All executive functions within the Group not reserved for the Board or 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;
- Delegate competences to committees;
- Draft the internal regulations for Board approval;
- Propose the organisation chart to the Board;
- Hire the employees and set their employment conditions and loans according to the guidelines issued by the Board;
- Propose the budget to the Board;
- Prepare the financial statements;
- Ensure that the IT systems are adequate;
- Implement the instructions of the Board related to internal controlling;
- Report to the Board material information on the risk evolution and provide its own risk analysis; and
- Determine the commissions, interest rates and other business conditions applicable to the Bank's clients.

The delegation process to 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 on Competences.

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: Human Resources / Controlling & Risk / 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:

- Quarter 1 and 3 reporting includes a full set of Interim 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. The Condensed Consolidated Interim Financial Statements for the half-year are however reviewed by the Auditors. The Condensed Consolidated Interim Financial Statements are used 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 Swissquote Bank Ltd, 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 Federal Law on Banks and Saving Banks 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 all 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 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, technical risk, interest risk, market risk, legal risk, etc.). This system continues to evolve based on the experiences 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 were major shareholders as at 31 December 2014. 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

Current Board Mandates

Since 2012	Swissquote Bank MEA Ltd, Dubai, UAE, Chairman of the Board
Since 2012	Swissquote Financial Services (Malta) Limited, Mriehel, Malta, 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 Bank MEA Ltd, Dubai, UAE, Member of the Board
Since 2012	Swissquote Financial Services (Malta) Limited, Mriehel, Malta Vice-Chairman of the Board

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 & Touche, 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 and Swissquote Bank Ltd, Chief Financial Officer	
Since 2000	Swissquote Bank Ltd, Chief Financial Officer	

Current Board Mandates

Since 1999	Swissquote Trade Ltd, Gland, Switzerland, Member of the Board
Since 2012	Swissquote Bank MEA Ltd, Dubai, UAE, Vice-Chairman of the Board
Since 2012	Swissquote Financial Services (Malta) Limited, Mriehel, Malta, Member 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

4.2 Other activities and vested interests

None of the members of the Executive Management has activities and vested interests (as defined in the corresponding 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 need to 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 such group shall jointly 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's participation

6.1 Generalities

Shareholders in Swiss corporations limited by shares have extended participatory and protective 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 of Shareholders (Art. 699 Para. 3 CO), motion rights (Art. 699 Para. 3 CO), the right of appeal (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 (ORAb / VegüV) has introduced new rights for the shareholders, which are progressively entering into force and will be fully in force in 2015.

The General Meeting of Shareholders 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 of Shareholders, 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 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 of Shareholders are set by the Board and communicated to shareholders in the invitation to the General Meeting of Shareholders.

6.3 Quorums required by the Articles of Incorporation

Where a General Meeting of Shareholders has been convened in accordance with the provisions of the law and the AoI, decisions may be taken, irrespective of the number of shares / shareholders present or represented at the General Meeting of Shareholders. 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:

- change in the Company's purpose;
- the introduction of preferred voting shares;
- the introduction or removal of restrictions on the transfer 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 of Shareholders 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;
- The shareholder or shareholders shall 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 of Shareholders, 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 at the request of a shareholder.

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 shall 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;
- Requests for the inclusion of items on the agenda shall be 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 and the corporate name and registered office, respectively, 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 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 Meeting. Registered shareholders who sell their shares prior to the General Meeting of Shareholders 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. 32 of the Swiss Federal Stock Exchanges and Securities Trading Act (SESTA) states that any person who directly or indirectly acquires equity securities, and thereby exceeds the threshold of 33 1/3 per cent of the voting rights of a target company, whether or not such rights can be exercised, is obliged to submit an offer to acquire all listed equity securities of that company. 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 of Shareholders.

The Company has no opting out / opting up clause in its AoI.

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 of Shareholders the results of their audit, the objective of which is to verify that the 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 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 General Meetings of Shareholders, unless an unanimous resolution of the shareholders provides otherwise.

The Consolidated Financial Statements and the Statutory Financial Statements of the Company and its subsidiaries (except for Swissquote Ltd and Swissquote Asia Ltd, which are audited by KPMG Ltd) have been audited by PricewaterhouseCoopers SA since 1999, which has been re-elected each year since then. Since 2014, Beresford Caloia has been responsible for the audit of the Group; he has replaced Philippe Bochud, who had been the lead auditor from 2008 to 2013.

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 specific information such as their audit findings, comments on accounting issues and auditing fee proposals to the Audit & Risk Committee.

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 of Shareholders and are eligible for re-election. They were re-elected on 7 May 2014. 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 2014 are analysed as follows:

in CHF	2014	2013
Auditing fees	479,700	691,804
Additional fees:		
Audit-related services	30,700	57,509
Tax	118,539	112,543
Total	**628,939**	**862,256**

The auditing fixed fees are agreed upon for the audits of the Consolidated and Statutory Financial Statements of the Group companies, including the regulatory audit of the bank, for the year ended 31 December 2014. They can be adjusted on the occurrence of circumstances related to an unforseeable change in the scope or perfomance of the engagement.

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 Swissquote Bank Ltd'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 140

8.4 Informational instruments pertaining to the Auditors

The Auditors are requested to meet at least twice a year with the Audit & Risk Committee. In 2014, the Auditors met three times with the Audit & Risk Committee.

Year-round the Auditors issue inter alia the following reports:

- Interim report: Review of the Condensed Consolidated Interim Financial Information (balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, cash flow statement and notes);
- Each year:
    - Audit Plan to the Board and to the Audit & Risk Committee;
    - comprehensive report to the Board with conclusions on the financial reporting, the internal system of control as well as the conduct and the result of the audit;
    - summary report in writing to the General Meeting of Shareholders on the result of the audit, containing (i) an assessment on the result of the audit, (ii) information on independence, (iii) information on the person who managed the audit and on his specialist qualifications, and (iv) a recommendation on whether the Statutory Financial Statements and the Consolidated Financial Statements should be approved or rejected with or without qualification; and
    - regulatory audit report to the Board and to FINMA.

The Audit Plan in particular includes a risk assessment containing the identification of the risks of material misstatements in the Financial Statements as well as an analysis of auditing fees (including audit-related services). The Audit Plan is discussed in depth at the Annual Conference on Risks and is updated from time to time throughout the course of the year depending on the circumstances.

At each meeting of the Audit & Risk Committee the Auditors provide a written report on their findings, if any, and comment on the development of the regulatory and accounting frameworks.

The regulatory audit report is part of the ordinary reporting to FINMA and is commented by the Auditors during the meeting of the Audit & Risk Committee. The Board takes note of it. The regulatory audit report examines the overall compliance and adequacy of the organisation and assesses matters such as the independence and the qualification of the Board as a body, the professional qualification of the Internal Auditor and the adequacy and quality of the planning, execution and reporting of internal audit, as well as the adequacy of capital. FINMA also receives a copy of the comprehensive report to the Board.

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 Group'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 admissibility and conflicts of interest.

Once a year, the Audit & Risk Committee reviews the qualification 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 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 of Shareholders to re-elect the Auditors or to start a process for the selection of new auditors.

The Auditors confirm their independence to the Audit & Risk Committee at least once a year. The Audit & Risk Committee assesses the Auditors' independence on the basis of their confirmation and also based on its own assessment of the various reports addressed to its attention or of which it received a copy (including reports related to additional services).

9. Information policy

9.1 General principles

The Company aims primarily to promote confidence in its disclosure policy. Thereby it intends to create a better understanding of its business and to develop and maintain 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 to provide 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 is to 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 within 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 of Shareholders and of any Extraordinary General Meeting of Shareholders are published on the Company website (www.swissquote.ch/sqw-group/index.jsp) and in media releases.

The Ordinary General Meeting of Shareholders generally takes place in April or May of each year and will, in 2015, take place on 7 May.

The half-year reporting 2015 is scheduled on 28 July 2015.

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 2014
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Remuneration Report 2014

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.

Since 2011, 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.

In accordance with the Ordinance against Excessive Compensation in Listed Corporations[1] entered into force on 1 January 2014 (the "Ordinance"), the Company now has the obligation to issue every year a remuneration report separately from the Annual Report, for the first time for the year 2014. This Remuneration Report contains the information required by the Ordinance, the section 5 of the Annex to 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). Pursuant to 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 shareholders at the Annual General Meeting of Shareholders of 7 May 2015.

The Ordinance also introduces a binding say on pay by the shareholders. In this regard, this Remuneration Report contains an analysis of the factors impacting future remuneration, which will be taken into account by the Board when submitting its proposals to the General Meeting of Shareholders (the "General Meeting"). The proposal of the Board on the maximum aggregate remuneration for the Board and the Executive Management will be included in the invitation to the General Meeting.

For further information on remuneration matters, reference is made to the Articles of Incorporation of the Company adopted in June 2014 and applicable as at 31 December 2014, which are available at www.swissquote.ch/articles in the French original version together with an English free translation (the "AoI").

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 its 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. 20bis 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. 20bis of the AoI, the Organisational Regulations and the Charter of the NRC. Pursuant to Art. 20bis 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 Annual General Meeting 2014, 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 calendar year. In 2014, it met five times. The average length of the meetings was 1.5 hours. At each meeting held in 2014, 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.

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[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).

3.1 Nomination & Remuneration Committee (continued)

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. This practice was upheld in 2014.

Duties

In accordance with the Organisational 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;

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 proposal 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 with 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 otherwise requested by a Board member, resolve on all recommendations of the NRC regarding Board remuneration in one vote. Members of the Executive Management do not attend the part of the Board meeting where their remuneration is decided on.

3.3 General Meeting

Binding vote on pay

Pursuant to Art. 9 Para. 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 according to Art. 21bis of the AoI; and
- the remuneration payable to the Executive Management for the following financial year according to Art. 21ter of the AoI.

This prospective vote allows the Company to avoid the legal uncertainties that could arise from post hoc vote.

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

Pursuant to Art. 14bis 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 Swiss francs but payable in a foreign currency, it is possible to exceed the approved amounts for reasons of exchange rate fluctuations.

Pursuant to Art. 14bis 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.

Consultative vote on remuneration report

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

4. Remuneration components

4.1 Generalities

At the end of 2014, the following remuneration components were available for the level of responsibilities listed below:

	Base remuneration (Cash)	Variable remuneration			Pension fund contributions and benefits	Other remuneration
		Cash bonus	Shares	Stock options		
Board members	Yes	Not eligible	Eligible	Not eligible (since 2014)	Not eligible	Eligible
Executive Management members	Yes	Eligible	Eligible	Eligible	Eligible	Eligible
Other employees	Yes	Eligible	Eligible	Eligible subject to conditions	Eligible	Eligible

Base remuneration

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 to be paid by the employee, and may be supplemented by a fixed indemnity covering his / her estimated out-of-pocket expenses.

Variable remuneration in general

Art. 21 Para. 2 of the AoI sets forth the principles applicable to the variable remuneration of the members of the Board and of the Executive Management, which are as follows:

- The elements of short-term remuneration are dependent on quantitative and qualitative targets which may take into account the results achieved by the Company or parts of the Company, targets compared with the market or other companies, and / or individual targets. The degree to which these targets have been met is generally assessed for a period of one year and may result in short-term remuneration, which is capped at 150% of the base remuneration.
- The elements of long-term remuneration are notably dependent on strategic Company targets of a quantitative nature and / or on individual targets. The degree to which these targets have been met is generally assessed over a period of several years.

Further, pursuant to Art. 21 Para. 3 of the AoI, the Board sets the targets and decides to what degree these targets have been met. Remuneration may be paid or granted in cash, in shares, in options, in similar financial instruments, in kind or in another form. The Board shall decide 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.

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 share plan aims to reward sustained, long-term performance and align shareholder and employee interests more closely.

The share plan can be made available to all eligible employees (including members of the Executive Management) and to Board members. Every year, the Board will at its entire discretion decide whether and how many shares will be offered and to whom; neither an eligible employee nor a Board member shall have an enforceable right to be granted shares at a discounted price.

The Board decides, at its discretion, the terms of the 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, each share must be held exclusively in the name of the employee / Board member to whom it is granted and therefore cannot be transferred.

In case of change of control, all blocked shares will be unblocked within the period of one month of the date of the effective change of control provided all conditions subject to which the offer is made have been satisfied.

In 2014, shares were offered to all eligible employees and Board members for free (no price paid for the acquisition). They are blocked for a period of 5 years as from their attribution.

4.1 Generalities (continued)

Stock option plan

The Group operates a stock option plan for employees up to the Executive Management in order to allow for a medium term participation of employees in the growth of the stock price of the Company. Except for stock options already allocated, the stock option plan for the Board members has been discontinued in 2014 and the current remuneration framework does not allow for further allocations to Board members.

The Board, within the framework of legal requirements including, but not limited to, the approval of the General meeting and the alignment with AoI, 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 (lock-up periods). The exercise period is 2 years. The exercise of one stock option allows acquiring one Swissquote share (ratio 1:1). Options granted are vested at the date of exercise. As a result, employees holding options who leave the Group before their options become exercisable lose their right to exercise their options, unless the Board decides otherwise.

Since 2007 and in ordinary business circumstances, the maximum number of options that can be offered in a single calendar 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 1.4% in 2014 (2.4% in 2013, 1.7% in 2012). In ordinary business circumstances, the allocation 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 the Executive Management and those offered to members of the respective levels of the organisation.

In case of change of control, the stock options may be exercised within a period of one month as of the date of the effective change of control provided all conditions subject to which the offer is made have been satisfied.

Further details on stock 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. 4 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 or credits which do not satisfy these conditions may be granted to members of the Executive Management provided that, in each single case, they do not exceed the amount of CHF 100,000 and they have been approved separately, or as part of an aggregate amount, by the General Meeting.

No severances

In the last 10 years, no severance payments (including so-called “golden parachutes”) have been agreed or paid for members of the Board or of the Executive Management.

Indemnification

Pursuant to Art. 21 Para. 5 of the AoI, the Company may indemnify members of the Board and of the Executive Management for any losses 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 benefits

The Group employees benefit from favourable conditions on their Swissquote trading account (commissions, custody fees) and other lesser advantages.

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 of the AoI, the remuneration of the Chairman of the Board and other Board members comprises a cash component (base fee), a variable remuneration in the form of a share plan (as from 2014), social insurance contributions made by the Company and a fixed indemnity covering their estimated out-of-pocket expenses (other remuneration).

Base fee

The base fee, 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 fee of the Board members and the base salary of the Executive Management.

Variable remuneration

For what regards the Board, the variable remuneration consisted in a stock option component until 2013, which was the last year where the Board members were granted stock options. As from 2014 and subject to the unexpired stock options allocated until 2013 (which were vested at grant), the variable remuneration only consists in a share component.

The variable remuneration, which is reviewed annually, is – within the framework of the AoI and, as soon as applicable, the decisions of the General Meeting – 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 variable remuneration of the Board members and the variable remuneration of the Executive Management.

Other remuneration

The Board members receive a fixed indemnity covering their estimated out-of-pocket expenses. 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. 21ter of the AoI, the remuneration of the members of the Executive Management comprises:

- a cash component (base salary);
- a variable remuneration in the form of:
    - a cash component (bonus) capped at 150% of the base salary;
    - a share plan (as from 2014);
    - a stock 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).

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 salary

The base salary of the members of Executive Management is reviewed annually by the Board and, when necessary, is adjusted by the Board at its discretion, in response to a proposal by the NRC. The base salary of the members of Executive Management was last increased in August 2013.

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

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 salary. With due care of 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. The Board resolves, at its entire discretion, on the level of the cash bonus in response to a proposal by the NRC.

Share plan

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.

The Board seeks to maintain a sensible relation between the number of shares offered to Executive Management and those offered to members of the respective levels of the organisation.

Stock option plan

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. Stock options granted to the members of the Executive Management are vested at the date of exercise.

The Board seeks to maintain a sensible relation between the number of options offered to Executive Management and those offered to members of the respective levels of the organisation.

Pension fund contributions and benefits

Pursuant to Art. 21 Para. 4 of the AoI, contributions may be made to occupational and non-occupational pension institutions or similar institutions abroad for members of the Executive Management.

Other remuneration

The members of the Executive Management receive a fixed indemnity covering their estimated out-of-pocket expenses. 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 on the consumption of services provided by the Group 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. 4 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 or credits which do not satisfy these conditions may be granted to members of the Executive Management provided that, in each single case, they do not exceed the amount of CHF 100,000 and they have been approved separately, or as part of an aggregate amount, by the General Meeting.

Duration of contracts

The termination period of the employment contract 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 indicated 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 years 2014 and 2013.

Board remuneration 2014

All amounts in CHF	Base remuneration	Variable remuneration		Social insurance contributions	Other remuneration	Total
	Cash	Shares (tax value)	Stock options (fair value)			
Mario Fontana, Chairman	120,000	8,968	N/A	9,408	2,000	140,376
Paul E. Otth, member	80,000	6,726	N/A	6,374	2,000	95,100
Markus Dennler, member	80,000	6,726	N/A	6,374	2,000	95,100
Martin Naville, member	80,000	6,726	N/A	6,374	2,000	95,100
Adrian Bult, member	80,000	6,726	N/A	6,374	2,000	95,100
Total Board of Directors	**440,000**	**35,872**	N/A	**34,904**	**10,000**	**520,776**

The tax value, amounting to CHF 22.4 per share, represents the market price of the share on grant date (i.e. CHF 30.0) discounted by 5% per annum of blocking. Shares are blocked for 5 years.

With respect to social insurance contributions, the figures above only cover the amount paid by the Company. Other remuneration consists in an indemnity covering the Board member's estimated out-of-pocket expenses.

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 2013

All amounts in CHF	Base remuneration	Variable remuneration		Social insurance contributions	Other remuneration	Total
	Cash	Shares (tax value)	Stock options (fair value)			
Mario Fontana, Chairman	120,000	N/A	12,000	8,538	2,000	142,538
Paul E. Otth, member	80,000	N/A	8,000	5,734	2,000	95,734
Markus Dennler, member	80,000	N/A	8,000	5,734	2,000	95,734
Martin Naville, member	80,000	N/A	8,000	5,734	2,000	95,734
Adrian Bult, member	80,000	N/A	8,000	5,734	2,000	95,734
Total Board of Directors	**440,000**	N/A	**44,000**	**31,474**	**10,000**	**525,474**

The most significant inputs in the determination of the fair value of the options are the market value at grant, the strike price, the expected life of the options and the volatility. The fair value amounted to CHF 4.0 on grant date. For further information, reference is made to section 5.3.

All amounts in Swiss Francs 152

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

Total remuneration for 2013 has been amended, compared to the 2013 Compensation Report, to include social insurance contributions. With this respect, the figures above only covered the amount paid by the Company. Other remuneration consisted in an indemnity covering the Board member's estimated out-of-pocket expenses.

In 2013, 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 2013 and 2014

There were no changes for the base remuneration.

As mentioned in section 4 above, since 2014, the Group has made a share plan available to all eligible employees and to Board members. In addition, in 2014, the stock option plan was discontinued for the Board members (except for stock options already allocated). Therefore, in 2014, no options were allocated to Board members and the shares that were offered for a total tax value of CHF 35,872 were the only element of their variable remuneration.

There were no changes for the other remuneration.

5.2 Remuneration of the members of the Executive Management

The table below show the total remuneration of the members of the Executive Management for the years 2014 and 2013.

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
Total Executive	**1,438,800**	**345,000**	**6,726**	**76,038**	**244,136**	**61,200**	**2,171,900**

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

The tax value, amounting to CHF 22.4 per share, represents the market price of the share on grant date (i.e. CHF 30.0) discounted by 5% per annum of blocking. Shares are blocked for 5 years.

The most significant inputs in the determination of the fair value of the options are the market value at grant, the strike price, the expected life of the options and the volatility. The fair value amounted to CHF 5.4 on grant date. For further information, reference is made to section 5.3.

With respect to social insurance contributions and pension fund contributions and benefits, the figures above only cover the amount paid by the Company. Other remuneration consists in an indemnity covering the Executive Management's estimated out-of-pocket expenses.

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 performance-related remuneration of the Executive Management (cash bonus) represents 24.0% of their total base remuneration.

All amounts in Swiss Francs

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

Executive Management remuneration 2013

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	439,000	100,000	N/A	32,000	61,201	26,400	658,601
Paolo Buzzi, CTO	439,000	100,000	N/A	32,000	61,201	26,400	658,601
Michael Ploog, CFO	439,000	100,000	N/A	32,000	60,340	18,000	649,340
Total Executive	**1,317,000**	**300,000**	N/A	**96,000**	**182,742**	**70,800**	**1,966,542**

The cash bonus represents the accrual cash bonus in 2013 of the bonus payable in 2014, based on the 2013 results.

The most significant inputs in the determination of the fair value of the options are the market value at grant, the strike price, the expected life of the options and the volatility. The fair value amounted to CHF 4.0 on grant date. For further information, reference is made to section 5.3.

Total remuneration for 2013 has been amended, compared to the 2013 Compensation Report, to include social insurance contributions and pension fund contributions and benefits. With this respect, the figures above only covered the amount paid by the Company. Other remuneration consisted in an indemnity covering the Executive Management's estimated out-of-pocket expenses.

In 2013, 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 performance-related remuneration of the Executive Management (cash bonus) represented 22.8% of their total base remuneration.

Executive Management remuneration changes between 2013 and 2014

From 2013 to 2014, the total base remuneration increased from CHF 1,317,000 to 1,438,800 representing a total increase of 9.2%.

As mentioned in section 4 above, since 2014, the Group has made a share plan available to all eligible employees including the Executive Management. In 2014, the stock option plan was also available to the Executive Management. In addition, the Executive Management is eligible to receive a variable cash remuneration. Therefore, in addition to a total increase in cash bonus from CHF 300,000 in 2013 to CHF 345,000 in 2014 representing a total increase of 15.0% and a total decrease from CHF 96,000 in 2013 to 76,038 in 2014 in the stock option total fair value representing a total decrease of 20.8%, the members of the Executive Management were also offered shares for a total tax value of CHF 6,726 as part of their variable remuneration.

From 2013 to 2014, the total social insurance contributions and pension fund contributions and benefits increased from CHF 182,742 to 244,136 representing a total increase of 33.6%.

From 2013 to 2014, the total for other remuneration decreased from CHF 70,800 to 61,200 representing a total decrease of 13.6%.

All amounts in Swiss Francs

5.3 Evaluation 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 tax value represents the market price of the share on grant date discounted by 5% per annum of blocking. Shares are blocked for 5 years. For further information on the valuation of the shares, reference is made to Note 19 to the Consolidated Financial Statements (section VII).

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).

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 2014 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	2014	2013
Mario Fontana, Chairman	-	-
Paul E. Otth, member	-	699,578
Markus Dennler, member	-	-
Martin Naville, member	-	-
Adrian Bult, member	-	-
Closely related persons	-	-
Former members	-	-
Total	**-**	**699,578**

Members of the Executive Management

All Amount in CHF	2014	2013
Marc Bürki, CEO	2,472,971	1,830,149
Paolo Buzzi, CTO	-	-
Michael Ploog, CFO	-	-
Closely related persons	-	-
Former members	-	-
Total	**2,472,971**	**1,830,149**

All amounts in Swiss Francs

6. “Pay for Performance” appraisal for the financial year under review

As indicated 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.

Based on a proposal of the NRC, the Board assessed that the objectives set to the Executive Management for 2014 were overall achieved and set the aggregate cash bonus for the three members of the Executive Management to CHF 345,000.

7. Share ownership information

As at 31 December 2014, the number of shares and options held by Board members and members of the Executive Management, as well as by closely related persons, was 4,910,615 or 32.0% of the share capital (previous year: 5,050,914 or 34.5%).

7.1 Shareholdings

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

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 2014	Number of shares 2013
Mario Fontana, Chairman	592,900	592,500
Mario Fontana, Closely related persons	164,011	164,011
Paul E. Otth, member	300	73,700
Markus Dennler, member	26,966	26,666
Martin Naville, member	6,422	6,122
Adrian Bult, member	2,200	-
Closely related persons	2,000	2,000
Former members	-	-
Total	**794,799**	**864,999**

Members of the Executive Management

	Number of shares 2014	Number of shares 2013
Marc Bürki, CEO	1,921,100	1,918,670
Paolo Buzzi, CTO	1,919,075	1,916,975
Michael Ploog, CFO	67,750	67,650
Closely related persons	161,061	159,750
Former members	-	-
Total	**4,068,986**	**4,063,045**

7.2 Options

The following tables provide information on stock options granted to members of the Board and of the Executive Management. These stock options have the Swissquote share (SQN; ISIN CH0010675863) as underlying and the exercise of one stock 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
8,100	750	12.08.2010	12.08.2013	12.08.2015	47.50
	1,050	12.08.2011	12.08.2013	12.08.2015	34.27
	1,050	12.08.2011	12.08.2014	12.08.2016	34.27
	750	07.08.2012	07.08.2013	07.08.2015	32.20
	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

Paul E. Otth, member

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
5,400	500	12.08.2010	12.08.2013	12.08.2015	47.50
	700	12.08.2011	12.08.2013	12.08.2015	34.27
	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2013	07.08.2015	32.20
	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

7.2 Options (continued)

Markus Dennler, member

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
5,400	500	12.08.2010	12.08.2013	12.08.2015	47.50
	700	12.08.2011	12.08.2013	12.08.2015	34.27
	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2013	07.08.2015	32.20
	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

Martin Naville, member

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
5,400	500	12.08.2010	12.08.2013	12.08.2015	47.50
	700	12.08.2011	12.08.2013	12.08.2015	34.27
	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2013	07.08.2015	32.20
	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
4,200	500	12.08.2010	12.08.2013	12.08.2015	47.50
	700	12.08.2011	12.08.2014	12.08.2016	34.27
	500	07.08.2012	07.08.2013	07.08.2015	32.20
	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

7.2 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
26,320	2,000	12.08.2010	12.08.2013	12.08.2015	47.50
	2,800	12.08.2011	12.08.2013	12.08.2015	34.27
	2,800	12.08.2011	12.08.2014	12.08.2016	34.27
	2,000	07.08.2012	07.08.2013	07.08.2015	32.20
	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

Paolo Buzzi, CTO

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
26,320	2,000	12.08.2010	12.08.2013	12.08.2015	47.50
	2,800	12.08.2011	12.08.2013	12.08.2015	34.27
	2,800	12.08.2011	12.08.2014	12.08.2016	34.27
	2,000	07.08.2012	07.08.2013	07.08.2015	32.20
	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

7.2 Options (continued)

Michael Ploog, CFO

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
26,320	2,000	12.08.2010	12.08.2013	12.08.2015	47.50
	2,800	12.08.2011	12.08.2013	12.08.2015	34.27
	2,800	12.08.2011	12.08.2014	12.08.2016	34.27
	2,000	07.08.2012	07.08.2013	07.08.2015	32.20
	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

Closely related persons

Total number of options	Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
370	35	12.08.2011	12.08.2013	12.08.2015	34.27
	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

8. Factors driving the trend in remuneration

As mentioned in section 3, the AoI stipulate that shareholders must take separate votes in advance on the maximum remuneration for the Board (for the period from the 2015 General Meeting to the 2016 General Meeting) and the Executive Management (for the financial year 2016). Such binding say on pay will take place for the first time at the Annual General Meeting of Shareholders of 7 May 2015. The proposal of the Board will be included in the invitation to the General Meeting.

In this perspective, the Board wishes to highlight the following factors that will likely be influencing 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 set of comparable companies the Board is looking at to benchmark the level and structure of remuneration of the Board and of the Executive Management;
- The Group's strategy is to offer various services that are deemed to mitigate the strong natural volatility of the individual components of the 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 still prevail at the beginning of 2015. 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.

9. Approval of the Remuneration Report

This Remuneration Report provides full transparency for the 2014 financial year with regard to the Group's remuneration arrangements and remuneration paid to the Board and the Executive Management. The Board intends to submit this Remuneration Report to the Annual General Meeting of 7 May 2015 for consultative approval.

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

We have audited the section 5 of the remuneration report (pages 152-155) dated 20 February 2015 of Swissquote Group Holding Ltd for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the 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 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Beresford Caloia	Daniel Salama
Audit expert Auditor in charge	Audit expert

Geneva, 20 February 2015

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