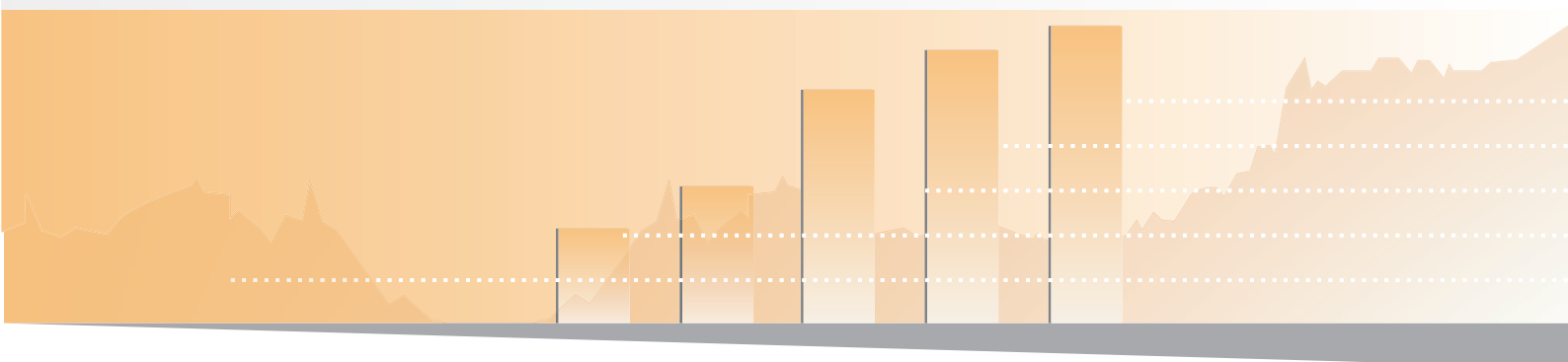




Financial Report

Q3-2008



SWISSQUOTE

SWITZERLAND'S LEADING ONLINE BROKER

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		30 September		31 December
	Notes	2008	2007	2007
ASSETS				
Cash and balances with central bank		62,736,110	32,755,519	36,912,408
Loans and advances to banks		1,113,984,865	1,127,196,335	1,066,267,114
Derivatives financial instruments		24,277,234	9,432,447	10,255,578
Loans and advances to customers		81,781,091	75,583,092	93,497,349
Investment securities		51,774,016	75,417,635	72,329,374
Information technology systems	3	10,775,546	8,463,877	8,975,173
Property, plant and equipment	4	20,179,992	17,137,146	19,705,973
Other assets		9,553,382	8,452,325	3,084,782
Deferred tax assets		-	10,838	-
Total assets		1,375,062,236	1,354,449,214	1,311,027,751
LIABILITIES AND EQUITY				
Liabilities				
Deposits from banks		2,421,761	2,666,075	2,646,844
Derivatives financial instruments		24,277,234	9,432,447	10,255,578
Due to customers		1,191,847,154	1,200,408,744	1,143,557,832
Other liabilities		14,718,820	22,935,029	21,981,123
Current income tax liabilities		8,954,522	-	3,788,670
Provisions		1,196,520	648,949	1,176,970
Deferred tax liabilities		936,778	-	1,056,053
Total liabilities		1,244,352,789	1,236,091,244	1,184,463,070
Equity				
Ordinary shares	5	2,927,674	7,319,185	7,319,185
Share premium		35,910,316	35,151,651	34,812,043
Share option reserve		1,279,280	571,543	742,379
Other reserve		(8,717,980)	(1,923,971)	(4,161,948)
Treasury shares	6	(20,834,813)	(12,717,044)	(13,798,287)
Retained earnings		120,144,970	89,956,606	101,651,309
Total equity		130,709,447	118,357,970	126,564,681
Total liabilities and equity		1,375,062,236	1,354,449,214	1,311,027,751

The notes on pages 7 to 10 form an integral part of this condensed interim financial information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

	Notes	Quarter ended 30 September		9 months ended 30 September	
		2008	2007	2008	2007
Fee and commission income		18,046,588	20,732,050	56,393,814	65,419,616
Fee and commission expense		(1,761,712)	(2,666,251)	(5,468,278)	(8,428,356)
Net fee and commission income		16,284,876	18,065,799	50,925,536	56,991,260
Interest income		10,452,231	10,670,925	30,537,758	26,199,347
Interest expense		(1,759,295)	(2,938,229)	(6,204,596)	(7,026,881)
Net interest income		8,692,936	7,732,696	24,333,162	19,172,466
Net trading income		2,622,542	2,136,873	6,941,204	6,291,909
Operating income		27,600,354	27,935,368	82,199,902	82,455,635
Operating expenses	1	(13,556,919)	(13,599,621)	(39,825,075)	(37,518,417)
Impairment on Investment securities		(11,982,786)	-	(11,982,786)	-
Operating profit		2,060,649	14,335,747	30,392,041	44,937,218
Income tax expense, net (except on impairment)		(2,919,590)	(2,867,144)	(8,967,825)	(8,987,444)
Tax impact on impairment on Investment securities		2,636,213	-	2,636,213	-
Net profit		1,777,272	11,468,603	24,060,429	35,949,774
<i>Earning per share</i>	2	0.13	0.80	1.69	2.52
<i>Diluted earning per share</i>	2	0.12	0.80	1.68	2.50

The notes on pages 7 to 10 form an integral part of this condensed interim financial information

All amounts in Swiss Francs

CONDENSED CONSOLIDATED INTERIM CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2007	11,668,648	33,780,293	330,685	(22,093)	(9,011,338)	56,738,016	93,484,211
Net change in investment securities, net of tax	-	-	-	(1,901,878)	-	-	(1,901,878)
Net profit of the period	-	-	-	-	-	35,949,774	35,949,774
Total recognised income for the period	-	-	-	(1,901,878)	-	35,949,774	34,047,896
Capital increase resulting from the exercise of options	42,048	171,372	-	-	-	-	213,420
Dividend	-	-	-	-	-	(2,855,046)	(2,855,046)
Capital reduction	(4,391,511)	119,883	-	-	-	-	(4,271,628)
Employee stock option plan: Value of services provided	-	-	364,720	-	-	-	364,720
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(123,862)	-	-	123,862	-
Purchase of treasury shares	-	-	-	-	(5,833,664)	-	(5,833,664)
Sale of treasury shares	-	1,080,103	-	-	2,127,958	-	3,208,061
Balance at 30 September 2007	7,319,185	35,151,651	571,543	(1,923,971)	(12,717,044)	89,956,606	118,357,970
Balance at 1 January 2008	7,319,185	34,812,043	742,379	(4,161,948)	(13,798,287)	101,651,309	126,564,681
Net change in investment securities, net of tax	-	-	-	(4,556,032)	-	-	(4,556,032)
Net profit of the period	-	-	-	-	-	24,060,429	24,060,429
Total recognised income for the period	-	-	-	(4,556,032)	-	24,060,429	19,504,397
Dividend	-	-	-	-	-	(5,691,562)	(5,691,562)
Capital reduction	(4,391,511)	130,413	-	-	-	-	(4,261,098)
Employee stock option plan: Value of services provided	-	-	661,695	-	-	-	661,695
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(124,794)	-	-	124,794	-
Purchase of treasury shares	-	-	-	-	(9,691,485)	-	(9,691,485)
Sale of treasury shares	-	967,860	-	-	2,654,959	-	3,622,819
Balance at 30 September 2008	2,927,674	35,910,316	1,279,280	(8,717,980)	(20,834,813)	120,144,970	130,709,447

The notes on pages 7 to 10 form an integral part of this condensed interim financial information

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

		9 months ended 30 September	
	Notes	2008	2007
Cash flow from / (used in) operating activities			
Fees and commission receipts		55,994,482	63,086,213
Fees and commission paid		(7,119,372)	(7,815,032)
Interest receipts		26,609,217	25,021,355
Interest paid		(5,048,140)	(4,534,605)
Net trading income		6,941,204	6,291,909
Cash payments to employees and suppliers		(37,060,920)	(34,823,926)
Cash flow from operating profit before changes in operating assets and liabilities		40,316,471	47,225,914
<i>Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities</i>			
Loans and advances to customers		11,716,258	(11,669,349)
Loans and advances to banks		(102,000,000)	18,159,098
Due to customers		48,289,322	290,003,544
Other liabilities		(4,191,185)	(169,016)
Net cash from operating activities		(5,869,134)	343,550,191
Cash flow from / (used in) investing activities			
Purchase of property, plant and equipment and information technology systems	3/4	(6,343,004)	(6,113,982)
Purchase of new office	4	-	(7,673,889)
Redemption of investment securities		-	218,926
Net cash used in investing activities		(6,343,004)	(13,568,945)
Cash flow from / (used in) financing activities			
Net proceeds from capital reduction		130,413	213,420
Purchase of treasury shares		(9,691,485)	(5,833,664)
Sale of treasury shares		3,622,819	3,208,061
Capital reduction		(4,391,511)	(4,391,511)
Dividend		(5,691,562)	(2,855,046)
Net cash from / (used in) financing activities		(16,021,326)	(9,658,740)
INCREASE IN CASH AND CASH EQUIVALENTS		(28,233,464)	320,322,506
Movements in cash and cash equivalents			
Balance at beginning of year		1,100,532,678	836,963,273
Increase		(28,233,464)	320,322,506
Balance at 30 September		1,072,299,214	1,157,285,779
Cash and cash equivalents			
Cash and balances with central banks		62,736,110	32,755,519
Loans and advances to banks (less than 3 months)		1,011,984,865	1,127,196,335
Deposits from banks		(2,421,761)	(2,666,075)
Total at 30 September		1,072,299,214	1,157,285,779

The notes on pages 7 to 10 form an integral part of this condensed interim financial information

I ACCOUNTING POLICIES & GENERAL INFORMATION

1.1 Accounting policies and presentation matters

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 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 2007 Annual Consolidated Financial Statements.

Pledged assets that were disclosed in a single caption in the face of the Consolidated Balance sheet at 30 September 2007 are now split and included in Loans and advances to banks and Investment securities.

A reallocation has been performed on Property, plant and equipment at 31 December 2007 with retroactive effect. For comparison purposes, prior year balances have been modified to reflect this. Certain balances have been broken down into more detailed categories, for which the totals may be different.

Since 31 December 2007, Other operating income is now included in the caption Fee and commission income. For comparative reasons, prior year balances have been reclassified to reflect this.

Pension obligations – The Company (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 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 Company to the Fund in accordance with its statutory rules) was required at 30 September 2008, nor in the former quarters.

1.2 Scope of operations

Since the beginning of the second quarter, the Bank has started offering a new service to its clients: e-forex. This new service provides the possibility to perform on-line spot rate trading. The revenues generated from this new service since inception amount to CHF 1.3m (Q2-2008: CHF 0.5m) and are included in the caption Net trading income (gain on exchange rate conversion on client activities).

Since mid-May, the Company has started offering Saving Accounts to its clients. The total assets on Saving Accounts amount to CHF 39.0m, of which CHF 25.8m is directly deposited with Swissquote Bank and the balance with third party banks in the form of fiduciary deposits. The revenues generated from this new service are included in the caption Interest income.

I ACCOUNTING POLICIES & GENERAL INFORMATION

1.3 Financial Risk Management and Tier One ratio (Basel II ratio)

At 30 September 2008, the Company had an aggregate CHF 1,228.5m deposits with counterparties that can be analysed as follows:

- CHF 58.9m (4.8 %) directly placed with the Swiss National Bank
- CHF 1,117.9m (91.0%) in the form of term deposits with other banks,
- CHF 51.8 m (at fair value) (4.2%) in the form of bonds, mainly with financial institutions.

The following table analyses the above deposits by rating and maturities:

CHFm	S&P rating	At Sight	Months							1 to 5 Years	Total Gross	Total at Fair Value
			1	2	3	4	5	6	9			
Swiss National Bank		58.9	-	-	-	-	-	-	-	-	58.9	58.9
Investment Grade	AAA to AA-	203.3	227.9	89.8	41.0	53.0	10.0	-	-	15.9	640.9	636.9
	A+ to A-	2.2	212.9	83.2	155.5	9.6	-	40.3	0.4	31.8	535.9	528.7
	BBB+ to BBB-	-	-	-	-	-	-	-	-	-	-	-
Speculative Grade	BB+ to BB-	-	-	-	-	-	-	-	-	-	-	-
	B+ to B-	-	-	-	-	-	-	-	-	-	-	-
	CCC+ to CCC-	-	-	-	-	-	-	-	-	-	-	-
	CC+ to C-	-	-	-	-	-	-	-	-	-	-	-
	D	-	-	-	-	-	-	-	-	^{*1} 4.0	4.0	4.0
Total at 30 September 2008		264.4	440.8	173.0	196.5	62.6	10.0	40.3	0.4	51.7	1'239.7	^{*2} 1'228.5
%		21%	36%	14%	16%	5%	1%	3%	0%	4%	100%	

(*1) The CHF 4m position consists in the estimated fair value of a Euro 10m bond issued by Lehman Brothers Holding Inc. that filed bankruptcy on 15 September 2008. This bond was acquired by the Company in 2006 in order to serve as collateral for securing client transactions. As reported on 19 September 2008 in a press release dedicated to this matter, the fair market value of this position is difficult to assess in the current market conditions, but given the fact that the Company has no obligations, nor any requirement or any intention to carry out a "fire sale", management's best estimate at this point of time is that the impairment required is 75% (CHF 12.0m) of the gross exposure. The corresponding impairment is carried out in Swissquote Bank, which has an applicable tax rate of 22%. The related tax credit impact in the Interim Statement of Operations is CHF 2.6m.

(*2) The difference between the "Total gross value" and the "Total at fair value" in the above table amounts to CHF 11.9m and represents the fair value adjustments in Investments securities at 30 September 2008. This amount is posted net of taxes in "Other reserves" (CHF 8.7m).

The Tier One ratio (Basel II ratio) amounts to 18.98 % at 30 September 2008.

II NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating expenses

	9 months ended 30 September	
	2008	2007
Payroll & related expenses	18,551,553	18,382,878
Other operating expenses	10,186,778	9,664,318
Marketing expenses	6,718,132	6,787,401
Provisions	300,000	210,000
Depreciation	4,068,612	2,473,820
Total	39,825,075	37,518,417

2. Earning per share

a) Basic

	Quarter ended 30 September		9 months ended 30 September	
	2008	2007	2008	2007
Net Profit	1,777,272	11,468,603	24,060,429	35,949,774
Weighted average number of ordinary shares in issue	14,176,357	14,249,207	14,196,971	14,239,787
Basic earning per share	0.13	0.80	1.69	2.52

b) Diluted

	Quarter ended 30 September		9 months ended 30 September	
	2008	2007	2008	2007
Net Profit	1,777,272	11,468,603	24,060,429	35,949,774
Weighted average number of ordinary shares in issue	14,176,357	14,249,207	14,196,971	14,239,787
Adjustments for share options	86,649	167,403	108,571	154,685
Weighted average number of ordinary shares for diluted earnings per share options	14,263,006	14,416,610	14,305,542	14,394,472
Diluted earning per share	0.12	0.80	1.68	2.50

II NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware & Telecom Systems	Total
9 months ended 30 September 2007				
Opening net book amount	913,849	3,343,680	1,459,638	5,717,167
Addition	1,080,117	1,480,081	2,307,237	4,867,435
Amortisation / depreciation	(406,294)	(977,391)	(737,040)	(2,120,725)
Closing net book amount	1,587,672	3,846,370	3,029,835	8,463,877
9 months ended 30 September 2008				
Opening net book amount	1,411,522	4,328,126	3,235,525	8,975,173
Addition	499,870	2,614,682	1,973,461	5,088,013
Amortisation / depreciation	(620,750)	(1,326,767)	(1,340,123)	(3,287,640)
Closing net book amount	1,290,642	5,616,041	3,868,863	10,775,546

Additions to Information technology systems include an amount of CHF 2,089,998 (2007: CHF 1,324,384) representing own costs capitalised in connection with the development of the systems of the Bank and in particular with the new saving accounts and e-forex system.

4. Property, plant and equipment

	Land & Building	Leasehold Improvements	Equipments	Total
9 months ended 30 September 2007				
Opening net book amount	7,867,277	453,029	249,499	8,569,805
Addition	7,673,889	63,845	1,182,702	8,920,436
Amortisation / depreciation	(80,155)	(173,775)	(99,165)	(353,095)
Closing net book amount	15,461,011	343,099	1,333,036	17,137,146
9 months ended 30 September 2008				
Opening net book amount	17,381,490	499,253	1,825,230	19,705,973
Addition	208,738	547,982	498,271	1,254,991
Amortisation / depreciation	(405,019)	(145,265)	(230,688)	(780,972)
Closing net book amount	17,185,209	901,970	2,092,813	20,179,992

The total cost of the property includes an aggregate CHF 129,924 of own costs capitalised (2007: CHF 158,501).

II NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Ordinary shares

a) Numbers of Shares in 2007

	1 January	Exercise of Stock Options before split	Total at split	Total after split 1:10	Exercise of Stock Options after split	Capital reduction	30 Sept
Issued shares							
Ordinary share capital							
Number of shares	1,458,581	5,256	1,463,837	14,638,370	-	-	14,638,370
Nominal value per share (CHF)	8.00	8.00	8.00	0.80	-	(0.30)	0.50
Total nominal value (CHF)	11,668,648	42,048	11,710,696	11,710,696	-	(4,391,511)	7,319,185
Unissued shares							
Conditional capital							
Number of conditional shares	26,362	(5,256)	21,106	211,060	-	-	211,060
Nominal value per share (CHF)	8.00	8.00	8.00	0.80	-	(0.30)	0.50
Total nominal value (CHF)	210,896	(42,048)	168,848	168,848	-	(63,318)	105,530
Authorised capital							
Amount authorised (CHF)	1,600,000	-	1,600,000	1,600,000	-	(600,000)	1,000,000
Nominal value per share (CHF)	8.00	-	8.00	0.80	-	(0.30)	0.50
Number of authorised shares	200,000	-	200,000	2,000,000	-	-	2,000,000

During the 2007 Annual Shareholders Meeting, it was decided to reduce the share capital by CHF 0.30 per share. Also it was decided to split the Swissquote shares. On 8 May 2007, the Swissquote shares were split by 1 to 10.

b) Numbers of Shares in 2008

	1 January	Authorised capital lapsed	Capital reduction	30 Sept
Issued shares				
Ordinary share capital				
Number of shares	14,638,370	-	-	14,638,370
Nominal value per share (CHF)	0.50	-	(0.30)	0.20
Total nominal value (CHF)	7,319,185	-	(4,391,511)	2,927,674
Unissued shares				
Conditional capital				
Number of conditional shares	211,060	-	-	211,060
Nominal value per share (CHF)	0.50	-	(0.30)	0.20
Total nominal value (CHF)	105,530	-	(63,318)	42,212
Authorised capital				
Amount authorised (CHF)	1,000,000	(1,000,000)	800,000	800,000
Nominal value per share (CHF)	0.50	0.50	0.20	0.20
Number of authorised shares	2,000,000	(2,000,000)	4,000,000	4,000,000

At the 25 April 2008 Shareholders Meeting, the shareholders inter alia resolved to reduce the share capital by an amount of CHF 0.30 per share through a reduction of the nominal value of each share from CHF 0.50 to CHF 0.20 (total reduction of nominal value: CHF 4,391,511). The capital reduction was paid on 28 July 2008, after the completion of the period required to carry-out the Invitation to Register Debt (procedure required by Swiss Law) and the actual registration of the capital reduction at the Commercial Registry of Canton de Vaud.

II NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Treasury shares

The Company owned 503,883 treasury shares (3.44% of the issued shares) at 30 September 2008 for a total cost of CHF 20,834,813 (average cost: CHF 41.35). During 2008, the Company acquired 124,968 shares net resulting from:

- the acquisition of 221,858 shares at a unit price ranging from CHF 32.73 to CHF 55.96 (average cost of CHF 43.68 per share);
- the disposal of 56,550 shares at unit prices ranging from CHF 38.59 to CHF 54.79 (average per share of CHF 50.80); and
- the remittance of 40,340 treasury shares to optionees exercising options in exchange for the exercise prices ranging from CHF 11.39 to CHF 34.00 (average per share of CHF 18.60).

7. Stock options

The movement in units of options granted, exercised and lapsed is the following:

	Allocation								Total	Conditional shares available for exercise
	3rd	4th	5th	6th	7th	8th	9th	10th		
Balance at 1 January 2007	1,950	45,000	-	29,590	200,840	84,570	-	-	361,950	263,620
Grants	-	-	-	-	-	-	115,550	-	115,550	
Exercised										
Covered by:										
the issue of new shares	(1,950)	(45,000)	-	(2,860)	(2,750)	-	-	-	(52,560)	(52,560)
treasury shares	-	-	-	(16,375)	(22,040)	(5,100)	-	-	(43,515)	
Lapsed	-	-	-	-	(2,000)	-	-	-	(2,000)	
Balance at 30 September 2007	-	-	-	10,355	174,050	79,470	115,550	-	379,425	211,060
Balance at 1 January 2008	-	-	-	7,250	168,110	70,828	115,550	-	361,738	211,060
Grants	-	-	-	-	-	-	-	147,840	147,840	
Exercised										
Covered by:										
the issue of new shares	-	-	-	-	-	-	-	-	-	
treasury shares	-	-	-	(1,550)	(34,490)	(4,300)	-	-	(40,340)	
Lapsed	-	-	-	-	(340)	(1,100)	(6,100)	-	(7,540)	
Balance at 30 September 2008	-	-	-	5,700	133,280	65,428	109,450	147,840	461,698	211,060
Less options outstanding									(461,698)	
Shortfall									(250,638)	(250,638)
Number of treasury shares available at 30 September 2008										503,883
Balance shares available for future grants										253,245

The CHF 7.04 fair value of the options granted in Q3-2008 in the 10th allocation has been determined using the following parameters: Strike price CHF 47.00; Spot price at grant : CHF 40.00 ; Volatility : 39.31 % ;

Options granted are exercisable in 3 equal tranches that each has a maximum duration of exercise of two years. The exercise of the first tranche starts one year after the date of grant, the second tranche two years and the third three years after the date of grant. For the determination of the fair value of the options, the Company assumes that options will be exercised in average one year after the date they respectively become exercisable. Further the calculation assumes that 10% of the options will lapse in the vesting period.

Out of the 147,840 options granted, 11,000 options were granted to Directors and 24,000 to Executive Management.

Report on the Review of the
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 (balance sheet, statement of operations, statement of changes in shareholders' equity, cash flow statement and notes) set out on pages 1 to 10 of Swissquote Group Holding Ltd for the period ended 30 September 2008. 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 these 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 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers SA



Philippe Bochud



Nicolas Colledge

Geneva, 23 October 2008