Financial Report
Q2-2005

SWISSQUOTE

SWITZERLAND'S LEADING ONLINE BROKER

CONSOLIDATED INTERIM BALANCE SHEET

	Notes	30 June 2005	30 June 2004	31 December 2004
ASSETS				
Cash and balances with central bank		38,716,088	12,688,851	94,502,518
Due from other banks		472,907,507	379,108,074	310,116,643
Derivatives financial Instruments		1,195,411	82,945	814,429
Loans and advances to customers		33,357,175	28,664,926	32,235,047
Pledged investment securities and deposits		9,324,671	5,197,878	6,878,295
Goodwill		3,000,000	3,000,000	3,000,000
Information technology systems	4	5,124,805	4,564,186	4,682,934
Property, plant and equipment	5	996,155	1,509,350	1,307,770
Other assets		2,021,322	2,174,428	1,329,703
Deferred tax assets, net	2	1,263,458	636,458	636,458
Total assets		**567,906,592**	**437,627,096**	**455,503,797**
LIABILITIES AND EQUITY				
Liabilities				
Due to other banks		2,793,228	684,958	351,563
Derivatives financial Instruments		1,195,411	82,945	814,429
Due to customers		499,134,582	380,708,214	396,441,597
Trade and other payables		8,417,048	5,996,725	6,508,715
Provisions and pension		1,062,892	1,912,491	1,301,500
Total liabilities		**512,603,161**	**389,385,333**	**405,417,804**
Equity	6			
Ordinary shares		14,096,890	13,915,540	13,943,040
Share premium and reserves		30,263,090	29,862,526	29,899,614
IFRS 2 reserve	6.2	360,615	279,504	371,735
Treasury shares	6.3	(941,134)	(685,801)	(588,511)
Accumulated profits		11,523,970	4,869,994	6,460,115
Total equity		**55,303,431**	**48,241,763**	**50,085,993**
Total liabilities and equity		**567,906,592**	**437,627,096**	**455,503,797**

All amounts in Swiss Francs

CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

		Quarter ended 30 June		6 months ended 30 June	
	Notes	2005	2004	2005	2004
Fee and commission income		7,933,927	7,949,532	16,535,592	18,357,623
Fee and commission expense		(835,298)	(766,950)	(1,815,751)	(1,839,916)
Net fee and commission income		**7,098,629**	**7,182,582**	**14,719,841**	**16,517,707**
Interest income		1,688,027	764,667	3,042,252	1,381,944
Interest expense		(387,755)	(157,255)	(715,618)	(313,666)
Net interest income		**1,300,272**	**607,412**	**2,326,634**	**1,068,278**
Net trading income		904,723	647,062	1,741,028	1,161,536
Other operating income		716,544	420,194	1,340,338	816,011
Operating income		**10,020,168**	**8,857,250**	**20,127,841**	**19,563,532**
Operating expenses	1	(7,259,442)	(6,670,629)	(14,407,989)	(13,590,197)
Operating profit before depreciation, amortization and provision		**2,760,726**	**2,186,621**	**5,719,852**	**5,973,335**
Depreciation, amortization and provision					
Depreciation	4 / 5	(718,000)	(650,000)	(1,379,839)	(1,250,000)
Operating profit before taxes		**2,042,726**	**1,536,621**	**4,340,013**	**4,723,335**
Taxes	2	407,000	-	627,000	-
Net profit		**2,449,726**	**1,536,621**	**4,967,013**	**4,723,335**
Earning per share	*3*	*1.77*	*1.13*	*3.60*	*3.47*
Diluted earning per share		*1.73*	*1.09*	*3.52*	*3.35*

All amounts in Swiss Francs

CONSOLIDATED INTERIM CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium & reserves	IFRS 2 Reserve	Treasury shares	Accumulated (losses) / profits	Total
Balance reported in the Annual Report 2004	**13,790,200**	**61,723,981**	**-**	**(1,902,255)**	**(30,714,575)**	**42,897,351**
<u>Restatements:</u>						
Stock option plan:						
Value of services provided	-	-	351,650	-	(351,650)	-
Treasury stocks at cost	-	-	-	1,325,219	(1,325,219)	-
Allocation of Share premium & reserves to Accumulated losses	-	(32,391,444)	-	-	32,391,444	-
Restated balance at 1 January 2004	**13,790,200**	**29,332,537**	**351,650**	**(577,036)**	**-**	**42,897,351**
Capital increase resulting from the exercise of options	125,340	529,989	-	-	-	655,329
Employee stock option plan:						
Value of services provided	-	-	72,495	-	-	72,495
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(144,641)	-	144,641	-
Net change in treasury shares	-	-	-	(108,765)	2,018	(106,747)
Net profit of the period	-	-	-	-	4,723,335	4,723,335
Restated balance at 30 June 2004	**13,915,540**	**29,862,526**	**279,504**	**(685,801)**	**4,869,994**	**48,241,763**
Restated balance at 1 January 2005	**13,943,040**	**29,899,614**	**371,735**	**(588,511)**	**6,460,115**	**50,085,993**
Capital increase resulting from the exercise of options	153,850	363,476	-	-	-	517,326
Employee stock option plan:						
Value of services provided	-	-	84,047	-	-	84,047
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(95,167)	-	95,167	-
Net change in treasury shares	-	-	-	(352,623)	1,675	(350,948)
Net profit of the period	-	-	-	-	4,967,013	4,967,013
Balance at 30 June 2005	**14,096,890**	**30,263,090**	**360,615**	**(941,134)**	**11,523,970**	**55,303,431**

All amounts in Swiss Francs

CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

	Notes	6 months ended 30 June 2005	2004
Cash flow from operating activities			
Ordinary		106,146,770	48,913,430
Restructuring		(238,608)	(90,000)
Net cash from operating activities		**105,908,162**	**48,823,430**
Cash flow used in investing activites			
Purchase of IT systems and Property, plant and equipment	4/5	(1,510,095)	(1,427,594)
Net cash used in investing activities		**(1,510,095)**	**(1,427,594)**
Cash flow from financing activites			
Treasury shares		(352,624)	(108,565)
Net proceeds of issue of ordinary shares		517,326	655,329
Net cash from financing activities		**164,702**	**546,764**
INCREASE IN CASH AND CASH EQUIVALENTS		**104,562,769**	**47,942,600**
Movements in cash and cash equivalents			
At beginning of year		404,267,598	343,169,367
Increase		104,562,769	47,942,600
At 30 June		**508,830,367**	**391,111,967**
Cash and cash equivalents			
Cash and balances with central bank		38,716,088	12,688,851
Due from other banks		472,907,507	379,108,074
Due to other banks		(2,793,228)	(684,958)
Total at 30 June		**508,830,367**	**391,111,967**

All amounts in Swiss Francs

I ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading, share based payments and all derivative contracts.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. 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 2004 annual consolidated financial statements and take into account the changes stated here-below in Section B.

B) CHANGES FROM PRIOR REPORTING

Due to the coming into force on 1 January 2005 of a number of new and revised accounting standards, the Company introduced some new accounting policies and adapted some of the accounting policies applied in the preparation of its consolidated financial statements for the year ended 31 December 2004, as well as for the preparation of its consolidated interim financial statements for the quarters ended respectively on 30 June 2004, 30 June 2004 and 30 September 2004.

As a matter of clarity, the changes compared to the accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2004, as well as for the preparation of its consolidated interim financial statements for the quarters ended retrospectively on 30 June 2004, 30 June 2004 and 30 September 2004 are presented as follows:

- Accounting policy resulting from the early implementation in 2004 of new / revised accounting standards (Section D).
- New accounting policies resulting from the coming into force of new / revised accounting standards, which require a restatement of the comparative 2004 consolidated financial statements (Section E).
- New accounting policies resulting from the coming into force of new / revised accounting standards, which have no impact on the comparative 2004 consolidated financial statements, and hence do not require restatements (Section F).
- Unchanged accounting policies (Section G).

The structure of the comparative Consolidated Interim Balance Sheet has been made consistent with the presentation in the consolidated balance sheet at 31 December 2004. The main reclassifications are:

- Property, plant and equipment: comparatives have been split into Property, plant and equipment and Information technology systems. The objective is to present separately the Information technology systems of the Group, given their strategic importance.
- Receivable and prepayments: is included in Other assets
- Other long-term assets: comparatives have been split into Other assets and Pledged investment securities and deposits. The objective is to group into one line all assets pledged.

The comparative Consolidated Interim Condensed Statement of Cash Flow was adapted accordingly in order to reflect the changes made in the presentation of the Consolidated Balance Sheet.

Further and in the context of these major changes, the Company has decided :

- to directly reflect in the Changes in Shareholders'Equity the footnote stated in the 2004 Annual Report relating to the offset of the Accumulated losses through the allocation of the Share premium, but to limit this offset to the Consolidated accumulated losses at 1 January 2004 (CHF 32,391,444), whereas the offset approved by the shareholders for the Statutory Financial Statements of Swissquote Group Holding Ltd amounted to CHF 50,426,493. The CHF 18,035,049 balance is a free reserve that is included in share premium and reserve. This restatement has neither an impact on any net profit reported to date, nor on the total amount of the equity.
- to present treasury shares at cost with retroactive effect on 1 January 2004. Previously, treasury shares were valued at market. This restatement has no impact on any net profit reported, nor on the total amount of the equity.
- to compute the diluted EPS taking into consideration only outstanding stock options which are in the money. Previously, diluted EPS was calculated based on all stock options outstanding.

In the Q2-2004 Interim Report, the Company decided at that time to reclassify certain amounts recorded in Q1-2004 in Other operating income based on their legal substance to Fee and commission income based on their economic substance. The Q1-2004 comparatives are now incorporating this reclassification.

The summary of restatements with effect on the 2004 quarterly and yearly Statement of operations is presented in Section II.

With respect to certain new accounting standards and IFRIC interpretations that have been published to the date of these Consolidated Financial Statements and that are mandatory for accounting periods beginning on or after 1 January 2006, the Group does not consider that these new standards and interpretations will impact its financial statements.

C) CONSOLIDATION - SUBSIDIARIES

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, 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 minority 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 recognized directly in the income statement.

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 asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

D) ACCOUNTING POLICY RESULTING FROM THE EARLY IMPLEMENTATION IN 2004 OF NEW/REVISED ACCOUNTING STANDARDS

Goodwill / IFRS 3, IAS 36 and IAS 38 (as revised in 2004)
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Impact on the comparative financial statements:
IFRS 3, IAS 36 revised and IAS 38 revised were early adopted in Q2-2004 with retroactive effect on 1 January 2004.
The impact is the reverse in Q2-2004 of a CHF 200,000 amortization charge recorded in Q1-2004.

E) NEW ACCOUNTING POLICIES RESULTING FROM THE COMING INTO FORCE OF NEW / REVISED ACCOUNTING STANDARDS, WHICH REQUIRE A RESTATEMENT OF THE COMPARATIVE 2004 CONSOLIDATED FINANCIAL STATEMENTS

Stock option plan / IFRS 2 issued 2004
The Group operates equity-settled, share-based compensation plans. 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. The total amount to be expensed is determined by reference to the fair value of the options granted, 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.

Impact on the comparative financial statements:
IFRS 2 requires the restatement of the 2004 financial statements, for comparison purpose. The impact are the followings:

- Creation at 1 January 2004 of an IFRS 2 reserve of CHF 351,650, which counterparty is an increase of the Accumulated losses of the same amount
- Increase of other operating expenses (total for the year:CHF 177,818)
  - Q1-2004 : CHF 29,256
  - Q2-2004 : CHF 43,239
  - Q3-4004 : CHF 50,798
  - Q4-2004 : CHF 54,525

F) NEW / REVISED ACCOUNTING POLICIES RESULTING FROM THE COMING INTO FORCE OF NEW / REVISED ACCOUNTING STANDARDS, WHICH HAVE NO IMPACT ON THE COMPARATIVE 2004 CONSOLIDATED FINANCIAL STATEMENTS, AND HENCE DO NOT REQUIRE RESTATEMENTS.

Foreign currency translation
(a) 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 ('the functional currency'). The consolidated financial statements are presented in CHF, which is the functional and presentation currency of the parent and the subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 under Net trading income. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Derivative financial instruments and hedge accounting

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, interest rate options and other derivative financial instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day 1.

Changes in the fair value of derivatives are included in Net trading income. The Group does not apply hedge accounting as defined by IAS 39.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The Group does not trade in such financial assets, except for transactions on derivative financial instruments entered into to satisfy client needs. These derivatives are categorised as held for trading.

(b) Loans and receivables

Loans and receivables 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.

(c) 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. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(d) 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. All other purchases and sales are recognized as derivative forward transactions until settlement. 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 equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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. Dividends receivable are included separately in dividend income when a dividend is declared.

Impairment of financial assets

(a) 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. 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.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. 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.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

(b) 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. 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 equity 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.

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.

Property, plant and equipment
All property, plant and equipment is recorded at historical cost, less depreciation. 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. As the Group does not own any property and plant, Property, plant and equipment mainly consists in leasehold improvements and office equipment which is amortized using the straight-line method over their useful lives but not exceeding a period of four to five years.

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

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

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. 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 higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Borrowings
Borrowings are recognized 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 recognized in the income statement over the period of the borrowings using the effective interest method.

Share-Capital / Share Issue costs
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 Company's shareholders.

G) UNCHANGED ACCOUNTING POLICIES.

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. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group operates in a sole business segment.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fee and commission income / expense and other income
Fees and commissions income / expense and other income are recognized 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.

Net trading income
Net trading income is recognized on foreign exchange transactions done by clients and also on foreign currency translation of balances with bank's and clients denominated in other than Swiss Francs.

Information technology systems

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives but not exceeding a period of three to five years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful life (three to five years).

Hardware is 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 a period of three 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 higher of the asset's fair value less costs to sell and value in use.

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. Currently enacted tax rates are used to determine deferred income tax.
The principal temporary differences arise from the capitalization of certain assets and related depreciation and amortization as well as from tax losses carried forward. Deferred tax assets relating to tax losses carried forward, are recognized 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 re-measurement of available-for-sale investments, which are 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.

Provisions

Provisions for restructuring costs and legal claims are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with the Swiss Central Bank, amounts due from/to other banks.

Pension obligations

In addition to the legally prescribed social benefits, the Group maintains two employee pension plans. The pension plans have been set up in accordance with the Swiss defined contribution plans. However, they do not fulfill all of the criteria of a defined contribution pension plan according to IAS 19 and are therefore disclosed as defined benefit pension plans.

The Group insures its staff with collective foundations and insurance companies, which provide benefits on retirement or in the event of death, disability or termination of employment. The level of contributions to be paid by the employees and the relevant Group companies is determined by the plan rules. The pension benefits are based on the contributions paid by the insured persons and the Group (individual savings accounts). The assets are independently managed by the collective foundations or insurance companies.

For accounting purposes in accordance with IAS 19, pension obligations and expenses are determined according to the projected unit credit method. The corresponding calculations are made by actuaries on a periodical basis. The pension expense entered in the profit and loss account corresponds to the actuarially determined expense less employee contributions.

Actuarial gains and losses that exceed both 10% of the present value of the plan obligations and 10% of the fair value of plan assets are systematically amortized over the remaining working lives of employees participating in the plan.

Fiduciary activity
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 assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

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 recognized as an expense in the period in which termination takes place.

II RESTATED QUARTERLY RESULTS AND PROFIT PER SHARE IN 2004

	Restated Quarterly Results in 2004				
	Q1-2004	Q2-2004	Q3-2004	Q4-2004	Total
Fee and commission income	10,408,091	7,949,532	5,768,570	6,809,938	30,936,131
Fee and commission expense	(1,072,966)	(766,950)	(703,275)	(774,111)	(3,317,302)
Net fee and commission income	**9,335,125**	**7,182,582**	**5,065,295**	**6,035,827**	**27,618,829**
Interest income	617,277	764,667	1,008,739	1,165,048	3,555,731
Interest expense	(156,411)	(157,255)	(241,186)	(290,896)	(845,748)
Net interest income	**460,866**	**607,412**	**767,553**	**874,152**	**2,709,983**
Net trading income	514,474	647,062	477,723	563,464	2,202,723
Other operating income	395,817	420,194	368,966	556,786	1,741,763
Operating income	**10,706,282**	**8,857,250**	**6,679,537**	**8,030,229**	**34,273,298**
Operating expenses	**(6,919,568)**	**(6,670,629)**	**(6,034,037)**	**(6,450,517)**	**(26,074,751)**
Operating profit before depreciation, amortization and provision	**3,786,714**	**2,186,621**	**645,500**	**1,579,712**	**8,198,547**
Depreciation, amortization and provision					
Depreciation	(600,000)	(650,000)	(640,000)	(617,006)	(2,507,006)
Amortization and provisions	-	-	-	419,513	419,513
Bad and doubtful debt	-	-	-	(53,660)	(53,660)
Operating profit	**3,186,714**	**1,536,621**	**5,500**	**1,328,559**	**6,057,394**
Taxes	-	-	-	-	-
Net profit	**3,186,714**	**1,536,621**	**5,500**	**1,328,559**	**6,057,394**
Earning per share	*2.35*	*1.13*	*0.00*	*0.97*	*4.44*
Diluted earning per share	*2.28*	*1.09*	*0.00*	*0.94*	*4.31*
Reconciliation of Net profits reported in 2004 in the respective periods					
Net profit reported in 2004 (*1)	**3,215,970**	**1,579,860**	**56,298**	**1,383,084**	**6,235,212**
Amortization of the fair value of stock options (included in other operating expenses)	(29,256)	(43,239)	(50,798)	(54,525)	(177,818)
Restated Net profit 2004	**3,186,714**	**1,536,621**	**5,500**	**1,328,559**	**6,057,394**

*(*1) excluding the restatement of the Goodwill amortization further to the early implementation of IFRS 3 in Q2-2004, with retroactive effect to Q1-2004*

All amounts in Swiss Francs

III NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating Expenses

	6 months ended 30 June 2005	6 months ended 30 June 2004
Payroll & related expenses	6,817,066	6,520,482
Production expenses	2,764,357	2,779,296
Administration and other operating expenses	2,664,803	2,407,531
Marketing expenses	2,161,763	1,882,888
Total	**14,407,989**	**13,590,197**

The value of services provided relating to the stock option plan in 2005 amounted to CHF 84,047 (2004: CHF 72,495). CHF 57,596 (2004 : CHF 36,847) is relating to employees, options and is included in Payroll & related costs, wherease CHF 26,451 (2004 : CHF 35,648) is relating to board members, stock options and is included in Other operating expenses.

2. Deferred tax

	2005				2004			
	Balance at 1 January	Net (debit) credit to statement of operations	Net (debit) credit to share premium & reserves	Balance at 30 June	Balance at 1 January	Net (debit) credit to statement of operations	Net (debit) credit to share premium & reserves	Balance at 30 June
Deferred tax assets								
Tax losses carried forward	1,422,570	627,000	-	2,049,570	1,425,620	-	-	1,425,620
Permanent differences	10,838	-	-	10,838	10,838	-	-	10,838
Total	1,433,408	627,000	-	2,060,408	1,436,458	-	-	1,436,458
Deferred tax liabilities								
Temporary differences	(796,950)	-	-	(796,950)	(800,000)			(800,000)
Total Net	636,458	627,000	-	1,263,458	636,458	-	-	636,458

The deferred tax assets on tax loss carried forward are stated net of a CHF 17.9m (30 June 2004 : CHF 18.5m) provision for impairment of deferred tax assets on tax loss carried forward, for which an offset within the carry forward period by future taxable profits is unlikely. After nine subsequent profitable quarters, the provision for impairment has been reduced by an amount of CHF 627,000 (2004: nil). Under current tax laws in Switzerland, tax losses may be carried forward up to 7 years.

All amounts in Swiss Francs 15

3. Earning per Share

	6 months ended 30 June	
	2005	2004
Net profit	4,967,013	4,723,335
Weighted average number of ordinary shares in issue	1,381,262	1,362,980
Basic earning per share	3.60	3.47
Diluted earning per share	3.52	3.35

4. Information technology systems

	Software/Third Party Licences	Proprietary Software	Hardware	Total
6 months ended 30 June 2004				
Opening net book amount (1.1.2004)	1,078,466	2,543,055	789,666	4,411,187
Addition	309,925	517,966	490,109	1,318,000
Depreciation	(206,543)	(439,530)	(518,927)	(1,165,000)
Closing net book amount (30.6.2004)	**1,181,848**	**2,621,491**	**760,848**	**4,564,187**
6 months ended 30 June 2005				
Opening net book amount (1.1.2005)	1,080,503	2,658,380	944,051	4,682,934
Addition	362,957	928,734	171,387	1,463,078
Depreciation	(229,503)	(562,666)	(229,038)	(1,021,207)
Closing net book amount (30.6.2005)	**1,213,957**	**3,024,448**	**886,400**	**5,124,805**

Additions to Information technology systems include an amount of CHF 780,234 (2004: CHF 403,000) representing own costs capitalized in connection with the development of the systems of the Bank.

5. Property, plant and equipment

	2005	2004
6 month ended 30 June		
Opening net book amount (1 January)	1,307,770	1,484,756
Addition	47,017	109,594
Depreciation	(358,632)	(85,000)
Closing net book amount (30 June)	**996,155**	**1,509,350**

All amounts in Swiss Francs

6. Equity

6.1 Structure of Capital

Number of shares	Ordinary Shares Issued	Unissued Shares: Conditional Capital	Unissued Shares: Authorized Capital	Total Shares Issued and Unissued
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**
At 1 January 2005	**1,394,304**	**90,639**	**200,000**	**1,684,943**
Capital increase resulting from options exercised	15,385	(15,385)	-	-
At 30 June 2005	**1,409,689**	**75,254**	**200,000**	**1,684,943**

**Further to the resolution of the AGM on 30 March 2004.*

6.2 Stock Option

Movement in stock options (in units)

	3rd Allocation	4th Allocation	5th Allocation	6th Allocation	Total	Conditional shares available for exercise
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 resoltution of the AGM on 30 March 2004						68,913
Balance at 30 June 2004	**5,378**	**48,600**	**10,050**	**7,998**	**72,026**	**93,389**
Balance at 1 January 2005	**5,333**	**48,600**	**7,300**	**7,917**	**69,150**	**90,639**
Grants	-	-	-	-	-	-
Exercise	(2,385)	(12,000)	(1,000)	-	(15,385)	(15,385)
Lapsed	-	-	-	-	-	-
Balance at 30 June 2005	**2,948**	**36,600**	**6,300**	**7,917**	**53,765**	**75,254**
Less option outstanding						*(53,765)*
Balance Conditional Shares available for future grants						21,489

A detailed description of each allocation is provided in the Annual Report 2004.

All amounts in Swiss Francs

Fair value and cost of stock options.

The fair value of options is determined based on Black-Scholes, taking into account the following factors:
- The estimated future volatility, which is derived from the historical volatility.
- The difference between the strike price and the spot price at grant.
- The level of the risk free interest rate at date of grants.
- The time components of duration of vesting and exercise periods.
- The churn rate of optionnees.
- The underlying social security costs.

There was no grant of stock options in the period under review.

The movements (fair value) in stock options is the following:

	3rd Allocation	4th Allocation	5th Allocation	6th Allocation	Total
Balance at 1 January 2004	226,369	180,000	61,688	-	468,057
Grants	-	15,120	-	201,550	216,670
Exercise	(115,205)	-	(24,000)	-	(139,205)
Lapsed	(5,437)	-	-	-	(5,437)
Balance at 30 June 2004	**105,727**	**195,120**	**37,688**	**201,550**	**540,085**
Balance at 1 January 2005	**104,988**	**195,120**	**27,376**	**199,508**	**526,992**
Grants	-	-	-	-	-
Exercise	(46,417)	(45,000)	(3,750)	-	(95,167)
Lapsed	-	-	-	-	-
Balance at 30 June 2005	**58,571**	**150,120**	**23,626**	**199,508**	**431,825**

Reconciliation with IFRS 2 reserve:

	1 January		30 June	
	2005	2004	2005	2004
Value of services to be reclassified to Accumulated profits when outstanding options will lapse, expire or be exercised	526,991	468,057	431,825	540,085
Value of services to be amortized through profit and losses over the residual vesting periods of options	(155,256)	(116,407)	(71,210)	(260,581)
IFRS 2 reserve	**371,735**	**351,650**	**360,615**	**279,504**

All amounts in Swiss Francs

Other information

a) Strike value of stock options outstanding and movements

	3rd Allocation	4th Allocation	5th Allocation	6th Allocation	Total
Balance at 1 January 2004	**973,312**	**1,336,800**	**458,133**	**-**	**2,768,245**
Grants	-	68,340	-	910,972	979,312
Exercise	(492,663)	-	(178,240)	-	(670,903)
Lapsed	(28,986)	-	-	-	(28,986)
Balance at 30 June 2004	**451,663**	**1,405,140**	**279,893**	**910,972**	**3,047,668**
Balance at 1 January 2005	**448,478**	**1,405,140**	**203,305**	**901,746**	**2,958,669**
Grants	-	-	-	-	-
Exercise	(198,207)	(334,200)	(27,850)	-	(560,257)
Lapsed	-	-	-	-	-
Balance at 30 June 2005	**250,271**	**1,070,940**	**175,455**	**901,746**	**2,398,412**

b) Maturity of stock options outstanding

Allocation	Strike Price	Number Options	Exercise Period Start	Exercise Period End
4 & 5	27.85	1,300	May-04	April-06
		5,000	May-05	April-07
		36,000	May-05	April-07
3	54.30	50	July-04	June-06
		50	July-05	June-07
3	58.27	25	May-05	April-07
3	66.60	25	April-05	March-07
3	86.39	935	March-04	February-06
		1,863	March-05	February-07
4 & 6	113.90	3,239	May-05	April-07
		2,639	May-06	April-08
		2,639	May-07	April-09
		53,765		

6.3 Treasury Shares

Treasury shares at 30 June 2005: 22,416 for a total cost of CHF 941,134. The following transactions took place in the period from 1 January to 30 June 2005:

- acquisition of 3,417 shares at a unit price ranging from CHF 95.50 to CHF 107.00 (average cost of CHF 103.12 per share), and
- disposal of 25 shares at price of CHF 100.90.

All amounts in Swiss Francs 19

PRICEWATERHOUSECOOPERS

Review Report to the Board of Directors of Swissquote Group Holding Ltd

According to your request, we have reviewed the condensed consolidated interim financial statements (balance sheet, statement of operations, changes in shareholders' equity, condensed of cash flows statement and notes) set out on pages 1 to 19 of Swissquote Group Holding Ltd for the period ended 30 June 2005. The prior period figures shown in these condensed consolidated interim financial statements are not reviewed.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Our review was conducted in accordance with auditing standards promulgated by the Swiss profession and with International Standards on Review Engagements (ISREs), which require that a review be planned and performed to obtain moderate assurance about whether the condensed consolidated interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers SA

JC Pernollet M Caputo

Geneva, 21 July 2005