2018

Financial Report

Consolidated Interim
Financial Statements
First Half Year 2018

Swissquote

Condensed consolidated interim statement of financial positions

	Notes	30 June		31 December
in CHF		2018	2017	2017
Assets				
Cash and balances with central bank		3,614,901,519	3,135,253,291	3,517,110,596
Treasury bills and other eligible bills		256,964,081	261,705,557	259,850,000
Due from banks		584,007,838	461,255,715	425,399,549
Derivative financial instruments		64,248,312	83,222,308	72,390,700
Trading assets		8,205,429	7,225,563	8,251,045
Loans		297,262,802	252,245,724	278,589,147
Investment securities	11	309,915,689	453,653,390	384,884,309
Deferred income tax assets		1,431,191	1,026,000	1,297,620
Intangible assets		40,200,080	40,377,301	40,288,690
Information technology systems	12	47,329,936	43,520,776	44,937,871
Property, plant and equipment	13	59,199,754	62,522,545	61,572,383
Other assets		28,925,392	35,543,516	21,217,357
Total assets		**5,312,592,023**	**4,837,551,686**	**5,115,789,267**
Liabilities and equity				
Liabilities				
Deposits from banks		160,294,739	68,182,002	170,984,155
Derivative financial instruments		19,852,253	26,064,250	24,111,177
Due to customers		4,747,876,092	4,423,793,802	4,566,383,437
Other liabilities		50,702,798	40,631,672	50,280,159
Current income tax liabilities		4,111,183	3,373,775	5,310,652
Deferred tax liabilities		1,194,602	1,587,039	1,558,476
Provisions		2,820,645	2,457,207	2,012,911
Total liabilities		**4,986,852,312**	**4,566,089,747**	**4,820,640,967**
Equity				
Ordinary shares	14	3,065,634	3,065,634	3,065,634
Share premium		45,302,242	35,839,749	35,299,313
Share option reserve		1,428,270	2,212,399	1,482,727
Other reserve		(3,624,153)	(1,623,401)	(2,375,800)
Treasury shares	15	(20,312,249)	(32,880,599)	(29,318,059)
Retained earnings		299,879,967	264,848,157	286,994,485
Total equity		**325,739,711**	**271,461,939**	**295,148,300**
Total liabilities and equity		**5,312,592,023**	**4,837,551,686**	**5,115,789,267**

Condensed consolidated interim income statement

in CHF	Notes	6 months ended 30 June 2018	2017
Fee and commission income		61,073,737	43,817,283
Fee and commission expense		(5,508,481)	(4,908,089)
Net fee and commission income	6	**55,565,256**	**38,909,194**
Interest income		7,186,110	6,776,711
Interest expense		(13,082,251)	(7,931,229)
Other interest income		17,423,055	7,359,355
Other interest expense		(123,815)	(191,597)
Net interest income	7	**11,403,099**	**6,013,240**
Net trading income	8	**53,989,250**	**44,154,544**
Operating income		**120,957,605**	**89,076,978**
Credit loss expense	8/17	**(8,201,824)**	**N.A.** [1]
Operating expenses	9	**(82,005,770)**	**(67,657,778)**
Operating profit		**30,750,011**	**21,419,200**
Income tax expense	18	(5,010,362)	(3,531,470)
Net profit		**25,739,649**	**17,887,730**
Share information			
Earnings per share	10	1.78	1.24
Diluted earnings per share	10	1.76	1.24
Weighted average number of shares	10	14,459,152	14,454,119

[1] No comparative figures due to initial application of IFRS 9 and changes in accounting policies. Reference is made to Note 2.

Condensed consolidated interim statement of comprehensive income

	Notes	6 months ended 30 June 2018	2017
in CHF			
Net profit		**25,739,649**	**17,887,730**
Other comprehensive income: Gains/losses recognised directly in equity			
Items that may be reclassified to the income statement			
Investment securities carried at fair value (available-for-sale):			
Net unrealised gains/losses		N.A. [1]	299,643
Net realised gains/losses reclassified to the income statement from equity		N.A. [1]	(127,227)
Income tax effect		N.A. [1]	(31,035)
Investment securities measured at fair value through other comprehensive income (FVOCI)			
Net unrealised gains/losses		(645,292)	N.A. [1]
Net realised gains/losses reclassified to the income statement from equity		(25,207)	N.A. [1]
Income tax effect		114,655	N.A. [1]
Currency translation differences		(41,746)	(254,332)
Total other comprehensive income that may be reclassified to the income statement		**(597,590)**	**(112,951)**
Items that will not be reclassified to the income statement			
Investment securities measured at fair value through other comprehensive income (FVOCI - equities):			
Net unrealised gains/losses		36,075	N.A. [1]
Income tax effect		(6,169)	N.A. [1]
Land and building:			
Revaluation		N.A. [1]	–
Income tax effect		N.A. [1]	–
Total other comprehensive income that will not be reclassified to the income statement		**29,906**	**–**
Other comprehensive income for the period (net of tax)		**(567,684)**	**(112,951)**
Total comprehensive income for the period		**25,171,965**	**17,774,779**

[1] No comparative figures due to initial application of IFRS 9 and changes in accounting policies. Reference is made to Note 2.

Condensed consolidated interim statement of changes in equity

in CHF	Notes	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance as at 1 January 2018		3,065,634	35,299,313	1,482,727	(2,375,800)	(29,318,059)	286,994,485	295,148,300
Initial application of IFRS 9, net of tax	17	–	–	–	461,029	–	(852,566)	(391,537)
Changes in accounting policies	2/13	–	–	–	(1,141,698)	–	–	(1,141,698)
Restated balance as at 1 January 2018		3,065,634	35,299,313	1,482,727	(3,056,469)	(29,318,059)	286,141,919	293,615,065
Net profit of the period		–	–	–	–	–	25,739,649	25,739,649
Investment securities FVOCI & FVOCI equities		–	–	–	(634,424)	–	–	(634,424)
Income tax effect		–	–	–	108,486	–	–	108,486
Currency translation differences		–	–	–	(41,746)	–	–	(41,746)
Other comprehensive income for the period		**–**	**–**	**–**	**(567,684)**	**–**	**25,739,649**	**25,171,965**
Dividend and reimbursement from reserves	14	–	(581,580)	–	–	–	(12,503,964)	(13,085,544)
Employee stock option plan:								
Amortisation of services		–	–	447,906	–	–	–	447,906
Stock options exercised, lapsed or forfeited		–	–	(502,363)	–	–	502,363	–
Treasury shares:								
Purchase	15	–	–	–	–	(4,757,754)	–	(4,757,754)
Sale/remittance	15	–	10,584,509	–	–	13,763,564	–	24,348,073
Balance as at 30 June 2018		**3,065,634**	**45,302,242**	**1,428,270**	**(3,624,153)**	**(20,312,249)**	**299,879,967**	**325,739,711**
Balance as at 1 January 2017		3,065,634	42,585,616	1,968,928	(1,510,450)	(13,991,184)	248,715,920	280,834,464
Net profit of the period		–	–	–	–	–	17,887,730	17,887,730
Available-for-sale financial assets		–	–	–	172,416	–	–	172,416
Income tax effect		–	–	–	(31,035)	–	–	(31,035)
Currency translation differences		–	–	–	(254,332)	–	–	(254,332)
Other comprehensive income for the period		**–**	**–**	**–**	**(112,951)**	**–**	**17,887,730**	**17,774,779**
Dividend and reimbursement from reserves	14	–	(6,652,002)	–	–	–	(1,839,915)	(8,491,917)
Employee stock option plan:								
Amortisation of services		–	–	327,893	–	–	–	327,893
Stock options exercised, lapsed or forfeited		–	–	(84,422)	–	–	84,422	–
Treasury shares:								
Purchase	15	–	–	–	–	(19,231,602)	–	(19,231,602)
Sale/remittance	15	–	(93,865)	–	–	342,187	–	248,322
Balance as at 30 June 2017		**3,065,634**	**35,839,749**	**2,212,399**	**(1,623,401)**	**(32,880,599)**	**264,848,157**	**271,461,939**

Condensed consolidated interim statement of cash flow

in CHF	Notes	6 months ended 30 June 2018	2017
Cash flow from/(used in) operating activities:			
Fees and commission received		63,419,692	45,846,533
Fees and commission paid		(5,283,224)	(4,879,265)
Interest received		22,631,268	16,501,127
Interest paid		(13,186,429)	(6,989,225)
Net trading income received		55,060,323	42,777,543
Income tax paid/reimbursed		(6,695,155)	9,248,129
Payments to employees		(39,885,563)	(33,647,996)
Payments to suppliers		(35,410,828)	(35,862,031)
Cash flow from operating profit before changes in operating assets and liabilities		**40,650,084**	**32,994,815**
Net change in operating assets and liabilities:			
Treasury bills and other eligible bills (above 3 months)		(8,971,022)	18,669,950
Due from banks (above 3 months) [1]		(16,024,483)	20,568,537
Derivative financial instruments (assets)		8,142,388	(41,705,752)
Loans		(27,366,535)	(26,223,100)
Derivative financial instruments (liabilities)		(4,258,924)	13,340,628
Due to customers		179,005,852	837,419,291
Net cash from operating activities		**171,177,360**	**855,064,369**
Cash flow from/(used in) investing activities:			
Purchase of property, plant and equipment and information technology systems	12/13	(11,478,761)	(10,319,299)
Proceeds from sale and reimbursement of investment securities		116,090,568	183,750,395
Purchase of investment securities		(43,202,817)	(99,689,391)
Net cash from investing activities		**61,408,990**	**73,741,705**
Cash flow from/(used in) financing activities:			
Purchase of treasury shares		(4,757,754)	(19,231,602)
Sale of treasury shares		24,216,952	90,195
Dividend and reimbursement from reserves	14	(13,085,544)	(8,491,917)
Net cash from/(used in) financing activities		**6,373,654**	**(27,633,324)**
Net increase in cash and cash equivalents		**238,960,004**	**901,172,750**
Cash and cash equivalents as at 1 January		3,927,175,990	2,789,801,452
Exchange difference on cash and cash equivalents		952,229	458,359
Cash and cash equivalents as at 30 June [2]		**4,167,088,223**	**3,691,432,561**
Cash and cash equivalents:			
Cash and balances with central bank		3,614,901,519	3,135,253,291
Treasury bills and other eligible bills (less than 3 months)		153,837,014	163,105,557
Loans and advances to banks (less than 3 months)		558,644,429	461,255,715
Deposits from banks		(160,294,739)	(68,182,002)
Total as at 30 June		**4,167,088,223**	**3,691,432,561**

[1] The Group assessed that the position due from banks (above 3 months) is to be included in the operating activities and not in the investing activities accordingly with market practice.

[2] CHF 336.0 million and CHF 237.0 million of cash and cash equivalents were restricted as at 30 June 2018 and 30 June 2017 respectively .

Notes to condensed consolidated interim financial statements

1 Scope of operations and general information

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

2 Accounting policies and presentation matters

The condensed consolidated interim financial statements are prepared in accordance with IAS "34 Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the 2017 consolidated financial statements. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements with the following improvements:

IFRS 9, "Financial instruments"

Reference is made to Section 3 and Note 17.

Property, plant and equipment (Land & Building): change from revaluation model to cost model

Until 31 December 2017, land and building were carried at fair value (revaluated amount), less subsequent depreciation and provision for impairement, provided that fair value can be measured reliably following the revaluation model provided by IAS 16. As of 1 January 2018, the Group decided to change its accounting policy from revaluation model to cost model. The cost model prescribes to carry assets at cost less accumulated depreciation and provision for impairement where required.

According to IAS 8, changes in accounting policy should be rare and only be made (voluntary change) if the change will result in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flow. Despite the revaluation model being, in theory, able to provide more relevant and reliable information than that obtained under the cost model, experience and practice demonstrate that:

- Since the introduction of IAS 16, the cost model is largely preferred across the industry practice and remains the norm with competitors.
- The determination of a reliable fair value is very often limited by circumstances and subject to judgement and estimates.

Hereafter is a list of impacts of the application of the change from revaluation model to cost model:

- Consolidated statement of financial positions: Opening balance of land and building (property, plant and equipment) was adjusted by CHF 1,403,208, (CHF 1,141,698 net of tax) against the revaluation reserve (other reserve). Deferred tax liabilities were reduced accordingly.
- Consolidated income statement: Until 31 December 2017, no impact on net profit and earnings per share as the revaluation booked was entirely linked to the land which is not subject to depreciation. For the years 2018 onwards, the impact on annual net profit would have been less than CHF 5,000 per year.

Finally, it is worth noting that, specifically to the banking industry, the revaluation model is not advantageous anyway as Basel III regulation does not allow taking into account the revaluation reserve for the determination of regulatory capital. Therefore, the change has no impact on the capital ratios published for prior periods.

Net interest income: Presentation of interest revenue for particular financial instruments

IFRS 9 made a consequential amendment to IAS 1.82A which requires an entity to present separately, in the income statement, interest revenues calculated using the effective interest rate method from other interest revenues. This requirement affects the way that the Group was presenting the net interest income until 1 January 2018, in particular for derivatives not designated as hedging instruments (FX swaps), but it does not prevent the Group to present other interest amounts (derivatives financial instruments) in an adjacent interest line item (other interest income and other interest expense).

Notes to condensed consolidated interim financial statements

2 Accounting policies and presentation matters (continued)

Net interest income: Negative interest rates income and expense

There is currently some diversity of practice among banks regarding the presentation of the impact of negative interest rates within the income statement. Until 1 January 2018, the Group used to present this impact with a dedicated expense line item on the face of the income statement. In order to align the presentation with other financial institutions, from 1 January 2018, the Group has decided to include interest income on financial assets in interest expense when negative, because it does not meet the definition of revenue. Similarly, interest expense on financial liabilities is included in interest income when negative.

3 Adoption of new and revised international financial reporting standards

a Standards, amendments and interpretations effective on or after 1 January 2018.

IFRS 9, "Financial instruments"

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. The Group has also elected to continue applying the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "Financial instruments: disclosures".

Unlike some other new accounting standards, no consequential amendments to bring in specific new interim disclosure requirements were made to IAS 34 "Interim financial reporting" following the introduction of IFRS 9. As a result, the key requirement for interim reports prepared under IAS 34 is the general requirement in IAS 34.16a. Given the lack of prescriptive requirements, judgement is required in designing the disclosures for IAS 34 interim reporting. The extent of the disclosures should be proportionate to the impact of IFRS 9 adoption. Accordingly, Note 17 sets out disclosures relating to the impact of the adoption of IFRS 9 on the Group and describes selected accounting policies, which were most significantly impacted by IFRS 9.

IFRS 15, "Revenues from contracts with customers"

The Group has adopted IFRS 15 that establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue. IFRS 15 contains new guidelines on whether revenue should be recognised at a certain point of time or over time. For cases involving variable consideration, a new recognition threshold was introduced. Under this reporting standard, variable amounts are only included in revenue if it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation. IFRS 15 also introduces new guidance on the recognition of the costs of fulfilling and obtaining a contract and includes significantly increased requirements for the disclosure of revenue in the annual financial statements. The impact of the adoption of IFRS 15 was not significant.

Notes to condensed consolidated interim financial statements

3 Adoption of new and revised international financial reporting standards (continued)

b Standards and interpretations issued but not yet effective.

The Group did not early adopt new or amended standards in 2018.

IFRS 16, "Leases"

The new standard sets out the principles for the recognition, measurement, presentation and disclosures of the leases for both parties to a contract. The new standard introduces a new lessee accounting model that eliminates the classification of leases as either finance leases or operating leases. For all leases, the lessee recognises a leasing liability for its obligation to make future lease payments. At the same time, the lessee capitalise the right to use the underlying leased asset, which basically corresponds to the present value of future lease payments plus directly attributable costs. Exemptions apply in the case of short term leases and low value lease assets. IFRS 16 will replace the previous standard IAS 17 and related interpretations and is to be applied for the first time to financial years beginning on or after 1 January 2019. In April 2017, the Basel Committee on Banking Supervision (BCBS) clarified that for regulatory capital purposes the underlying leased asset (right to use) must not be deducted from regulatory capital where the underlying leased asset is a tangible asset. In the meantime, the underlying leased asset will have a risk weight of 100% and must be included in the calculation of both the risk-based capital and the leverage ratio denominators. Based on the current analysis, the Group does not expect IFRS 16 to have any significant overall impacts with the exception of an increase in assets and liabilities in line with the nominal value of its operating lease commitments. Based on current BCBS guidance and subject to further guidance from FINMA, the Group expects a corresponding effect on risk-weighted assets and leverage ratio.

4 Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 (Section V: Critical accounting judgement and sources of estimation uncertainty, pages 37-38), with the exception of the measurement of the expected credit loss (impairment allowance) introduced by IFRS 9.

Measurement of the expected credit loss (impairment allowance)

The measurement of the expected credit loss allowance (ECL) introduced by IFRS 9 for financial assets measured at amortised cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as determining criteria for significant change in credit risk and choosing appropriate models and assumptions for the measurement of expected credit losses.

The impairment allowance recognised within a period is impacted by a variety of factors, including the ones described below:

- Transfers between stage 1 and stages 2 due to financial instruments experiencing significant increases (decrease) of credit risk or into (out of) stage 3 due to financial instruments becoming credit impaired (becoming cured) and the consequent step up (step down) between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of expected credit losses due to changes in probabilities of defaults (PDs), exposures at defaults (EADs) and loss given defaults (LGDs) in the period arising from regular refreshing of inputs to models.

Defining the concept of significant change in credit risk is a critical element within the overall ECL estimate given the potential effect on provision of moving financial instruments from 12-month ECL to lifetime ECL.

The expected credit losses are a discounted product of the PDs, EADs and LGDs. PDs are based on historical data and quantitative estimates supplied by third parties. The EADs represent an estimate of the exposure to credit risk at time of potential default. The LGDs represent an estimate of the loss at the time of a potential default. The Group leverages the models used in determining the parameters under Basel III framework.

Notes to condensed consolidated interim financial statements

5 Reportable segments

The analysis of reportable segments and cost center for the 6 months period ending 30 June 2018 and 2017 are as follows :

	6 months ended 30 June	
	2018	2017
in CHFm		
Operating income	91.1	58.8
Operating expenses	(11.6)	(8.0)
Marketing expenses	(2.8)	(2.4)
Credit loss expense	(8.0)	N.A. [1]
Securities trading – direct contribution margin	**68.7**	**48.4**
Operating income	34.6	32.8
Operating expenses	(9.6)	(9.1)
Marketing expenses	(2.1)	(2.0)
Credit loss expense	(0.1)	N.A. [1]
Leveraged forex – direct contribution margin	**22.8**	**21.7**
Operating expenses – technology	(20.5)	(17.7)
Operating expenses – operations	(11.0)	(8.7)
Operating expenses – marketing	(8.7)	(6.9)
Operating expenses – G&A	(14.1)	(12.2)
Platform and infrastructure operations (cost centre)	**(54.3)**	**(45.5)**
Negative interest rate expense (excl. FX swaps)	(4.7)	(2.6)
Credit loss expense	(0.1)	N.A. [1]
Provisions	(1.6)	(0.6)
Operating profit	**30.8**	**21.4**
Income tax expense	(5.1)	(3.5)
Net profit	**25.7**	**17.9**

[1] No comparative figures due to initial application of IFRS 9 and changes in accounting policies. Reference is made to Note 2.

As at 30 June 2018:

- 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:

	30 June 2018	30 June 2017
in CHFm		
Assets – securities trading	4,717.8	4,201.5
Assets – leveraged forex	480.2	547.1
Assets – platform and infrastructure operations	114.6	89.0
Total assets	**5,312.6**	**4,837.6**
Liabilities – securities trading	(4,585.5)	(4,086.9)
Liabilities – leveraged forex	(357.7)	(442.9)
Liabilities – platform and infrastructure operations	(43.7)	(36.3)
Total liabilities	**(4,986.9)**	**(4,566.1)**
Total equity	**325.7**	**271.5**

Notes to condensed consolidated interim financial statements

6 Net fee and commission income

in CHF	6 months ended 30 June 2018	2017
Brokerage and related income	46,585,244	31,779,579
Custody fees	5,615,251	4,862,199
Other commission income	6,983,975	5,887,363
Advertising and subscription fees	1,889,267	1,288,142
Total fee and commission income	**61,073,737**	**43,817,283**
Fee and commission expense	(5,508,481)	(4,908,089)
Total net fee and commission income	**55,565,256**	**38,909,194**

Brokerage and related income includes an amount of CHF 8.0 million (2017: 0) relating to the cryptocurrencies trading service that was initiated on 14 July 2017.

7 Net interest income

			6 months ended 30 June	
in CHF	Activities excluding FX swaps	FX swaps	2018	2017
Interest income				
Investment securities	2,829,182	–	2,829,182	3,907,499
Loans and due to customers	4,241,742	–	4,241,742	2,709,777
Others	115,186	–	115,186	159,435
Total interest income	**7,186,110**	**–**	**7,186,110**	**6,776,711**
Interest expense				
Cash and balances with central bank	(2,823,136)	(7,172,710)	(9,995,846)	(6,451,865)
Due to banks and due from banks (incl. stock exchanges)	(1,642,121)	–	(1,642,121)	(629,001)
Treasury bills and loans	(880,206)	–	(880,206)	(362,746)
Due to customers	(564,078)	–	(564,078)	(487,617)
Total interest expense	**(5,909,541)**	**(7,172,710)**	**(13,082,251)**	**(7,931,229)**
Other interest income				
Derivative financial instruments	–	17,423,055	17,423,055	7,359,355
Total other interest income	**–**	**17,423,055**	**17,423,055**	**7,359,355**
Other interest expense				
Derivative financial instruments	–	(123,815)	(123,815)	(191,597)
Total other interest expense	**–**	**(123,815)**	**(123,815)**	**(191,597)**
Total net interest income	**1,276,569**	**10,126,530**	**11,403,099**	**6,013,240**

Net total impact of negative interest rates during the period under review is CHF 11,342,685 (2017: CHF 7,314,513), out of which CHF 11,850,186 (2017: CHF 7,314,513) classified as interest expense. Excluding FX swaps, the impact of negative interest rates is CHF 4,169,975 (2017: 2,614,553).

Notes to condensed consolidated interim financial statements

8 Net trading income and credit loss expense

in CHF	6 months ended 30 June 2018	6 months ended 30 June 2017
Foreign exchange revenues:		
From leveraged forex (eForex)	35,082,737	32,642,262
From other foreign exchange income	12,919,053	10,443,518
Unrealised fair value gains/losses:		
From trading assets	(70,857)	800,843
From others	(972,517)	349,494
Realised gains/losses:		
From derivative financial instruments	7,070,603	–
From others	(39,769)	(81,573)
Net trading income	**53,989,250**	**44,154,544**
Credit loss expense	**(8,201,824)**	**N.A.** [1]

[1] No comparative figures due to the initial application of IFRS 9. Reference is made to Note 2.

The sharp equity market sell off and volatility spike that occurred early February 2018 yielded strong results across brokerage activities (Note 6: net fee and commission income) and across multiple asset classes (trading income/realised gains and losses from derivative financial instruments). In the same period, the Group experienced non-expected credit losses from clients trading derivative financial instruments that have to be included in a separate line item according to IFRS (credit loss expense).

9 Operating expenses

in CHF	6 months ended 30 June 2018	6 months ended 30 June 2017
Payroll and related expenses	37,356,902	30,458,822
Other operating expenses	21,003,264	17,371,414
Marketing expenses	11,876,831	10,185,112
Depreciation and amortisation	10,144,726	9,006,026
Provisions [1]	1,624,047	636,404
Total	**82,005,770**	**67,657,778**

[1] In 2017, the amount of CHF 0.6 million included a minor impairment allowance amount that would have been recorded under credit loss expense following the adoption of IFRS 9 (stage 3).

Notes to condensed consolidated interim financial statements

10 Earnings per share

Basic:

	6 months ended 30 June	
	2018	2017
Weighted average number of ordinary shares in issue	14,459,152	14,454,119
Net profit (CHF)	25,739,649	17,887,730
Earnings per share (CHF)	**1.78**	**1.24**

Diluted:

	6 months ended 30 June	
	2018	2017
Weighted average number of ordinary shares	14,459,152	14,454,119
Adjustments for share options	176,234	1,024
Weighted average number of ordinary shares for diluted earnings per share options	**14,635,386**	**14,455,143**
Net profit (CHF)	25,739,649	17,887,730
Diluted earnings per share (CHF)	**1.76**	**1.24**

11 Investment securities

	30 June 2018	
in CHF	Carrying value	Fair value
Fair value through profit & loss	342,976	342,976
Fair value through other comprehensive income	198,352,026	198,352,026
Fair value through other comprehensive income equities	1,709,400	1,709,400
Amortised cost	109,511,287	114,857,331
Total as at 30 June	**309,915,689**	**315,261,733**

The adoption of IFRS 9 has resulted in changes in classification and designation of financial assets applicable since 1 January 2018.

	31 December 2017	
in CHF	Carrying value	Fair value
Fair value through profit & loss	2,197,997	2,197,997
Available-for-sale	305,784,470	305,784,470
Held-to-maturity	76,901,842	83,361,929
Total as at 31 December	**384,884,309**	**391,344,396**

Notes to condensed consolidated interim financial statements

12 Information technology systems

in CHF	Software third party licences	Proprietary software	Hardware & telecom systems	Total
6 months ended 30 June 2018				
Opening net book amount	2,803,334	39,075,617	3,058,920	44,937,871
Addition	108,749	10,196,320	749,127	11,054,196
Amortisation/depreciation	(447,445)	(7,382,371)	(832,315)	(8,662,131)
Closing net book amount	**2,464,638**	**41,889,566**	**2,975,732**	**47,329,936**
6 months ended 30 June 2017				
Opening net book amount	3,003,183	35,025,773	2,700,874	40,729,830
Addition	675,902	8,648,136	974,841	10,298,879
Amortisation/depreciation	(457,712)	(6,345,935)	(704,286)	(7,507,933)
Closing net book amount	**3,221,373**	**37,327,974**	**2,971,429**	**43,520,776**

Additions to information technology systems include an amount of CHF 6.0 million (2017: CHF 4.7 million) representing own costs capitalised in connection with the development of the systems of the Group.

13 Property, plant and equipment

in CHF	Land & building	Leasehold improvements	Equipments	Total
6 months ended 30 June 2018				
Opening net book amount as at 1 January 2018	60,289,590	520,072	762,721	61,572,383
Changes in accounting policies [1]	(1,403,208)	–	–	(1,403,208)
Restated opening net book amount as at 1 January 2018	**58,886,382**	**520,072**	**762,721**	**60,169,175**
Addition	–	204,793	219,772	424,565
Amortisation/depreciation	(1,130,501)	(118,880)	(144,605)	(1,393,986)
Closing net book amount	**57,755,881**	**605,985**	**837,888**	**59,199,754**

[1] Reference is made to Note 2 on accounting policies and presentation matters regarding the change from revaluation model to cost model for property, plant and equipment (Land & building).

in CHF	Land & building	Leasehold improvements	Equipments	Total
6 months ended 30 June 2017				
Opening net book amount	62,392,730	600,021	918,856	63,911,607
Addition	–	–	20,420	20,420
Amortisation/depreciation	(1,130,605)	(90,558)	(188,319)	(1,409,482)
Closing net book amount	**61,262,125**	**509,463**	**750,957**	**62,522,545**

Notes to condensed consolidated interim financial statements

14 Capital

Number of shares in 2018

	1 January	Increase	Utilisation	30 June
Issued shares				
Ordinary share capital				
Number of shares	15,328,170	–	–	15,328,170
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**3,065,634**	**–**	**–**	**3,065,634**
Unissued shares				
Conditional capital				
Number of conditional shares	960,000	–	–	960,000
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**192,000**	**–**	**–**	**192,000**
Authorised capital				
Number of authorised shares	1,810,200	189,800	–	2,000,000
Nominal value per share (CHF)	0.2	0.2	–	0.2
Total nominal value (CHF)	**362,040**	**37,960**	**–**	**400,000**

On 4 May 2018, the shareholders resolved on the payment of dividend of CHF 0.86 per share and on a repayment of share premium of CHF 0.04 per share. Further, the shareholders approved the CHF 37,960 increase of the authorised capital which validity was extended to 4 May 2020.

Number of shares in 2017

	1 January	Increase	Utilisation	30 June
Issued shares				
Ordinary share capital				
Number of shares	15,328,170	–	–	15,328,170
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**3,065,634**	**–**	**–**	**3,065,634**
Unissued shares				
Conditional capital				
Number of conditional shares	960,000	–	–	960,000
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**192,000**	**–**	**–**	**192,000**
Authorised capital				
Number of authorised shares	1,810,200	–	–	1,810,200
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**362,040**	**–**	**–**	**362,040**

On 12 May 2017, the shareholders resolved on the payment of dividend of CHF 0.13 per share and on a repayment of share premium of CHF 0.47 per share.

Notes to condensed consolidated interim financial statements

15 Treasury shares

	30 June 2018	30 June 2017
Beginning of the year (shares)	**1,063,775**	**432,744**
Purchase:	**102,087**	**752,239**
Unit price ranging from CHF [1]	43.18 to 67.00	23.82 to 28.20
Sale:	**(381,416)**	**–**
Unit price ranging from CHF [1]	38.20 to 66.72	–
Remittance to optionees/grant of shares:	**(107,949)**	**(10,009)**
Unit price ranging from CHF	25.66 to 38.20	24.35 to 25.66
End of the period – 30 June (shares)	**676,497**	**1,174,974**
Total cost (CHF)	**20,312,249**	**32,880,599**
% of the issued shares	4.41%	7.67%

[1] Execution costs are included/(deducted) respectively from the unit price of purchase and sale.

At 30 June 2018, the remaining treasury shares balance is primarily held for the purpose of covering employees share and option plans.

Notes to condensed consolidated interim financial statements

16 Fair value of financial assets and liabilities

The following table presents the financial assets and liabilities. There were no transfers between level 1, 2 and 3 and no changes in valuation techniques during the period under review.

in CHF	Level 1	Level 2	Level 3	Fair value	Carrying amount
As at 30 June 2018					
Financial assets measured at fair value					
Derivative financial instruments	42,189,283	22,059,029	–	64,248,312	64,248,312
Trading assets	8,205,429	–	–	8,205,429	8,205,429
Investment securities	32,370,892	168,033,510	–	200,404,402	200,404,402
Total	**82,765,604**	**190,092,539**	**–**	**272,858,143**	**272,858,143**
Financial assets not measured at fair value					
Cash and balances with central bank					3,614,901,519
Treasury bills and other eligible bills					256,964,081
Due from banks					584,007,838
Loans					297,262,802
Investments securities	62,658,898	52,198,433	–	114,857,331	109,511,287
Other assets					28,925,392
Total financial assets					**5,164,431,062**
Financial liabilities measured at fair value					
Derivative financial instruments	8,115,812	11,736,441	–	19,852,253	19,852,253
Total	**8,115,812**	**11,736,441**	**–**	**19,852,253**	**19,852,253**
Financial liabilities not measured at fair value					
Deposits from banks					160,294,739
Due to customers					4,747,876,092
Other liabilities					50,702,798
Current income tax liabilities					4,111,183
Total financial liabilities					**4,982,837,065**

Financial assets measured at fair value

Investment securities measured at fair value comprise of financial assets at fair value through profit or loss (30 June 2018: CHF 0.3 million fully classified as level 2), financial assets at fair value through other comprehensive income (30 June 2018: CHF 198.4 million out of which CHF 167.7 million classified as level 2) and financial assets at fair value through other comprehensive income equities (30 June 2018: CHF 1.7 million fully classified as level 1).

Financial assets and liabilities not measured at fair value

Investment securities not measured at fair value comprise of investment securities classified as amortised cost. For all other financial assets and liabilities not measured at fair value, the carrying amount is assessed to be a reasonable approximation of fair value.

Notes to condensed consolidated interim financial statements

16 Fair value of financial assets and liabilities (continued)

The following table presents the financial assets and liabilities. There were no transfers between level 1, 2 and 3 and no changes in valuation techniques during the period under review.

in CHF	Level 1	Level 2	Level 3	Fair value	Carrying amount
As at 31 December 2017					
Financial assets measured at fair value					
Derivative financial instruments	46,848,682	25,542,018	–	72,390,700	72,390,700
Trading assets	8,251,045	–	–	8,251,045	8,251,045
Investment securities	40,431,948	267,550,519	–	307,982,467	307,982,467
Total	**95,531,675**	**293,092,537**	**–**	**388,624,212**	**388,624,212**
Financial assets not measured at fair value					
Cash and balances with central bank					3,517,110,596
Treasury bills and other eligible bills					259,850,000
Due from banks					425,399,549
Loans					278,589,147
Investments securities	48,682,752	34,679,177	–	83,361,929	76,901,842
Other assets					21,217,357
Total financial assets					**4,967,692,703**
Financial liabilities measured at fair value					
Derivative financial instruments	6,831,666	17,279,511	–	24,111,177	24,111,177
Total	**6,831,666**	**17,279,511**	**–**	**24,111,177**	**24,111,177**
Financial liabilities not measured at fair value					
Deposits from banks					170,984,155
Due to customers					4,566,383,437
Other liabilities					50,280,159
Current income tax liabilities					5,310,652
Total financial liabilities					**4,817,069,580**

Financial assets measured at fair value

Investment securities measured at fair value comprise of financial assets at fair value through profit or loss (31 December 2017: CHF 2.2 million fully classified as level 2) and financial assets designated available-for-sale (31 December 2017: CHF 305.8 million, out of which CHF 265.4 million classified as level 2).

Financial assets and liabilities not measured at fair value

Investment securities not measured at fair value comprise of investment securities classified as held-to-maturity. For all other financial assets and liabilities not measured at fair value, the carrying amount is assessed to be a reasonable approximation of fair value.

Notes to condensed consolidated interim financial statements

17 Impact of the adoption of IFRS 9 "Financial instruments"

a Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

As at 1 January 2018	Former classification under IAS 39	New classification under IFRS 9	Former carrying amount under IAS 39	New carrying amount under IFRS 9 (excluding the impact of impairment allowance)	Change in carrying amount	ECL remeasurement, gross of tax	New carrying amount under IFRS 9 (including impairment allowance)
Cash and balances with central bank	Loans and advances	Amortised cost	3,517,110,596	3,517,110,596	–	–	3,517,110,596
Treasury bills and other eligible bills	Loans and advances	Amortised cost	259,850,000	259,850,000	–	–	259,850,000
Due from banks	Loans and advances	Amortised cost	425,399,549	425,399,549	–	(387,728)	425,011,821
Derivative financial instruments	FVTPL	FVTPL	72,390,700	72,390,700	–	–	72,390,700
Trading assets	FVTPL	FVTPL	8,251,045	8,251,045	–	–	8,251,045
Loans	Loans and advances	Amortised cost	278,589,147	278,589,147	–	(56,627)	278,532,520
Investment securities	Held-to-maturity	Amortised cost	76,901,842	76,901,842	–	(33,121)	76,868,721
Investment securities	Available-for-sale	FVOCI	304,111,145	304,111,145	–	–	304,111,145
Investment securities	Available-for-sale	FVOCI equities	1,673,325	1,673,325	–	–	1,673,325
Investment securities	FVTPL	FVPTL	2,197,997	2,197,997	–	–	2,197,997
Other assets	Loans and advances	Amortised cost	21,217,357	21,217,357	–	–	21,217,357
Total financial assets			**4,967,692,703**	**4,967,692,703**	**–**	**(477,476)**	**4,967,215,227**
Ordinary shares						–	
Share premium						–	
Share option reserve						–	
Other reserve						562,230	
Treasury shares						–	
Retained earnings						(1,039,706)	

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Therefore, the total impairment allowance of CHF 1,039,706 (CHF 852,566, net of tax) was recognised in the opening retained earnings as at 1 January 2018. Unlike amortised cost assets, financial assets measured at fair value through other comprehensive income (FVOCI) are subject to ECL but the allowance does not reduce their carrying value. Instead, the impairment allowance of these FVOCI was reclassified from retained earnings to other reserves (CHF 562,230 or CHF 461,029, net of tax).

Upon adoption of IFRS 9, the classification of financial liabilities remained unchanged for the Group.

As at 1 January 2018, there was no impairment allowance impact related to off-balance-sheet exposures.

Notes to condensed consolidated interim financial statements

17 Impact of the adoption of IFRS 9 "Financial instruments" (continued)

b Reconciliation of the impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model as at 1 January 2018.

As at 1 January 2018	Former classification under IAS 39	New classification under IFRS 9	Former impairment allowance under IAS 39	ECL remeasurement, gross of tax	Total impairment allowance under IFRS 9
Cash and balances with central bank	Loans and advances	Amortised cost	–	–	–
Treasury bills and other eligible bills	Loans and advances	Amortised cost	–	–	–
Due from banks	Loans and advances	Amortised cost	418,339	387,728	806,067
Loans	Loans and advances	Amortised cost	19,477,182	56,627	19,533,809
Investment securities	Held-to-maturity	Amortised cost	–	33,121	33,121
Other assets	Loans and advances	Amortised cost	–	–	–
Impairment allowance reducing carrying value of total assets			**19,895,521**	**477,476**	**20,372,997**
Investment securities	Available-for-sale	FVOCI	–	562,230	562,230
Total			**19,895,521**	**1,039,706**	**20,935,227**

Financial assets measured at fair value through other comprehensive income (FVOCI) are subject to ECL but the allowance does not reduce their carrying value.

17 Impact of the adoption of IFRS 9 "Financial instruments" (continued)

c Selected accounting policies adopted with IFRS 9

From 1 January 2018, the Group has applied the following IFRS 9 accounting policies:

Financial assets - classification and measurement	The classification requirement differ from debt instruments and equity instruments. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and measurement of debt instruments depend on (1) the business models of the Group for managing the assets and (2) the cash flow characteristics of the asset. Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories: – Amortised cost; – Fair value through other comprehensive income (FVOCI); – Fair value through profit or loss (FVTPL). The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets (amortised cost) or to jointly collect the contractual cash flows and cash flows arising from the sale of assets (FVOCI). If neither of these are applicable, then the financial assets are classified as part of "other" business model and measured at FVTPL. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. The Group reclassifies debt instruments when, and only when its business model for managing those assets changes. Such changes are expected to be infrequent and none occurred during the period. Equity instruments are instruments that meet the definition of equity from the issuer's perspective. That is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Group subsequently measures all equity instruments at FVTPL, except when the Group has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI. Unlike profit or loss related to FVOCI, profit or loss related to FVOCI equities are not recycled to the income statement upon disposal. The Group has used the low credit risk exemption for investment grade financial assets.
Financial liabilities - classification and measurement	Upon adoption of IFRS 9, the classification of financial liabilities remained unchanged for the Group. Financial liabilities continue to be measured at either amortised cost or fair value through profit and loss.

17 Impact of the adoption of IFRS 9 "Financial instruments" (continued)

c Selected accounting policies adopted with IFRS 9

Impairment	The Group assesses the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI and recognises a loss allowance for such losses at each reporting date. IFRS 9 outlines a 3 stages model for impairment based on changes in credit quality since initial recognition as summarised below: – A financial instrument that is not credit-impaired is classified as "stage 1" on initial recognition and has its credit risk continuously monitored by the Group; – If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "stage 2". Risk indicators that can establish whether there has been a significant increase in credit risk vary depending on the type of balance sheet item (as the nature of the borrower or the product type may differ) but as well on internal management methods and external market available data. The Group considers the following elements when determining a significant increase in credit risk: quantitative and qualitative elements as well as backstop indicators. For the purpose of IFRS 9, the Group considers as a backstop that exposures in investment securities or due from banks which have experienced a significant downgrade in external credit rating or a significant widening of credit spreads undergo a significant increase in credit risk and hence become "stage 2"; – If the financial instrument is credit-impaired, the financial instrument is then moved to "stage 3". The concept of "stage 3" is the same as the concept of impaired financial assets that was used by the Group under the older IAS 39 standard; – Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis; – Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Notes to condensed consolidated interim financial statements

17 Impact of the adoption of IFRS 9 "Financial instruments" (continued)

d Impairment allowance movement over the period

	Stage 1	Stage 2	Stage 3	Total	Credit loss expense
Movements, gross of tax, that do reduce the carrying amount of financial assets:					
Impairment allowance under IFRS 9 as at 1 January 2018	**477,476**	**–**	**19,895,521**	**20,372,997**	
Non-expected credit loss (transfers from stage 1 to stage 3) [1]	–	–	8,322,689	8,322,689	(8,322,689)
Other movements [2]	293,101	–	70,162	363,263	(199,260)
Impairment allowance under IFRS 9 as at 30 June 2018	**770,577**	**–**	**28,288,372**	**29,058,949**	
Movements, gross of tax, that do not reduce the carrying amount of financial assets:					
ECL remeasurement under IFRS 9 as at 1 January 2018	**562,230**	**–**	**–**	**562,230**	
Other movements [2]	(320,125)	–	–	(320,125)	320,125
Total as at 30 June 2018	**1,012,682**	**–**	**28,288,372**	**29,301,054**	
Total as at 1 January 2018	1,039,706	–	19,895,521	20,935,227	

Credit loss expense as per consolidated income statement	**(8,201,824)**

[1] Non-expected credit loss mainly relates to the sharp equity market sell off and volatility spike that occurred early February 2018 where clients experienced losses (fully provided) after trading derivatives financial instruments. In the same period, the Group recorded strong results in brokerage activities and across multiple asset classes, which revenues are recognised under net fee and commission income and net trading income.

[2] Other movements include in particular changes in IFRS 9 parameters/assumptions and may comprise of both amounts with and without impact to the credit loss expense line item (write-off, foreign exchange impact, etc.)

18 Taxation

In 2018, the average tax rate of Swissquote Bank Ltd (registered in Gland, Canton of Vaud) was 17.1% (2017: 18.0%). In Switzerland, the average tax rate may vary depending on the profit mix across the various jurisdictions as corporate income taxes vary from a Canton to another.

The Swiss Federal Council started a consultation process for the so-designated "Tax Proposal 17" which aims to reform the corporate tax laws in Switzerland. According to the timetable, the Parliament should discuss and pass the new tax reform law in its 2018 summer and fall sessions. Accordingly, the new law may enter into force earliest at the beginning of 2019. In the meantime, the Canton of Vaud has confirmed its intention to introduce a reduced corporate tax rate regardless the current corporate tax reform under way at the federal level. The Canton of Vaud will implement in the coming months a cantonal package, including a reduction in the corporate income tax rate to 13.79%. This new ordinary tax should also be applicable in the long run to companies that have enjoyed privileged status so far (such as Swissquote Group Holding Ltd). Until the federal tax reform is implemented, however, these companies will remain subject to a tax rate comparable to that applicable today.

As at 30 June 2018, the Group has evaluated the impact on deferred tax assets and liabilities of the new ordinary tax rate. With a reduction to 13.79%, the corresponding impact is less than CHF 0.1 million (net).

Notes to condensed consolidated interim financial statements

19 Regulatory capital & liquidity (unaudited)

in CHF	30 June 2018	30 June 2017	31 December 2017
Total equity	325,739,711	271,461,939	295,148,300
General adjustments (mainly intangible assets)	(42,003,845)	(43,189,131)	(43,169,674)
Total common equity tier 1 capital (CET1 capital)	**283,735,866**	**228,272,808**	**251,978,626**
Total tier 2 capital (T2)	275,263	336,693	194,730
Total eligible capital	**284,011,129**	**228,609,501**	**252,173,356**
Total risk-weighted assets	1,031,931,866	1,114,346,366	966,843,433

	30 June 2018	30 June 2017	31 December 2017
CET1 capital ratio	27.5%	20.5%	26.1%
Total capital ratio	**27.5%**	**20.5%**	**26.1%**

The Group decided not to apply capital transitional arrangements allowed by FINMA for the first application of IFRS 9 and took the full impact of the new standard starting from 1 January 2018.

The IFRS 9 accounting provision related to FVOCI instruments included in other reserves is deducted from tier 1 capital. Then, 100% of this amount is added back to tier 2 capital, up to a maximum of 1.25% of risk-weighted assets for credit risk.

in CHF thousand, except where indicated	Q2 2018	Q2 2017	Q4 2017
Liquidity Coverage Ratio (LCR)			
Cash outflows	1,206,061	846,082	1,008,287
Cash inflows	(394,801)	(369,269)	(348,033)
Net cash outflows	811,260	476,813	660,254
Total high-quality liquid assets (HQLA)	3,580,442	2,855,847	3,354,400
Liquidity coverage ratio (LCR in %)	**441%**	**599%**	**508%**

During 2018, the LCR was mainly influenced by the mix of weightings to be applied to customer cash balances (due to customers and deposits from banks) when determining the cash outflows.

Report on the Review
of condensed consolidated interim financial statements to the Board of Directors of Swissquote Group Holding Ltd
Gland

Introduction

We have reviewed the condensed consolidated interim financial statements (statement of financial positions, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flow and notes) set out on pages 2 to 23 of Swissquote Group Holding Ltd for the six months period ended 30 June 2018. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers SA

Beresford Caloia | Alain Lattafi

Lausanne, 27 July 2018

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