

FINANCIAL REPORT

Q1-2012



CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITIONS

		31 March		31 December
	Notes	2012	2011	2011
ASSETS				
Cash and balances with central bank		1,319,502,227	28,792,930	1,274,982,572
Treasury bills and other eligible bills		21,390,062	966,482,668	6,678,547
Loans and advances to banks		320,956,658	470,255,359	300,794,570
Derivative financial instruments		26,658,195	19,892,281	43,051,092
Trading assets		5,007,747	2,097,451	3,846,407
Loans and advances to customers		106,619,100	131,677,452	100,615,748
Investment securities	5	802,334,914	681,411,009	748,377,322
Deferred income tax assets		168,000	7,131,987	168,000
Intangible assets		22,928,866	23,149,073	22,983,918
Information technology systems	7	22,243,151	18,671,754	21,529,047
Property, plant and equipment	8	34,910,817	22,264,300	33,147,276
Other assets		31,845,710	26,171,588	29,529,756
Total assets		2,714,565,447	2,397,997,852	2,585,704,255
LIABILITIES AND EQUITY				
Liabilities				
Deposits from banks		12,413,439	11,432,055	9,510,283
Derivative financial instruments		11,465,090	3,838,185	9,921,620
Due to customers		2,423,884,035	2,140,622,624	2,310,092,305
Other liabilities		20,250,036	19,586,597	19,488,059
Current income tax liabilities		2,735,315	3,072,124	1,150,970
Deferred tax liabilities		1,093,907	1,103,024	1,105,896
Provisions		4,474,898	7,204,020	4,689,497
Total liabilities		2,476,316,720	2,186,858,629	2,355,958,630
Equity				
Ordinary shares	9	2,927,674	2,927,674	2,927,674
Share premium		39,496,150	40,608,572	39,418,265
Share option reserve		3,060,936	2,465,455	2,785,238
Other reserve		(190,717)	(448,924)	(1,574,167)
Treasury shares	10	(8,997,645)	(17,363,603)	(9,444,191)
Retained earnings		201,952,329	182,950,049	195,632,806
Total equity		238,248,727	211,139,223	229,745,625
Total liabilities and equity		2,714,565,447	2,397,997,852	2,585,704,255

The notes on pages 6 to 13 form an integral part of this condensed interim financial information

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	3 months ended 31 March	
		2012	2011
Fee and commission income		15,983,289	21,449,203
Fee and commission expense		(1,851,294)	(2,539,199)
Net fee and commission income		14,131,995	18,910,004
Interest income		5,659,858	5,475,133
Interest expense		(1,416,352)	(1,592,953)
Net interest income		4,243,506	3,882,180
Net trading income	3	10,817,308	13,671,303
Operating income		29,192,809	36,463,487
Operating expenses	4	(21,284,991)	(22,838,934)
Operating profit		7,907,818	13,624,553
Income tax expense		(1,606,524)	(2,969,505)
Net profit		6,301,294	10,655,048
<i>Earning per share</i>	6	0.44	0.74
<i>Diluted earning per share</i>	6	0.44	0.74
<i>Weighted average number of ordinary shares</i>	6	14,461,990	14,348,308

The notes on pages 6 to 13 form an integral part of this condensed interim financial information

All amounts in Swiss Francs

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 31 March	
	2012	2011
Net profit for the period	6,301,294	10,655,048
Other comprehensive income:		
Gains / (losses) recognised directly in equity		
<i>Items to be recycled</i>		
Available-for-sale financial assets	1,803,380	320,090
Income tax relating to components of other comprehensive income (AFS assets)	(403,416)	(71,604)
Hedge reserve	12,805	47,658
Income tax relating to components of other comprehensive income (Hedge reserve)	(2,864)	(10,661)
Other comprehensive income for the period, net of tax	1,409,905	285,483
Total comprehensive income for the period	7,711,199	10,940,531

The notes on pages 6 to 13 form an integral part of this condensed interim financial information

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share Option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2012	2,927,674	39,418,265	2,785,238	(1,574,167)	(9,444,191)	195,632,806	229,745,625
Change in investment securities	-	-	-	1,816,185	-	-	1,816,185
Tax impact on investment securities	-	-	-	(406,280)	-	-	(406,280)
Net profit of the period	-	-	-	-	-	6,301,294	6,301,294
Total comprehensive income for the period	-	-	-	1,409,905	-	6,301,294	7,711,199
Currency translation differences	-	-	-	(26,455)	-	-	(26,455)
Employee stock option plan:							
Value of services provided	-	-	293,927	-	-	-	293,927
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(18,229)	-	-	18,229	-
Purchase of treasury shares	-	-	-	-	(77,819)	-	(77,819)
Sale of treasury shares	-	77,885	-	-	524,365	-	602,250
Balance at 31 March 2012	2,927,674	39,496,150	3,060,936	(190,717)	(8,997,645)	201,952,329	238,248,727
Balance at 1 January 2011	2,927,674	40,011,434	2,455,677	(604,855)	(17,808,463)	172,029,134	199,010,601
Change in investment securities	-	-	-	367,748	-	-	367,748
Tax impact on investment securities	-	-	-	(82,265)	-	-	(82,265)
Net profit of the period	-	-	-	-	-	10,655,048	10,655,048
Total comprehensive income for the period	-	-	-	285,483	-	10,655,048	10,940,531
Currency translation differences	-	-	-	(129,552)	-	-	(129,552)
Employee stock option plan:							
Value of services provided	-	-	275,645	-	-	-	275,645
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(265,867)	-	-	265,867	-
Purchase of treasury shares	-	-	-	-	(1,102,261)	-	(1,102,261)
Sale of treasury shares	-	597,138	-	-	1,547,121	-	2,144,259
Balance at 31 March 2011	2,927,674	40,608,572	2,465,455	(448,924)	(17,363,603)	182,950,049	211,139,223

The notes on pages 6 to 13 form an integral part of this condensed interim financial information

All amounts in Swiss Francs

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

	Notes	3 months ended 31 March	
		2012	2011
Cash flow from / (used in) operating activities			
Fees and commission receipts		15,664,698	20,893,612
Fees and commission paid		(1,994,976)	(2,689,684)
Interest receipts		4,457,450	10,081,684
Interest paid		(835,001)	(1,131,511)
Net trading income		10,790,853	13,541,751
Income tax paid		(900,650)	(2,257,538)
Cash payments to employees and suppliers		(22,820,343)	(23,755,791)
Cash flow from operating profit before changes in operating assets and liabilities		4,362,031	14,682,523
Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities			
Loans and advances to customers		(6,003,352)	(13,000,129)
Derivative financial assets		16,392,897	4,471,733
Loans and advances to banks		-	(1,171,539)
Trading assets		(1,161,340)	(465,007)
Derivative financial liabilities		1,543,470	(1,500,845)
Due to customers		113,791,730	48,512,111
Other liabilities		(1,800,711)	(8,183,656)
Net cash from operating activities		127,124,725	43,345,191
Cash flow from / (used in) investing activities			
Purchase of property, plant and equipment and Information technology systems	7/8	(5,016,238)	(3,179,280)
Proceeds from sale of investment securities		85,268,420	63,274,644
Purchase of investment securities		(131,411,236)	(66,756,818)
Net cash used in investing activities		(51,159,054)	(6,661,454)
Cash flow from / (used in) financing activities			
Purchase of treasury shares		(77,819)	(1,102,261)
Sale of treasury shares		602,250	2,144,259
Net cash used in financing activities		524,431	1,041,998
Increase / decrease in cash and cash equivalents		76,490,102	37,725,735
Movements in cash and cash equivalents			
Balance at beginning of year		1,572,945,406	1,415,201,628
Increase / (decrease)		76,490,102	37,725,735
Balance at 31 March		1,649,435,508	1,452,927,363

The notes on pages 6 to 13 form an integral part of this condensed interim financial information

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING POLICIES AND REPORTABLE SEGMENTS

1. Accounting policies and presentation matters

The Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the Annual Financial Statements. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be appropriate to anticipate or defer such costs at the end of the financial year.

The Consolidated Interim Financial Statements should be read in conjunction with the 2011 Annual Consolidated Financial Statements.

At the Annual General Meeting of Swissquote Group Holding Ltd on 8 May 2012, the Board of Directors will propose to the Shareholders to approve a dividend of CHF 1.04 per share out of capital contribution reserve. The corresponding maximum amount of CHF 15,223,905 is included in the capital contribution reserve (share premium) of statutory financial statements for as long as the Shareholders have not formally resolved on the proposed dividend.

2. Reportable segments

The analysis of reportable segments and cost centers for the 3 months period ending 31 March 2012 and 2011 are as follows:

In CHFm	3 months ended 31 March	
	2012	2011
Net Revenues - Private Clients	17.4	18.7
Direct Operating Costs - Private Clients	(2.0)	(1.7)
Direct Marketing Costs - Private Clients	(0.2)	(1.4)
<i>Direct Contribution margin - Private Clients</i>	<i>15.2</i>	<i>15.6</i>
Net Revenues - B2B Clients	3.6	7.8
Direct Operating Costs - B2B Clients	(0.6)	(1.0)
Direct Marketing Costs - B2B Clients	(0.2)	(0.1)
<i>Direct Contribution margin - B2B Clients</i>	<i>2.8</i>	<i>6.7</i>
Direct Contribution margin - Securities	18.0	22.3
Net Revenues - eForex	7.2	9.9
Direct Operating Costs - eForex	(2.1)	(3.9)
Direct Marketing Costs - eForex	(0.6)	(1.4)
Direct Contribution margin - eForex	4.5	4.6
Operating Cost - Technology	(4.4)	(3.9)
Operating Cost - Operations	(5.2)	(4.8)
Operating Cost - Marketing	(2.1)	(1.0)
Operating Cost - G&A	(3.7)	(3.5)
Other - Provisions	(0.2)	(0.1)
Other - Net income from financial assets held at fair value	1.0	-
Platform and Infrastructure Operations Costs (cost center)	(14.6)	(13.3)
Operating profit	7.9	13.6
Income tax expense	(1.6)	(2.9)
Net profit	6.3	10.7

The Group does not have any client representing more than 10% of its revenues.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING POLICIES AND REPORTABLE SEGMENTS

2. Reportable segments (continued)

In CHFm	31 March 2012	31 March 2011
Assets - Securities / Private Clients	2,092.0	1,803.8
Assets - Securities / B2B Clients	360.7	402.3
Assets - eForex	160.6	119.8
Assets - Platform and Infrastructure	101.2	72.0
Total assets	2,714.5	2,397.9
Liabilities - Securities / Private Clients	(2,047.3)	(1,759.6)
Liabilities - Securities / B2B Clients	(269.2)	(310.9)
Liabilities - eForex	(135.1)	(100.1)
Liabilities - Platform and Infrastructure	(24.7)	(16.2)
Total liabilities	(2,476.3)	(2,186.8)
Total equity	238.2	211.1

3. Net trading income

	3 months ended 31 March	
	2012	2011
Foreign exchange revenues		
- eForex	7,228,145	9,918,511
- Other foreign exchange income	2,382,567	3,757,879
	9,610,712	13,676,390
Unrealised fair value gains/(losses)		
- From Investment securities	831,655	15,505
- From Trading assets	184,717	(16,277)
	1,016,372	(772)
Realised gains/(losses)		
- Gains less losses from financial assets	190,224	(4,315)
Total	10,817,308	13,671,303

4. Operating expenses

	3 months ended 31 March	
	2012	2011
Payroll & related expenses	9,938,982	10,028,855
Other operating expenses	5,441,245	6,507,840
Marketing expenses	3,111,119	3,921,734
Provisions	200,000	100,000
Depreciation and amortisation	2,593,645	2,280,505
Total	21,284,991	22,838,934

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Investment securities

	3 months ended 31 March 2012			Recognition as per IAS 39 of unrealised gains/(losses)		
	Carrying value	Fair value	Unrealised gains/(losses)	Comprehensive income	Income Statement	Not recognised
Available-for-sale	431,121,626	431,121,626	(124,636)	(124,636)	-	-
Held-to-maturity	354,826,147	373,424,986	18,598,839	-	-	18,598,839
Fair value through profit & loss	16,387,141	16,387,141	(1,455,856)	-	(1,455,856)	-
	802,334,914	820,933,753	17,018,347	(124,636)	(1,455,856)	18,598,839

	Quarter ended 31 March 2012	
	Unrealised gains/(losses)	Change in quarter
Available-for-sale	(124,636)	1,803,380
Held-to-maturity	18,598,839	1,954,567
Fair value through profit & loss	(1,455,856)	831,655
	17,018,347	4,589,602

	3 months ended 31 March 2011			Recognition as per IAS 39 of unrealised gains/(losses)		
	Carrying value	Fair value	Unrealised gains/(losses)	Comprehensive income	Income Statement	Not recognised
Available-for-sale	269,451,365	269,451,365	(395,025)	(395,025)	-	-
Held-to-maturity	406,326,122	412,513,414	6,187,292	-	-	6,187,292
Fair value through profit & loss	5,633,522	5,633,522	15,505	-	15,505	-
	681,411,009	687,598,301	5,807,772	(395,025)	15,505	6,187,292

	Quarter ended 31 March 2011	
	Unrealised gains/(losses)	Change in quarter
Available-for-sale	(395,025)	320,090
Held-to-maturity	6,187,292	(4,831,381)
Fair value through profit & loss	15,505	15,505
	5,807,772	(4,495,786)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Earning per share

a) Basic

	3 months ended 31 March	
	2012	2011
Net Profit	6,301,294	10,655,048
Weighted average number of ordinary shares in issue	14,461,990	14,348,308
Basic earning per share	0.44	0.74

b) Diluted

	3 months ended 31 March	
	2012	2011
Net Profit	6,301,294	10,655,048
Weighted average number of ordinary shares in issue	14,461,990	14,348,308
Adjustments for share options	-	27,740
Weighted average number of ordinary shares for diluted earnings per share options	14,461,990	14,376,048
Diluted earning per share	0.44	0.74

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware & Telecom Systems	Total
3 months ended 31 March 2012				
Opening net book amount	5,780,160	13,319,228	2,429,659	21,529,047
Addition	662,575	2,041,031	75,219	2,778,825
Amortisation / depreciation	(510,949)	(1,223,175)	(330,597)	(2,064,721)
Closing net book amount	5,931,786	14,137,084	2,174,281	22,243,151
3 months ended 31 March 2011				
Opening net book amount	4,648,142	10,029,782	2,926,966	17,604,890
Addition	892,747	1,767,291	243,682	2,903,720
Amortisation / depreciation	(431,405)	(948,793)	(456,658)	(1,836,856)
Closing net book amount	5,109,484	10,848,280	2,713,990	18,671,754

Additions to Information technology systems include an amount of CHF 1,914,548 (2011: CHF 1,554,760) representing own costs capitalised in connection with the development of the systems of the Bank.

8. Property, plant and equipment

	Land & Building	Leasehold Improvements	Equipments	Total
3 months ended 31 March 2012				
Opening net book amount	29,455,742	1,855,557	1,835,977	33,147,276
Addition	2,198,644	13,505	25,264	2,237,413
Amortisation / depreciation	(139,794)	(195,496)	(138,582)	(473,872)
Closing net book amount	31,514,592	1,673,566	1,722,659	34,910,817
3 months ended 31 March 2011				
Opening net book amount	18,045,696	2,229,921	2,101,720	22,377,337
Addition	79,908	174,585	21,067	275,560
Amortisation / depreciation	(138,445)	(130,244)	(119,908)	(388,597)
Closing net book amount	17,987,159	2,274,262	2,002,879	22,264,300

The total cost of the property includes an aggregate CHF 77,788 of own costs capitalised (2011: CHF 40,675).

Capital commitments:

On 19 October 2010, Swissquote Bank Ltd entered into a contract with a construction company, which purpose is the realisation of the extension of the Swissquote headquarters in Gland, Switzerland. The value of the contract is CHF 42.2m. The extension will consist of 6,700 sqm office space (max. 500 work places), storage rooms and parking, and is scheduled to be delivered in December 2013.

Up to 31 March 2012, the Bank made an aggregate advanced payment of CHF 15.6m to the construction company (included in Land & Building).

The payment schedule of the amount payable to the construction company is as follows: CHF 16.0m for the remaining of 2012 and CHF 10.6m in 2013. Depreciation is expected to start once the construction is delivered (Q4-2013).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. Ordinary shares

a) Numbers of Shares in 2012

	1 January	Stock options		31 March
		Exercised	Lapsed	
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

b) Numbers of Shares in 2011

	1 January	Stock options		31 March
		Exercised	Lapsed	
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	211,060	-	-	211,060
Nominal value per share (CHF)	0.20	-	-	0.20
Total nominal value (CHF)	42,212	-	-	42,212
Authorised capital				
Number of authorised shares	4,000,000	-	-	4,000,000
Amount authorised (CHF)	800,000	-	-	800,000
Nominal value per share (CHF)	0.20	-	-	0.20

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Treasury shares

	2012	2011
Beginning of the year (shares)	183,621	303,404
Acquisition - shares	2,019	19,275
unit price ranging from CHF	34.38 to 42.40	52.84 to 61.70
Disposal - shares	(16,500)	(10,000)
unit price ranging from CHF	36.50	57.45 to 58.91
Remittance to optionees - shares	-	(35,959)
unit price ranging from CHF	-	34.00 to 47.00
End of the period - 31 March (shares)	169,140	276,720
Total cost in CHF	8,997,645	17,363,603
% of the issued shares	1.16%	1.89%

The Treasury shares are primarily acquired for the purpose of covering the employees stock option plans. 30,000 shares would need to be delivered to the seller of ACM Advanced Currency Markets Ltd (acquired in 2010) if certain conditions are met by the end of Q2-2012.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Miscellaneous financial information

Pension obligations

The Group (a) uses the so called “corridor approach” (IAS 19) and (b) examines the impact of possible discrepancies between long-term actuarial assumptions used in the actuarial calculations at the end of the previous calendar year and actual short term data applicable at the date of interim reporting, in order to determine the requirement for the recording of actuarial gains and losses in condensed consolidated interim financial statements as a result of pension obligations.

No actuarial adjustment to the financial cost of the pension plan (consisting in the contribution payable by the Group to the Fund in accordance with its statutory rules) was required at 31 March 2012, nor in the former quarters.

Consolidated statement of cash flow

The reconciliation of cash and cash equivalents reported in the consolidated statement of cash flow with the figures presented in the consolidated statement of financial positions is detailed as follows :

	3 months ended 31 March	
	2012	2011
Cash and balances with central bank	1,319,502,227	28,792,930
Treasury bills and other eligible bills	21,390,062	966,482,668
Loans and advances to banks	320,956,658	470,255,359
Deposits from banks	(12,413,439)	(11,432,055)
Sub-total	1,649,435,508	1,454,098,902
Less : Due from other banks above 3 months	-	(1,171,539)
Cash and cash equivalents	1,649,435,508	1,452,927,363

With the growing importance of clientele operations linked with derivative financial instruments (mainly through eForex services), the Group decided to improve the current presentation of the consolidated statement of cash flow in order to reflect separately the movements in derivative financial assets and liabilities in cash flows from operating activities. Despite the fact that the reclassification of cash flows from derivative financial instruments was required to adapt the presentation, this did not lead to a change of net cash from operating activities in comparative figures.

Tier One ratio (Basel II ratio)

At 31 March 2012, the Group had a pre-dividend Tier One ratio (Basel II ratio) of 21.5% (31 March 2011: 20.7%; 31 December 2011: 21.7%). Post dividend out of capital contribution reserve (share premium), the ratio Tier One ratio is 20.0%.



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

Introduction

We have reviewed the accompanying condensed consolidated interim financial information (balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes) set out on pages 1 to 13 of Swissquote Group Holding Ltd for the period ended 31 March 2012. The Board of Directors is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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Geneva, 3 May 2012

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