

INTERIM REPORT

30 June 2004



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Consolidated Interim Balance Sheet

	Notes	30 June 2004	30 June 2003	31 December 2003
ASSETS				
Cash and balances with central bank		12,688,851	7,654,152	43,490,235
Due from other banks		379,108,074	275,017,654	301,096,041
Derivatives financial instruments		82,945	221,464	169,766
Loans and advances to customers		28,664,926	10,290,367	19,016,926
Receivables and prepayments		1,693,042	1,773,783	1,196,573
Investment securities held to maturity		5,197,878	5,368,648	5,282,796
Goodwill		3,000,000	3,400,000	3,000,000
Property, plant and equipment	3	6,073,537	5,911,327	5,895,943
Other long term assets		481,385	487,164	486,626
Deferred tax assets, net		636,458	611,431	636,458
Total assets		437,627,096	310,735,990	380,271,364
LIABILITIES AND EQUITY				
Liabilities				
Due to other banks		684,958	1,567,358	1,416,909
Derivatives financial instruments		82,945	221,464	169,766
Due to customers		380,708,214	258,011,812	326,228,043
Trade and other payables		5,996,725	5,945,469	6,615,506
Provisions and pension		1,912,491	2,392,955	2,943,789
Total liabilities		389,385,333	268,139,058	337,374,013
Minority interest		-	7,342,537	-
EQUITY				
Ordinary shares	4	13,915,540	13,760,300	13,790,200
Share premium and reserves		62,253,970	61,630,127	61,723,981
Treasury shares	4.3	(2,686,165)	(2,647,000)	(1,902,255)
Accumulated losses		(25,241,582)	(37,489,032)	(30,714,575)
Total equity		48,241,763	35,254,395	42,897,351
Total liabilities and equity		437,627,096	310,735,990	380,271,364

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Consolidated Interim Statement of Operations

	Notes	6 months ended 30 June	
		2004	2003
Fee and commission income		18,337,623	11,344,061
Fee and commission expense		(1,839,916)	(1,284,653)
Net fee and commission income		16,497,707	10,059,408
Interest income		1,381,944	987,729
Interest expense		(313,666)	(251,838)
Net interest income		1,068,278	735,891
Net trading income		1,161,536	491,154
Other operating income		836,011	678,386
Operating income		19,563,532	11,964,839
Operating expenses	1	(13,517,702)	(10,909,121)
Operating profit before depreciation, amortization and provision		6,045,830	1,055,718
Depreciation, amortization and provisions	3	(1,250,000)	(1,600,000)
Profit / (loss) before minority interest		4,795,830	(544,282)
Minority interest		-	238,800
Net Profit / (loss)		4,795,830	(305,482)
<i>Profit / (loss) per share</i>	2	<i>3.53</i>	<i>(0.24)</i>
<i>Diluted profit per share</i>		<i>3.30</i>	<i>Not applicable</i>

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Consolidated Interim Changes in Shareholders' Equity

	Share Capital	Share premium & reserves	Treasury shares	Accumulated losses	Total
Balance at 1 January 2003	13,760,300	61,630,127	(2,154,376)	(37,812,188)	35,423,863
Net changes in treasury shares	-	-	(492,624)	628,638	136,014
Net loss of the period	-	-	-	(305,482)	(305,482)
Balance at 30 June 2003	13,760,300	61,630,127	(2,647,000)	(37,489,032)	35,254,395
Balance at 1 January 2004	13,790,200	61,723,981	(1,902,255)	(30,714,575)	42,897,351
Capital increase resulting from the exercise of options	125,340	529,989	-	-	655,329
Net changes in treasury shares	-	-	(783,910)	677,163	(106,747)
Net profit of the period	-	-	-	4,795,830	4,795,830
Balance at 30 June 2004	13,915,540	62,253,970	(2,686,165)	(25,241,582)	48,241,763

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Consolidated Interim Condensed Cash Flow Statement

	Notes	6 months ended 30 June	
		2004	2003
Cash flow from operating activities			
Ordinary		49,859,968	74,717,109
Restructuring and discontinued operations		(1,031,298)	(4,967,143)
Net cash from operating activities		48,828,670	69,749,966
Cash flow used in investing activities			
Purchase of property, plant and equipment		(1,427,594)	(1,506,404)
Change in Other long term assets		(5,240)	(145,044)
Treasury shares		(108,565)	136,014
Net cash used in investing activities		(1,541,399)	(1,515,434)
Cash flow from financing activities			
Net proceeds of issue of ordinary shares		655,329	-
Net cash from financing activities		655,329	-
INCREASE IN CASH AND CASH EQUIVALENTS		47,942,600	68,234,532
Movements in cash and cash equivalents			
At beginning of year		343,169,367	212,869,916
Increase		47,942,600	68,234,532
At 30 June		391,111,967	281,104,448
Cash and cash equivalents			
Cash and balances with central bank		12,688,851	7,654,152
Due from other banks		379,108,074	275,017,654
Due to other banks		(684,958)	(1,567,358)
Total at 30 June		391,111,967	281,104,448

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SECTION I ACCOUNTING POLICIES

The consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2003 except for IFRS 3 and IAS 36, which were early adopted by the Company with retroactive effect on 1st January 2004.

The early adoptions of IFRS 3 and IAS 36 (as revised in 2004) and IAS 38 (as revised in 2004) implies that the residual CHF 3 mio goodwill at 1 January 2004 relating to the acquisition in Q4-2002 of Consors (Schweiz) is fair-valued (examination of any impairment requirement at 30 June 2004) instead of being amortized over 5 years (CHF 200,000 per quarter) in accordance with the former provisions of IAS 22 Business Combinations (i.e. before the early adoption of IFRS 3).

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 2003 annual consolidated financial statements.

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SECTION II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating Expenses

	6 months ended 30 June	
	2004	2003
Payroll & related expenses	6,483,635	5,189,674
Production expenses	2,779,296	1,914,015
Marketing expenses	1,882,888	1,388,238
Administration and other operating expenses	2,371,883	2,417,194
Total	13,517,702	10,909,121

2. Profit / (Loss) per Share

Basic profit / (loss) per share is calculated by dividing the net profit / (loss) attributable to shareholders by the weighted average number of ordinary shares in issue (excluding treasury shares) during the period.

	6 months ended 30 June	
	2004	2003
Net profit / (loss)	4,795,830	(305,482)
Weighted average number of ordinary shares in issue	1,359,783	1,284,211
<i>Basic profit / (loss) per share</i>	<i>3.53</i>	<i>(0.24)</i>
<i>Diluted profit per shares</i>	<i>3.30</i>	<i>Not applicable</i>

In accordance with IAS 33, diluted earning per share is only disclosed when the Group posts a profit.

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3. Property, Plant and Equipment

	IT systems	Others	Total
6 months ended 30 June 2003			
Opening net book amount (1.1.2003)	4,607,252	997,671	5,604,923
Addition	1,185,731	320,673	1,506,404
Depreciation	(1,159,619)	(40,381)	(1,200,000)
Closing net book amount (30.6.2003)	4,633,364	1,277,963	5,911,327
6 months ended 30 June 2004			
Opening net book amount (1.1.2004)	4,411,187	1,484,756	5,895,943
Addition	1,318,000	109,594	1,427,594
Depreciation	(1,165,000)	(85,000)	(1,250,000)
Closing net book amount (30.6.2004)	4,564,187	1,509,350	6,073,537

Additions to Property, Plant and Equipment include an amount of CHF 403,000 (2003: CHF 200,000) representing own costs capitalized in connection with the development of the systems of the Bank.

4. Equity

4.1 Structure of Capital

Number of shares	Ordinary Shares Issued	Unissued Shares		Total Shares Issued and Unissued
		Conditional Capital	Authorized Capital	
At 1 January 2003	1,376,030	40,000	-	1,416,030
At 30 June 2003	1,376,030	40,000	-	1,416,030
At 1 January 2004	1,379,020	37,010	-	1,416,030
Capital increase resulting from options exercised	12,534	(12,534)	-	-
Increase of the Conditional Capital and Creation of an Authorized Capital *	-	68,913	200,000	268,913
At 30 June 2004	1,391,554	93,389	200,000	1,684,943

* Resolutions passed at the 30 March 2004 AGM.

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4.2 Information on Stock Option

	3rd Allocation	4th Allocation	5th Allocation	6th Allocation	Total	Conditional shares available for exercise
Balance at 1 January 2003	14,524	48,000	20,300	-	82,824	40,000
Grants	-	-	-	-	-	
Exercise	-	-	-	-	-	
Lapsed	(992)	-	-	-	(992)	
Balance at 30 June 2003	13,532	48,000	20,300		81,832	40,000
Balance at 1 January 2004	11,712	48,000	16,450	-	76,162	37,010
Grants	-	600	-	7,998	8,598	
Exercise	(6,134)	-	(6,400)	-	(12,534)	(12,534)
Lapsed	(200)	-	-	-	(200)	
Increase of the Conditional Capital further to the resolution of the AGM on 30 March 2004	-	-	-	-	-	68,913
Balance at 30 June 2004	5,378	48,600	10,050	7,998	72,026	(72,026)
<i>Balance Conditional Shares available for future grants</i>						21,363

The options granted under the 4th allocation scheme in Q2 2004 have a strike price of CHF 113.90.

The terms of the 6th allocation are as follows:

- ▶ one option grants the right to acquire one share
- ▶ the strike price is equal to 10-day-average closing price of SQN at the date of grant (CHF 113.90 per option for the options granted in the Q2 2004)
- ▶ options granted are exercisable in three equal tranches. The first tranche becomes exercisable on the date of the first anniversary of the date of grant, the second on the date of the second anniversary and the third on the date of the third anniversary.

4.3 Treasury Shares

Treasury shares at 30 June 2004 consist of 22,749 shares valued at the closing price on that date. The following transactions took place in the period from 1 January to 30 June 2004:

- ▶ the acquisition of 904 shares at a unit price ranging from CHF 118.50 to CHF 128.00 (average cost of CHF 120.66 per share), and
- ▶ the disposal of 20 shares at a unit prices ranging from CHF 121.00 to CHF 122.00 (average net price per share of CHF 121.50).