Annual Report 2004
Contents

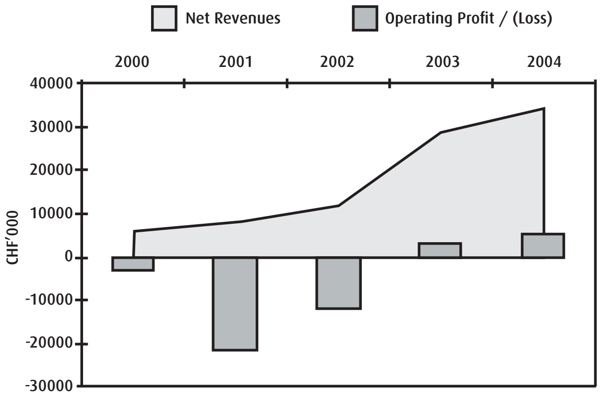
Swissquote....

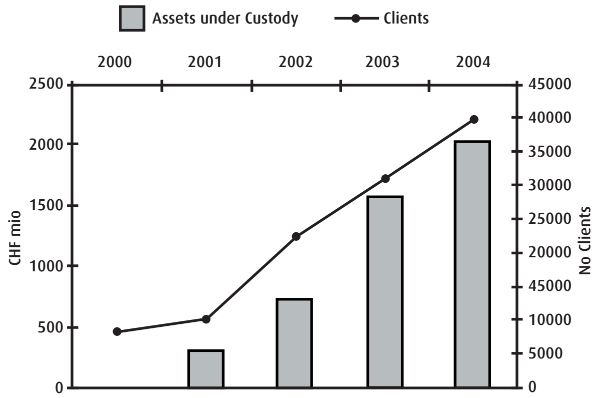
Is the leading provider of online financial and trading services in Switzerland.
Creates sustainable added value for its customers, employees and shareholders.
Is an independent company, listed on the SWX Swiss Exchange.

Key Figures

	2004	2003	2002	2001	2000
Net revenues (1)	**34,273**	**28,797**	**12,079**	**8,109**	**6,084**
% change	*19.0%*	*138.4%*	*49.0%*	*33.3%*	*84.5%*
Operating expenses (1)	(25,897)	(22,937)	(20,607)	(25,890)	(8,160)
% change	*12.9%*	*11.3%*	*-20.4%*	*217.3%*	*143.1%*
EBITDA (1)	**8,376**	**5,860**	**(8,528)**	**(17,781)**	**(2,076)**
% change	42.9%	168.7%	52.0%	-756.5%	-3460.0%
Margin [%]	*24.4%*	*20.3%*	*-70.6%*	*-219.3%*	*-34.1%*
Operating Profit / (Loss) (1)	**5,816**	**3,660**	**(11,378)**	**(20,651)**	**(2,676)**
% change	*58.9%*	*132.2%*	*44.9%*	*-671.7%*	*-1156.3%*
Net Profit / (Loss) (2)	**6,235**	**5,129**	**(15,311)**	**(17,921)**	**(3,074)**
% change	*21.6%*	*133.5%*	*14.6%*	*-483.0%*	*-306.6%*
Margin [%]	*18.2%*	*17.8%*	*-126.8%*	*-221.0%*	*-50.5%*
Equity	**50,086**	**42,897**	**35,424**	**53,166**	**71,014**
Equity ratio [%]	*11.0%*	*11.3%*	*15.0%*	*39.0%*	*77.7%*
Employees (2)	**117**	**101**	**80**	**165**	**160**
% change	*15.8%*	*26.3%*	*-51.5%*	*3.1%*	*166.7%*
Clients	**39,531**	**30,926**	**22,500**	**10,161**	**8,435**
% change	*27.8%*	*37.4%*	*121.4%*	*20.5%*	*462.3%*
Assets under Custody (3)	**2,017**	**1,560**	**733**	**310**	**-**
% change	*29.3%*	*112.8%*	*136.5%*	*NA*	*NA*

(1) continued operations, excluding goodwill amortization, restructuring and other non-recurring items
(2) including discontinued operations
(3) including cash deposited by clients at the Bank





All amounts in Swiss Francs

Swissquote Share

Stock market Trading

The registered shares, each with a nominal value of CHF 10, are listed on SWX Swiss Exchange under securities number 1,067,586 and ISIN number is CH0010675863. Their ticker symbols are: SQN (Swissquote); SQZ.S (Reuters); SQNSW (Bloomberg); SQN (Telekurs).

Development of stock market share price (January to December 2004)

01-Jan-04 zu 31-Dec-04	Hoch	Tief	Veränderung (%)
SQN	144.5	79.5	13 (14.94%)
SXGE	4,338.37	3,900.32	321.47 (8.22%)

Stock market prices in CHF	**2004**	**2003**	**2002**	**2001**	**2000**
High	144.50	100.00	34.75	137.50	257.00
Low	79.50	15.55	13.60	17.00	120.00
31 December	100.00	87.00	23.80	35.00	137.50

Stock market capitalisation in CHF mio	**2004**	**2003**	**2002**	**2001**	**2000**
High	201.5	137.9	47.8	189.2	347.0
Low	110.8	21.4	18.7	23.4	162.0
31 December	139.4	120.0	32.7	48.2	185.6

Share indicators	**2004**	**2003**	**2002**	**2001**	**2000**
Net revenues per share	25.11	21.93	9.23	5.97	6.67
Net profit per share	4.57	3.91	-11.70	-13.19	-3.37
Equity per share	35.92	31.11	25.74	38.64	52.60

Report to the Shareholders

Dear Shareholders,

We are delighted to be able to report on a successful 2004 in the following review of business activities. With revenues of CHF 34.3 million and a net profit of CHF 6.2 million, Swissquote achieved its best annual result to date.

Good year in spite of fluctuating quarterly results

2004 was characterized by strong fluctuations on the financial markets which impacted directly on Swissquote's quarterly revenues and earnings figures. While the second and fourth quarters of 2004 were within expectations, the first quarter proved to be the best in the company's history, and the third turned out extremely weak. In spite of this instability of the markets, Swissquote managed to close each quarter on a profit.

However, a much longer period of observation than only a single quarter is necessary to be able to make a reasonable assessment of Swissquote's performance. A comparison between 2004 and the preceding year shows a significant increase in both revenues and profitability. Revenues grew by 19.0 percent, while operating costs went up by only 12.9 percent to CHF 25.9 million. This resulted in a 42.9 percent increase in EBITDA to CHF 8.4 million. Operating profit (without goodwill amortization and non-recurring expenses) increased by 58.8 percent to CHF 5.8 million. Taking into account a CHF 0.4 million non-recurring gain stemming from the release of reserves no longer required, net profit grew by 21.6 percent to CHF 6.2 million. In 2003, a one-off book gain of CHF 2.2 million was booked to extraordinary income.

Strong growth in customer base and customer assets under management

By contrast, growth in the customer base and the net inflow of new funds are much less susceptible to short-term market movements. Based on purely organic growth, the number of customers increased by 8,605 or 27.8 percent to 39,531. With an inflow of new funds of CHF 517 million customer assets under management have now crossed for the first time the CHF 2 billion franc line. Average revenues per customer in 2004 amounted to CHF 970, while expenses per customer were at 730 and therein held stable below the targeted CHF 200 per quarter.

Highlights in 2004

Two attractive features were added to the redesigned and award-winning Swissquote platform during the first quarter. One is an option allowing customers to trade any of Bank Vontobel's SWX-listed derivative products off-exchange. Second, Swissquote now also offers a link with EUWAX, the Stuttgart Exchange's trading platform for derivatives. Under an agreement reached with the Swiss Post Office to make the customer identification process much easier, post offices throughout Switzerland are authorized to verify the identity of new customers wishing to open an account with Swissquote.

A new product was launched in June 2004 and has been installed successfully since then. It is geared to companies with employee stock option plans. An attractive solution for employees, the new product will also significantly reduce the administrative outlays that a company faces when implementing stock option plans.

The Platform for Independent Asset Managers and Financial Advisors has been released in its Version 2 with additional features and tools. Swissquote now offers attractive and state-of-the-art solutions for Asset Managers with an increased range of products.

On 1 April 2004, in common with all companies in SWX's since discontinued New Market segment, Swissquote transferred to the SWX Main Board. Although SWX does not require companies listed on the Main Board to publish quarterly reports – as opposed to firms in the former New Market segment – the Swissquote Board of Directors came out in favour of continuing to report quarterly. We firmly believe that it is vital especially for a company with high growth rates to report to investors openly and continuously on developments.

Changes to the Board of Directors

On 2 November 2004, Peter Brogle, who has been a member of our Board of Directors since April 2002, announced his resignation from the Board of Swissquote Group Holding AG. The Board of Directors conveyed its gratitude to Peter Brogle for his dedication and commitment to Swissquote.

The Board of Directors will propose to the Annual General Meeting of 15 March 2005 that the vacancy be filled by electing Dr. Markus Dennler. We are convinced that Markus Dennler's wealth of management experience and his many years working in a broad and varied spectrum of banking and insurance areas will greatly strengthen our Board of Directors.

Report to the Shareholders

Optimistic for 2005

Regardless of developments on the financial markets we will continue our strategy of organic growth. We aim to achieve an increase of around 25 percent in both the number of customers and the volume of customer assets under management. This is to be achieved through growth across all segments. In order to secure organic growth long-term, Swissquote is continually expanding the range of services on offer. The focus in 2005 will be on expanding the platforms for equity options and portfolio managers as well as for information and trading, and also on developing online wealth management tools.

Acknowledgements

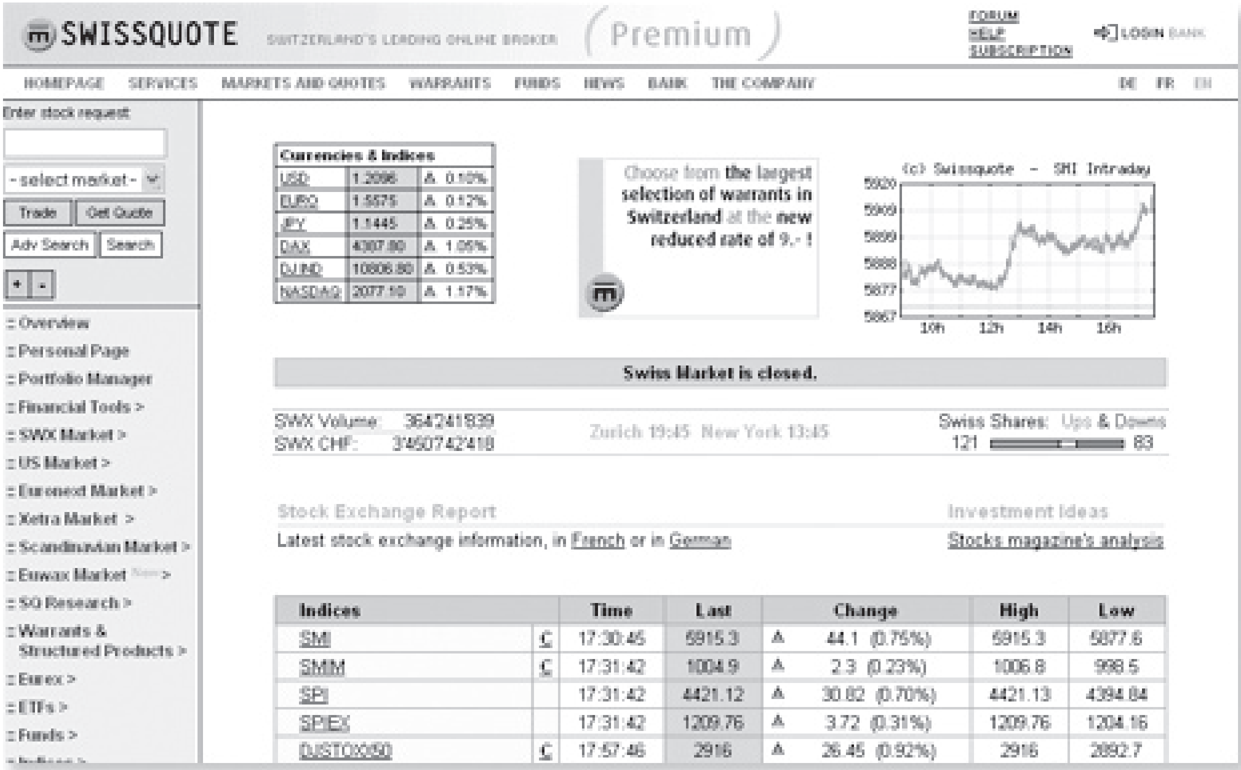
On behalf of the Board of Directors and Group Management, we would like to thank our customers. In actively using our platform, they are making a crucial contribution to Swissquote's business success. Their suggestions and requests help us to drive that success - as does their criticism. Our thanks also go out to our shareholders for the confidence they have in our company. It is with satisfaction that we note that the price of the Swissquote share again developed positively in the course of 2004. Thank you to all employees for their personal commitment and readiness to achieve the exceptional again and again. And finally, we also owe a debt of gratitude to our cooperation partners for their expertise and support in helping us to grow our business.

Mario Fontana
Chairman of the Board of Directors

Marc Bürki
Chief Executive Officer

Range of Services

The development of Swissquote's range of services is geared towards meeting the current and future needs of our customers. The platform is user-friendly, costs are transparent, and the information and tools provided are aimed at people who want to manage their assets themselves online.



Banking Services, Account & Safe Custody Account
Trading Platform

- Accounts in the main currencies CHF, EUR and USD (and in any other currency desired on request)
- Interest paid on Swiss and foreign currency accounts
- All Securities accepted for Safekeeping
- Lombard Loans
- Equities, Warrants, Structured Products, Funds & Bonds
- Fixed-term deposits, Fiduciary deposits
- Forex Transactions
- Credit Cards
- Three-level Security Solution
- Online Payment System
- Bank Hold Mail & Numbered Accounts

Platform for Independent Asset Managers and Financial Advisors
Platform for Employee Stock Option Plans

Supported Stock Exchanges

- SWX, Virt-x
- Nasdaq, Nyse, Amex
- Xetra
- Euwax
- Euronext (Paris, Amsterdam, Brussels)
- Scandinavia (Stockholm, Helsinki, Oslo, Copenhagen)
- Vontobel Off-Exchange Trading in Vontobel Warrants
- Deutsche Bank Off Exchange Trading in Deutsche Bank Derivative Products

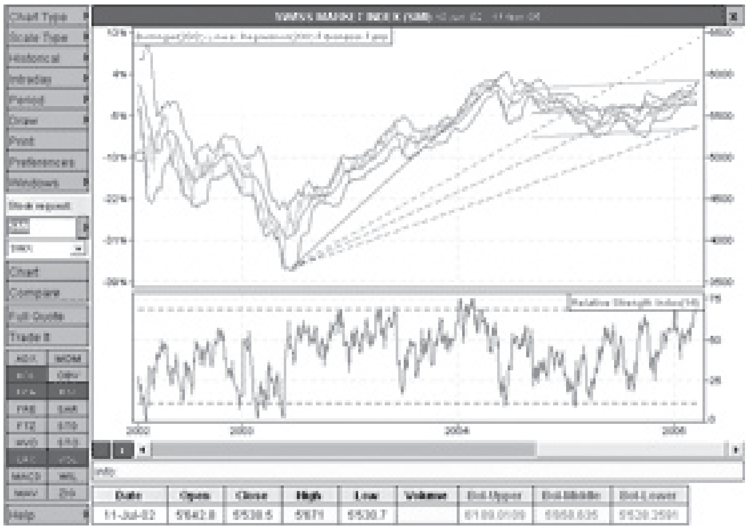
To be released in 2005

- German Parkett Börsen
- London & Ireland
- Nasdaq OTC-BB
- Toronto & Vancouver

Transactions can be carried out by telephone through Swissquote's Trading Desk on 60 Exchanges in more than 40 Countries

Range of Services

Financial Information Platform & Tools



Trading Tools
- Realtime Account Management
- Advanced Trading Mask with Limit, Stop Loss, Stop Limit, On Stop and Market Orders
- Transaction Pricer (“Pricer”)

Portfolio Tools
- Portfolio Manager & Personal Pages
- Equity & Portfolio Analyzer

Charting Tools
- Historical Charts and Analysis Tool
- Live Intraday Charts

Customer Support
- Multilingual Customer Care & Platform (German, French, English and Italian)
- Various Seminars organized all over Switzerland
- Online Glossary

Financial Information Tools
- Full quote with Realtime Information on major Stock Exchanges
- Monitoring of paid Prices
- Level 2 Data with Live Order Book
- Live Updates (“Runner”)
- Business & Economical News (AFX)
- Daily Börsenreport (German & French)
- Stocks News Alerts
- Wap, Vodafone-live & SMS support

Search Tools
- Warrants Selection Tool (“Warrants Chooser”)
- Advanced Search Tools (“Ranking Search” & “Advanced Search”)
- Morningstar Fund Finder

Section 2 Financial Report 2004

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

Financial Report 2004
Consolidated Balance Sheet

	Notes	2004	2003
ASSETS			
Cash and balances with central bank	1	94,502,518	43,490,235
Due from other banks	1	310,116,643	301,096,041
Derivatives financial instruments	2	814,429	169,766
Loans and advances to customers	3	32,235,047	19,016,926
Pledged investment securities and deposits	5	6,878,295	5,451,091
Goodwill	7	3,000,000	3,000,000
Information technology systems	8	4,682,934	4,411,187
Property, plant and equipment	9	1,307,770	1,484,756
Other assets	10	1,329,703	1,514,904
Deferred tax assets, net	11	636,458	636,458
Total assets		**455,503,797**	**380,271,364**
LIABILITIES AND EQUITY			
Liabilities			
Due to other banks	1	351,563	1,416,909
Derivatives financial instruments	2	814,429	169,766
Due to customers	4	396,441,597	326,228,043
Trade and other payables	6	6,508,716	6,615,506
Provisions	12	1,301,500	2,943,789
Total liabilities		**405,417,805**	**337,374,013**
Equity			
Ordinary shares	14.1	13,943,040	13,790,200
Share premium and reserves		62,291,058	61,723,981
Treasury shares	14.3	(1,902,400)	(1,902,255)
Accumulated losses		(24,245,706)	(30,714,575)
Total equity		**50,085,992**	**42,897,351**
Total liabilities and equity		**455,503,797**	**380,271,364**

All amounts in Swiss Francs

Financial Report 2004
Consolidated Statement of Operations

	Notes	2004	2003
Fee and commission income	15	30,936,131	27,427,432
Fee and commission expense		(3,317,302)	(2,974,739)
Net fee and commission income		**27,618,829**	**24,452,693**
Interest income		3,555,731	2,093,173
Interest expense		(845,748)	(493,432)
Net interest income	**16**	**2,709,983**	**1,599,741**
Net trading income		2,202,723	1,302,534
Other operating income	17	1,741,763	1,441,956
Operating income		**34,273,298**	**28,796,924**
Operating expenses	**18**	**(25,896,933)**	**(22,937,041)**
Operating profit before depreciation, amortization and provisions		**8,376,365**	**5,859,883**
Depreciation, amortization and provisions:			
Depreciation	8/9	(2,507,006)	(2,200,000)
Goodwill amortization	7	-	(800,000)
Bad and doubtful debt	3	(53,660)	-
Amortization, provisions and restructuring	8/12	419,513	(2,750,000)
Gain on acquisition of minority interest	13	-	4,245,437
Operating profit		**6,235,212**	**4,355,320**
Income tax, net	11	-	-
Profit after tax		**6,235,212**	**4,355,320**
Minority interest	13	-	773,800
Net profit		**6,235,212**	**5,129,120**
Earning per share	*19*	*4.57*	*3.91*
Diluted earning per share		*4.28*	*3.80*

All amounts in Swiss Francs 10

Financial Report 2004
Consolidated 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 change in treasury shares	-	-	252,121	1,968,493	2,220,614
Capital increase resulting from the exercise of options	29,900	72,100	-	-	102,000
Movement in deferred taxes	-	21,754	-	-	21,754
Net profit	-	-	-	5,129,120	5,129,120
Balance at 31 December 2003	**13,790,200**	**61,723,981**	**(1,902,255)**	**(30,714,575)**	**42,897,351**
Balance at 1 January 2004	**13,790,200**	**61,723,981**	**(1,902,255)**	**(30,714,575)**	**42,897,351**
Net change in treasury shares	-	-	(145)	233,657	233,512
Capital increase resulting from the exercise of options	152,840	567,077	-	-	719,917
Net profit	-	-	-	6,235,212	6,235,212
Balance at 31 December 2004	**13,943,040**	**62,291,058**	**(1,902,400)**	**(24,245,706)**	**50,085,992**

Note: at the AGM on 22 May 2003, the shareholders of the parent company (Swissquote Group Holding Ltd) approved the offset of the Accumulated losses of Swissquote Group Holding Ltd amounting to CHF 50,426,493 through an allocation of the Share premium of a same amount. This transaction is not included in the above table. Would it be included, the Share premium & reserves account at 31 December 2004 would have amounted to CHF 11,864,565 and the Accumulated losses would have reversed into Accumulated profit of CHF 26,180,787.

All amounts in Swiss Francs

Financial Report 2004
Consolidated Cash Flow Statement

	Notes	2004	2003
Cash flow from operating activities			
Fees and commission receipts		31,256,435	27,162,404
Fees and commission paid		(3,430,848)	(2,932,683)
Interest receipts		3,534,515	2,006,391
Interest paid		(845,748)	(493,432)
Net trading income		2,202,723	1,302,534
Other income		1,581,584	1,441,956
Cash payments to employees and suppliers		(25,512,309)	(23,086,356)
Restructuring & pension expenses paid	12	(1,222,776)	(6,266,309)
Cash flow from operating profit / (loss) before changes in operating assets and liabilities		**7,563,576**	**(865,495)**
Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities			
Loans and advances to customers		(13,271,781)	(11,224,195)
Other assets		238,779	(80,415)
Due to customers		70,213,554	149,491,502
Trade and other payable		(402,064)	(1,420,371)
Net cash from operating activities		**64,342,064**	**135,901,026**
Cash flow used in investing activites			
Purchase of property, plant and equipment and Information technology systems	8/9	(2,601,767)	(3,391,020)
Pledged investment securities and deposits		(1,595,499)	(2,043,169)
Acquisition of subsidiairies, net of cash acquired	13	-	(850,000)
Net cash used in investing activities		**(4,197,266)**	**(6,284,189)**
Cash flow from financing activities			
Net proceeds of issue of ordinary shares		719,917	102,000
Treasury shares		233,516	580,614
Net cash from financing activities		**953,433**	**682,614**
INCREASE IN CASH AND CASH EQUIVALENTS		**61,098,231**	**130,299,451**
Movements in cash and cash equivalents			
Balance at beginning of year		343,169,367	212,869,916
Increase		61,098,231	130,299,451
Balance at 31 December	1	**404,267,598**	**343,169,367**

Non-cash transactions:

2004: None

2003: 57,000 treasury shares remitted in exchange for the acquisition of the residual minority interest in Swissquote Bank (Note 13).

All amounts in Swiss Francs 12

Financial Report 2004
Consolidated Financial Statements

SECTION I : GENERAL INFORMATION

Swissquote Group Holding Ltd ("the Company") and its subsidiaries ("the Group") provide Online Financial Services that consist of the services provided by Swissquote Bank ("the Bank") through it's financial web portal swissquote.ch.

The Group's headquarters are located in Gland (Canton de Vaud) in Switzerland. The operations are located in Switzerland (Gland and Zurich). The Group employed 117 employees (full time equivalent) at the end of December 2004 (31 December 2003: 101).
The parent company of the Group is Swissquote Group Holding Ltd, which is a limited liability company incorporated in Switzerland. The address of its registered office is: Route des Avouillons 16, CH - 1196 Gland.

The shares of Swissquote Group Holding Ltd are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

The issued share-capital at 31 December 2004 consists of 1,394,304 ordinary shares of CHF 10 nominal value (2003: 1,379,020). There is also a conditional share-capital and an authorized share-capital. Details are stated in Note 14.1.

The main shareholders at 31 December are:

	2004	2003
Mr. Marc Bürki	15.28%	15.95%
Mr. Paolo Buzzi	15.28%	16.07%
Mr. Jean Pfau	7.95%	16.74%
Mr. Thomas Matter	5.02%	5.08%

Except the above-mentioned shareholders, no other shareholder registered in the Shareholder Registry owns 5% or more of the issued share-capital. All shares are freely tradable. SWX Regulations provide that individual shareholdings exceeding 5% are deemed to be permanent investment and are to be excluded from the free float. In accordance with SWX regulations the free float at 31 December 2004 is 56.47% (2003: 46.16%).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 10 February 2005.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

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 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 early adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. Until 31 December 2003, goodwill was:

- amortized on a straight line basis over a period of 5 years; and
- assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3 (see Note 7):

- the Group ceased amortization of goodwill from 1 January 2004;
- accumulated amortization as at 31 December 2003 has been eliminated with a corresponding decrease in the cost of goodwill;
- from the year ended 31 December 2003 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The early adoption of IFRS 3 resulted in a decrease of the amortization charge of CHF 800,000 in 2004.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Consolidation

(B1) List of consolidated subsidiaries

Subsidiaries	Headquarters/Country		Interest at 31 December 2004	2003
Swissquote Bank	Gland/Switzerland	(a)	100.0%	100.0%
Swissquote Info Ltd	Gland/Switzerland	(b)	-	100.0%
Swissquote Trade Ltd	Gland/Switzerland		100.0%	100.0%

(a) On 6 May 2003, the Company raised its interest into Swissquote Bank from 70.6% to 79.42%. On 23 July 2003, the Company acquired the remaining minority interest in the Bank.
(b) On 1 June 2004, Swissquote Info Ltd was merged into Swissquote Bank.

(B2) 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.

(B3) Foreign currency translation
Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in CHF which is the measurement currency of all the Group companies.

Foreign currency transactions are translated into the measurement currency at 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 of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement under Net trading income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Thus, underlying translation differences on available-for-sale equities are included in the revaluation reserve in equity.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. 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.

D. 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. They are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Change in the fair value of derivatives is included in Net trading income. The Group does not apply hedge accounting.

E. 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.

F. Investment securities and purchased loans and receivables

The Group classifies its investment securities and purchased loans and receivables into the following two categories: held-to-maturity and available-for-sale assets. Investment securities and purchased loans and receivables with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and purchased loans and receivables 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 are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Purchased loans and receivables, including sub-participations acquired subsequent to the provision of the original loan, are categorized as held-to maturity or available-for-sale depending on management's intent.

Investment securities and purchased loans and receivables are initially recognized at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Held-to-maturity investments are carried at amortized cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular way purchases and sales of investment securities are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Originated loans and advances and provisions for loan impairment

Loans and advances originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down, other than those that are originated with the intent of being sold immediately or in the short term which are recorded as trading assets, are categorized as loans originated by the Group and are carried at amortized cost, which is defined as the fair value of cash consideration given to originate those loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers. A credit provision for loan impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectable, it is written off against the related provision for impairments; subsequent recoveries are credited to the provision for loan losses 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.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

H. Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in the prior years. A reversal of an impairment loss is recognized immediately as income.

I. Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

J. 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.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. 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 currencies than Swiss Francs.

L. Goodwill
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.

M. 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 lives (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 live, 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.

N. Property, plant and equipment
All property, plant and equipment 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. 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.

Property, plant and equipment 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. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

O. 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.

P. 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 other banks and trading securities.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. 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.

R. Stock option plan

No compensation cost is recognized in the statement of operations for the grant of stock options, except for the underlying social security costs. When options are exercised, the proceeds received are credited, net of any transaction costs, to share-capital (nominal value) and share premium.

S. 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.

T. Borrowings

Borrowings are recognized initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized 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 yield method. Hedge accounting rules are applied to deposits hedged by derivative instruments.

U. 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.

V. Treasury shares

Where the Company or other members of the consolidated Group purchases the Company’s equity share-capital, the consideration paid is deducted from total shareholders’ equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

SECTION II : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

W. 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.

X. 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.

Y. Comparatives

When required, the 2003 comparative figures have been adjusted to conform to changes in presentation in the current year.
Main reclassifications of comparatives 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 the assets pledged;
- receivable and prepayments: as a result of the above reclassification they are now included in Other assets.

SECTION III : FINANCIAL RISK MANAGEMENT

A. Scope of Swissquote Group operations

The Group's operations consist of:

- operating an online bank that accepts deposits from its customers mainly in CHF, USD and EUR in current account form. The interest rate paid, if any, is fixed at the discretion of the Bank and may be changed at any time without advance notice;
- providing stock brokerage services:
    - to self-directed investors by mean of tools to route the orders to stock exchanges via the Internet against brokerage fees, as well as tools to assist them in their decision making;
    - to Independent Asset Managers by mean of tools that permit to pass grouped orders on behalf of their clients, and to allow such clients to have a real time read access to their account in order to review whenever the need is felt the investment activity of their Independent Asset Manager made on their behalf;
    - by telephone on all stock markets which cannot be accessed otherwise via above mentioned tools.
- providing:
    - custodian services against fees and foreign exchange;
    - margin loans to customers against pledging of assets (lombard loans);
    - fiduciary placements on behalf and at the risks of clients against commission fees;
    - services to corporations for the management of their stock option programs;
- selling advertising space and providing financial information against subscription on the Group's financial portal.

The Group does not carry out other banking activities. In particular it does not:

- provide commercial lending, mortgages, retail borrowings, credit related commitments such as guarantees and standby letters of credit;
- provide trustee, corporate administration, investment management and / or advisory services to third parties;
- trade in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take interest of short-term market movements in the equity and bond markets and interest rate and commodity prices, with the exception of spot currency positions in USD and EUR and several other currencies.

B. Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lombard lending. The Board places limits on the level of exposure that can be taken in relation to both overnight and intra-day positions.

C. Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have incurred at the balance sheet date. Management carefully manages its exposure to credit risk. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers with respect to their credit rating, as well as the level of security margin required which depends on the types of securities and portfolio profiles. Lombard credits are monitored using a real time system comparing the fair value of the collateral with the actual credit granted to each customer. Counterparty credit risks are monitored on a revolving basis and subject to an annual or more frequent reviews. Limits on the level of credit risk as well as the Lombard margins are approved by the Board of Directors.

SECTION III : FINANCIAL RISK MANAGEMENT

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

D. Geographical concentration of assets, liabilities and off-balance sheet items

The Group has credit exposure outside Switzerland mainly through its credit risk with financial institutions domiciled outside Switzerland and to a lesser extent to clients domiciled outside of Switzerland to whom the Group has granted Lombard loans. The geographical analysis of assets and liabilities items based on the domicile of the counterparties is analysed below:

	Switzerland	Europe	Others	Total
At 31 December 2004				
Assets				
Cash and balances with central bank	94,502,518	-	-	94,502,518
Due from other banks	205,316,643	96,381,779	8,418,221	310,116,643
Due from customers	23,360,047	6,074,139	2,800,861	32,235,047
Pledged investment securities and deposits	6,878,295	-	-	6,878,295
Goodwill	3,000,000	-	-	3,000,000
Information technology systems	4,682,934	-	-	4,682,934
Property, plant and equipment	1,307,770	-	-	1,307,770
Other (Derivatives, Other assets and Deferred tax)	2,780,590	-	-	2,780,590
Total assets	**341,828,797**	**102,455,918**	**11,219,082**	**455,503,797**
Liabilities				
Due to other banks	351,563	-	-	351,563
Due to customers	307,986,597	60,614,180	27,840,820	396,441,597
Provisions	1,301,500	-	-	1,301,500
Other (Derivatives and Trade and other payables)	7,321,345	1,800	-	7,323,145
Total liabilities	**316,961,005**	**60,615,980**	**27,840,820**	**405,417,805**
Difference between total assets and liabilities	**24,867,792**	**41,839,938**	**(16,621,738)**	**50,085,992**
At 31 December 2003				
Total assets	289,084,414	88,276,404	2,910,546	380,271,364
Total liabilities	262,175,423	51,466,669	23,731,921	337,374,013
Difference between total assets and liabilities	**26,908,991**	**36,809,735**	**(20,821,375)**	**42,897,351**

All amounts in Swiss Francs 22

SECTION III : FINANCIAL RISK MANAGEMENT

E. Interest rate risk

The Group's exposure to changes in market interest rates is limited. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

At 31 December 2004	Up to 1 month	1 to 3 months	3 to 12 months	1-5 years	Non interest Bearing	Total
Assets						
Cash and balances with central bank	91,870,000	-	-	-	2,632,518	94,502,518
Due from other banks	310,116,643	-	-	-	-	310,116,643
Due from customers	32,235,047	-	-	-	-	32,235,047
Pledged investment securities and deposits	6,710,000	-	-	-	168,295	6,878,295
Goodwill	-	-	-	-	3,000,000	3,000,000
Information technology systems	-	-	-	-	4,682,934	4,682,934
Property, plant and equipment	352,299	228,647	-	-	1,307,770	1,307,770
Other (Derivatives, Other assets and Deferred tax)	-	-	-	-	2,199,644	2,780,590
Total assets	**441,283,989**	**228,647**	**-**	**-**	**13,991,161**	**455,503,797**
Liabilities						
Due to other banks	351,563	-	-	-	-	351,563
Due to customers	396,441,597	-	-	-	-	396,441,597
Provisions	-	-	-	-	1,301,500	1,301,500
Other (Derivatives and Trade and other payables)	352,299	-	-	-	6,970,846	7,323,145
Total liabilities	**397,145,459**	**-**	**-**	**-**	**8,272,346**	**405,417,805**
Net on balance sheet interest sensitivity gap	**44,138,530**	**228,647**	**-**	**-**	**5,718,815**	**50,085,992**
Off balance sheet interest sensitivity gap	**-**	**-**	**-**	**-**	**-**	**-**
Total interest sensitivity gap	**44,138,530**	**228,647**	**-**	**-**	**5,718,815**	**50,085,992**

Interest rates applicable at 31 December 2004:

	CHF	EUR	USD
Assets			
Due from other banks	0.55%	2.02%	2.25%
Due from customers	4.18%	7.17%	7.28%
Pledged investment securities and deposits	5.50%	0.00%	0.00%
Liabilities			
Due to customers	0.17%	0.54%	0.57%

All amounts in Swiss Francs

SECTION III : FINANCIAL RISK MANAGEMENT

At 31 December 2003	Up to 1 month	1-3 months	3 to 12 months	1-5 years	Non interest Bearing	Total
Assets						
Cash and balances with central bank	-	-	-	-	43,490,235	43,490,235
Due from other banks	301,096,041	-	-	-	-	301,096,041
Due from customers	19,016,926	-	-	-	-	19,016,926
Investment security held to maturity	168,295	-	3,178,698	2,104,098	-	5,451,091
Goodwill	-	-	-	-	3,000,000	3,000,000
Information technology systems	-	-	-	-	4,411,187	4,411,187
Property, plant and equipment	-	-	-	-	1,484,756	1,484,756
Other (Derivatives, Other assets and Deferred tax)	-	-	-	-	2,321,128	2,321,128
Total assets	**320,281,262**	**-**	**3,178,698**	**2,104,098**	**54,707,306**	**380,271,364**
Liabilities						
Due to other banks	1,114,115	-	-	-	302,794	1,416,909
Due to customers	326,228,043	-	-	-	-	326,228,043
Provisionss	-	-	-	-	2,943,789	2,943,789
Other (Derivatives and Trade and other payables)	169,766	-	-	-	6,615,506	6,785,272
Total liabilities	**327,511,924**	**-**	**-**	**-**	**9,862,089**	**337,374,013**
Net on balance sheet interest sensitivity gap	**(7,230,662)**	**-**	**3,178,698**	**2,104,098**	**44,845,217**	**42,897,351**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**(7,230,662)**	**-**	**3,178,698**	**2,104,098**	**44,845,217**	**42,897,351**

Interest rates applicable at 31 December 2003:

	CHF	EUR	USD
Assets			
Due from other banks	0.11%	1.96%	1.00%
Due from customers	3.74%	7.15%	6.17%
Investment security held to maturity	5.00%	0.00%	0.00%
Liabilities			
Due to customers	0.06%	0.54%	0.29%

All amounts in Swiss Francs 24

SECTION III : FINANCIAL RISK MANAGEMENT

F. Currency risk

The table below summarises the Group's exposure to foreign currency risk at 31 December. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by currency.

	CHF	USD	EURO	Others	Total
At 31 December 2004					
Assets					
Cash and balances with central bank	94,241,110	93,705	-	167,703	94,502,518
Due from other banks	182,073,103	46,840,252	8,484,584	72,718,704	310,116,643
Due from customers	18,369,241	6,235,644	848,326	6,781,836	32,235,047
Investment security	6,878,295	-	-	-	6,878,295
Goodwill	3,000,000	-	-	-	3,000,000
Information technology systems	4,682,934	-	-	-	4,682,934
Property, plant and equipment, net	1,307,770	-	-	-	1,307,770
Other (Derivatives, Other assets and Deferred tax)	2,352,308	142,237	238,834	47,211	2,780,590
Total assets	**312,904,761**	**53,311,838**	**9,571,744**	**79,715,454**	**455,503,797**
Liabilities					
Due to other banks	49,273	277,161	24,651	478	351,563
Due to customers	256,511,340	52,416,812	7,993,233	79,520,212	396,441,597
Provisions	1,301,500	-	-	-	1,301,500
Other (Derivatives and Trade and other payables)	6,815,746	244,196	239,535	23,668	7,323,145
Total liabilities	**264,677,859**	**52,938,169**	**8,257,419**	**79,544,358**	**405,417,805**
Net on balance sheet position	**48,226,902**	**373,669**	**1,314,325**	**171,096**	**50,085,992**
Off balance sheet notional positon	-	-	-	-	-
Credit committements	-	-	-	-	-
At 31 December 2003					
Total assets	277,732,364	31,693,000	60,725,000	10,121,000	380,271,364
Total liabilities	235,506,693	32,355,670	60,891,000	8,620,650	337,374,013
Net on balance sheet position	**42,225,671**	**(662,670)**	**(166,000)**	**1,500,350**	**42,897,351**
Off balance sheet notional positon	-	-	-	-	-
Credit committements	-	-	-	-	-

All amounts in Swiss Francs

SECTION III : FINANCIAL RISK MANAGEMENT

G. Liquidity risk

The Group is exposed to daily withdrawals on its available cash resources from overnight deposits, current accounts and maturing deposits. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	Up to 1 month	1-3 months	3 to 12 months	1-5 years	Over 5 years	Total
At 31 December 2004						
Assets						
Cash and balances with central bank	94,502,518	-	-	-	-	94,502,518
Due from other banks	310,116,643	-	-	-	-	310,116,643
Due from customers	32,235,047	-	-	-	-	32,235,047
Pledged investment securities and deposits	2,000,000	4,878,295	-	-	-	6,878,295
Goodwill	-	-	-	3,000,000	-	3,000,000
Information technology systems	-	-	-	4,682,934	-	4,682,934
Property, plant and equipment	-	-	-	1,307,770	-	1,307,770
Other (Derivates, Other assets and Deferred tax)	1,402,151	262,748	310,657	805,034	-	2,780,590
Total assets	**440,256,359**	**5,141,043**	**310,657**	**9,795,738**	-	**455,503,797**
Liabilities						
Due to other banks	351,563	-	-	-	-	351,563
Due to customers	396,441,597	-	-	-	-	396,441,597
Provisions	36,000	70,000	360,000	835,500	-	1,301,500
Other (Derivatives and Trade and other payables)	7,047,117	118,442	131,417	26,169	-	7,323,145
Total liabilities	**403,876,277**	**188,442**	**491,417**	**861,669**	-	**405,417,805**
Net liquidity gap	**36,380,082**	**4,952,601**	**(180,760)**	**8,934,069**	-	**50,085,992**
At 31 December 2003						
Total assets	358,375,047	6,643,734	4,103,754	11,148,829	-	380,271,364
Total liabilities	332,158,469	1,048,888	1,733,420	2,433,236	-	337,374,013
Net liquidity gap	**26,216,578**	**5,594,846**	**2,370,334**	**8,715,593**	-	**42,897,351**

All amounts in Swiss Francs

SECTION III : FINANCIAL RISK MANAGEMENT

H. Market risk

The Group does not trade in financial investments held for trading. Hence, the Group's market risk is substantially limited to the features of its online brokerage operations, i.e. to fluctuation in the trading activity of its clients, which depends on market conditions. The Group monitors this exposure through a careful management of its cost base.

I. Fiduciary activities

As mentioned above, 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 services are mainly rendered through its web-portal and therefore the Group is exposed to the operational risks associated with the use of this technology. At the balance sheet date, the Group clients' financial assets under custody amount to CHF 1.6 bn (2003: CHF 1.3 bn).

J. Capital adequacy

The Group's and Bank's capital adequacy is determined based on the principles defined in the Swiss Federal Law on Banks and Savings Banks and the Implementing Ordinance on Banks and Savings Banks.

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SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2004	2003
Cash and balances with central bank	94,502,518	43,490,235
Due from other banks	310,116,643	301,096,041
Due to other banks	(351,563)	(1,416,909)
Total net	**404,267,598**	**343,169,367**

The carrying amount of cash and cash equivalents approximates their fair value.

2. Derivative financial instruments

The carrying amount of derivative financial instruments approximates their fair value. The Group does not enter into derivative instrument transactions (except for client needs), cash is placed with substantial financial institutions and there are some limited foreign currency exposures.

	31 December 2004			31 December 2003		
	Positive Fair Value	Negative Fair Value	Contract Amount	Positive Fair Value	Negative Fair Value	Contract Amount
Futures	-	-	2,905,190	-	-	3,800
Options	814,429	814,429	59,497,127	169,766	169,766	4,134,097
Total	**814,429**	**814,429**	**62,402,317**	**169,766**	**169,766**	**4,137,897**

Forward transactions and derivative financial instruments are reported on a gross basis. The replacement value of stock exchange and over-the-counter contracts are recorded under the items “positive fair value” and “negative fair value” respectively, without taking into consideration the margin coverage deposited by customers.

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Loans and advances to customers

Loans and advances to customers mainly consist in advances covered by the pledging of the customers portfolio consisting of cash and securities, which are held with the Bank.

	2004	2003
Loans and advances		
Covered loans	32,170,721	18,757,029
Overdrafts	194,326	366,397
Total	**32,365,047**	**19,123,426**
Provision	(130,000)	(106,500)
Total net	**32,235,047**	**19,016,926**
Movement in provision		
Balance at 1 January	106,500	106,500
Provision increase	53,660	-
Bad debts written-off	(30,160)	-
Balance at 31 December	**130,000**	**106,500**

The carrying amount of loans and advances to customers approximates their fair value.

4. Due to customers

Amounts due to customers mainly consist of current accounts. The carrying amount of due to customers approximates their fair value.

All amounts in Swiss Francs 30

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Pledged investment securities and deposits

	2004	2003
Investment held-to-maturity		
Bonds - at amortized cost : listed	2,000,000	5,282,796
Investment available-for-sale		
Equity securities - at fair value: listed	-	-
Total investment securities	**2,000,000**	**5,282,796**
Deposits	4,878,295	168,295
Total	**6,878,295**	**5,451,091**

Investment securities held-to-maturity consist of listed bonds issued by the Swiss Government, with maturities up to January 2005. The nominal value of the bonds is CHF 2,000,000 at 31 December 2004 (2003: CHF 5,132,000), which is close to their fair value.
Deposits consist of cash deposits with counterparties which purpose is to secure settlement risks.

Movements in investments held-to-maturity only include redemption and acquisition and the carrying value adjustment related to the amortization of the cost. Movements in investment securities available-for-sale in 2004 (none in 2003) are summarised as follows:

	Available-for-sale
At 1 January 2004	-
Additions	1,060,831
Disposals (sale and redemption)	(1,022,685)
Losses from impairment of available-for-sale equity securities	-
Losses from changes in faire value	(38,146)
At 31 December 2004	-

None of these investments held-to-maturity were pledged. Losses from changes in fair-value were covered by a specific provision.

6. Trade and other payables

	2004	2003
Trade payable	1,569,526	1,971,590
Social security and other taxes	446,082	480,302
Accrued expenses	4,050,096	3,783,003
Deferred revenues	443,012	380,611
Total	**6,508,716**	**6,615,506**

The carrying amount of trade and other payables approximates their fair value.

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Goodwill

	2004	2003
Balance at 1 January	3,000,000	3,800,000
Amortization charge	-	(800,000)
Total net	**3,000,000**	**3,000,000**

The goodwill relates to the acquisition of Consors (Schweiz) AG in 2002. The goodwill is assessed for impairment based on its comparison with the actual revenues generated by the clients of the former Consors (Schweiz) AG.

8. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware	Total
At 31 December 2002				
Cost	3,398,423	3,483,901	5,475,143	12,357,467
Accumulated depreciation	(1,314,381)	(1,225,793)	(5,210,041)	(7,750,215)
Net book amount	**2,084,042**	**2,258,108**	**265,102**	**4,607,252**
Year ended 31 December 2003				
Opening net book amount	2,084,042	2,258,108	265,102	4,607,252
Addition	376,623	1,075,424	1,337,812	2,789,859
Depreciation	(482,199)	(790,477)	(813,248)	(2,085,924)
Amortization (Note 12)	(900,000)	-	-	(900,000)
Closing net book amount	**1,078,466**	**2,543,055**	**789,666**	**4,411,187**
At 31 December 2003				
Cost	3,775,046	4,559,325	6,812,955	15,147,326
Accumulated depreciation	(2,696,580)	(2,016,270)	(6,023,289)	(10,736,139)
Net book amount	**1,078,466**	**2,543,055**	**789,666**	**4,411,187**
Year ended 31 December 2004				
Opening net book amount	1,078,466	2,543,055	789,666	4,411,187
Addition	434,485	1,055,517	695,139	2,185,141
Depreciation	(432,448)	(940,192)	(540,754)	(1,913,394)
Closing net book amount	**1,080,503**	**2,658,380**	**944,051**	**4,682,934**
At 31 December 2004				
Cost	4,209,531	5,614,842	7,508,094	17,332,467
Accumulated depreciation	(3,129,028)	(2,956,462)	(6,564,043)	(12,649,533)
Net book amount	**1,080,503**	**2,658,380**	**944,051**	**4,682,934**

An amount of CHF 834,591 own cost was capitalized in 2004 (2003: CHF 762,000).

All amounts in Swiss Francs 32

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Property, plant and equipment

	2004	2003	2002
At 31 December			
Cost	4,600,724	4,184,098	3,582,937
Accumulated depreciation	(3,292,954)	(2,699,342)	(2,585,266)
Net book amount	**1,307,770**	**1,484,756**	**997,671**
Year ended 31 December			
Opening net book amount	1,484,756	997,671	
Addition	416,626	601,161	
Depreciation	(593,612)	(114,076)	
Closing net book amount	**1,307,770**	**1,484,756**	

Property, plant and equipment consists of leasehold improvements and office equipment.

10. Other assets

	2004	2003
Trade receivables	248,045	87,866
Prepayments	253,604	289,712
Other receivables	828,054	1,137,326
Total	**1,329,703**	**1,514,904**

Other receivables include CHF 228,647 (2003: CHF 299,127) balance of a CHF 300,000 loan granted on 1 July 2002 to Marvel Communications Ltd recorded at nominal value, which is deemed close to its fair value. The terms of the loan are as follows:

- no interest was payable until 30 June 2004. Thereafter interest is charged at Libor plus 2% per annum;
- repayable on a quarterly basis, the first time on 30 September 2004. Each repayment is based on 30% of the free cash flow of Marvel in the respective quarters, but shall not be less than CHF 30,000. Early repayment is possible.

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Deferred tax assets, net

	2004	2003
Deferred tax assets		
Tax loss carried forward	1,422,570	1,425,620
Permanent differences	10,838	10,838
Total	**1,433,408**	**1,436,458**
Deferred tax liabilities		
Temporary differences	(796,950)	(800,000)
Total net	**636,458**	**636,458**
Movements in net deferred taxes analysed as follows:		
Balance, beginning of period	636,458	614,704
Net debit /(credit) to statement of operations	-	-
Net credit to share premium and reserves	-	21,754
Balance, end of period	**636,458**	**636,458**

Deferred income taxes are calculated on all temporary differences under the liability method using various tax rates (depending on the tax status applicable to the subsidiary consolidated). The average tax rate applied for deferred taxes is of 16% (2003: 16%).

The principal source of the temporary differences is the treatment of Goodwill that has been completely depreciated on 6 May 2003 in the statutory financial statements of Swissquote Bank.

Reconciliation between effective income tax rate and tax rate applied for current taxes: the effective income tax rate applied for current taxes is of 0%, because none of the companies consolidated have a taxable income in 2004 (carry forward losses available).

Considering the fact that the Group started its banking activities in 2001, when determining the fair value of deferred tax assets, and the related provision for impairment, the Group takes into account the historical record of profitability of the respective subsidiaries, which is reviewed annually.

The deferred tax assets on tax loss carried forward are stated net of a CHF 18.5 mio (2003: CHF 18.5 mio) 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. Under the current tax laws in Switzerland, tax losses may be carried forward up to 7 years.

Unrecognized tax losses (in CHF mio)	**2004**	**Lapse of losses Between**
Swissquote Group holding Ltd	50.2	2006-2009
Swissquote Bank	63.2	2006-2010
Total	**113.4**	

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Provisions and pension

	Restructuring Plan announced on 22 February 2002	Restructuring / Integration of Consors (Schweiz) AG (a)	Other Provisions (b)	Pension Obligation	Total
Balance at 1 January 2003	**340,583**	**6,119,515**	-	**900,000**	**7,360,098**
Amounts paid or payable in 2003	(340,583)	(5,154,096)	-	(771,630)	(6,266,309)
Provision in connection with the acquisition of customer base (b)	-	700,000	1,000,000	-	1,700,000
Other provisions and revaluation of provisions at 31 December 2003	-	-	278,370	(128,370)	150,000
Balance at 31 December 2003	-	**1,665,419**	**1,278,370**	-	**2,943,789**
Balance at 1 January 2004	-	**1,665,419**	**1,278,370**	-	**2,943,789**
Amount paid or payable in 2004 and loss recognized in year	-	(408,460)	(814,316)	-	(1,222,776)
Excess provision written-back to Statement of operations	-	(109,459)	(310,054)	-	(419,513)
Balance at 31 December 2004	-	**1,147,500**	**154,000**	-	**1,301,500**

(a) With effect on 1 October 2002, the Company acquired Consors (Schweiz) AG, a major competitor of Swissquote Bank, with the view to transfer the client base to the Swissquote Bank platform. As a result, the operations of Consors (Schweiz) AG were closed on 31 March 2003, which caused restructuring costs such as redundancies and contract terminations. The balance restructuring mainly corresponds to a long-term lease contract until 2008.

(b) The CHF 1.7 mio provision created in 2003 is relating to the process and assessment described in Note 13, in connection with the acquisition of the Minority Interest.

Pension - The Group operates two pension plans, which are both organized under Swiss Law. The main features are the following:

- the pension plans are defined benefit plans under IAS 19:
- the fund assets are held independently of the Group assets in separated trustee funds;
- decisions with respect to the funds (levels of the benefits and of the contributions, as well as investment strategy) are made by a board of trustees in which the employees and the Group are each represented at parity;
- the pensions benefits are determined based on the contributions paid by the employees and the Group. However, in accordance with Swiss Law the part of the employees' saving accounts corresponding to the minimum required by law shall be remunerated at a minimal interest rate set by the Swiss Government. In 2004, the rate was 2.25% per annum (2003: 3.25% per annum).

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The main actuarial assumptions used for the calculation of the pension cost and the projected benefit obligations are:

	2004	2003
Discount Rate	3.25%	3.75%
Rate of future increase in compensations	1.00%	1.50%
Rate of future increase in current pensions	0.50%	1.00%
Interest rate credited on savings accounts	2.50%	3.50%
Expected long-term rate of return on plan assets	4.25%	4.00%
Retirement age	According to rules	According to rules
Turnover	20% on average	10% on average

According to IAS 19, plan assets have been estimated at market fair value and liabilities have been calculated according to the « Projected Unit Credit » method.

	Actuarial	
(all amounts in thousands CHF)	2004	2003
Fair value of plan assets	5,822.8	5,201.4
Defined benefit obligation	(6,112.1)	(5,113.7)
Funded status	**(289.3)**	**87.7**

The annual actuarial Company pension cost according to IAS 19 is as follows:

	Actuarial	
(all amounts in thousands CHF)	2004	2003
Service cost	(934.7)	(705.1)
Interest cost	(191.8)	(146.8)
Expected retun on plans assets	208.1	125.8
Employees' contribution	518.1	451.3
Company's pension cost	**(400.3)**	**(274.8)**

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The actuarial pension cost compares with the actual company's contribution as follows:

(all amounts in thousands CHF)	2004	2003
Company's pension cost (actuarial)	(400.3)	(274.8)
Company's pension contribution (financial)	531.2	402.5
Maximum recognizable movement in prepaid pension cost based on paragraph 58 & 58A of IAS 19	130.9	127.7

The financial valuation of the funds made at 31 December 2002 highlighted a short funding. In 2003, the Company and the Employees implemented a set of measures that led to the suppression of the short funding at 31 December 2003. As part of these measures, the Company contributed an amount of CHF 278,000 in the form of a contribution reserve that can be offset against future ordinary contributions of the Company at some point in time in the future, if there is an excess funding in the funds. The actuarial funded status does not justify that the Company recognizes an asset against the pension funds at 31 December 2004. Accordingly, the reported pension cost is equal to the actual company contributions.

The analysis of the reported pension obligation is summarized as follows:

	2004		2003	
(all amounts in thousands CHF)	Reported	Actuarial	Reported	Actuarial
Begining of year	-	127.7	**(900.0)**	-
Change	-	130.9	**900.0**	127.7
End of year	-	258.6	-	127.7

The reconciliation between funded status and prepaid pension cost is as follows:

(all amounts in thousands CHF)	2004	2003
Funded status	(289.3)	87.7
Unrecognized loss	420.2	40.0
Limit on balance sheet (para 58 & 58A of IAS19)	(130.9)	(127.7)
Reported prepaid pension cost	-	-

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Minority interest

	2004	2003
At beginning of year	-	7,581,337
Share in net loss	-	(773,800)
Consideration paid for the acquisition of Minority interest by the Company	-	(2,562,100)
Gain on acquisition of Minority Interest	-	(4,245,437)
At end of year	-	-

Minority interest relates to the interest of Aktiengesellschaft Assuricum a subsidiary of Zurich Financial Services in the Bank, which amounted to 29.4% on 1 January 2003. It was reduced to 20.58% on 6 May 2003. The Company acquired the remaining interest on 25 July 2003. Prior to this date, the assets and liabilities, as well as the revenues and expenses of Swissquote Bank were already consolidated in full in the consolidated financial statements of the Group, which were adjusted for the minority interest in the Bank's equity and results.

The carrying amount of the minority interest at the date of the acquisition (25 July 2003) amounted to CHF 7.3 mio, and the total purchase consideration amounted to CHF 2.6 mio, which is lower. IAS 22 provides that the CHF 4.7 mio resulting difference ("the Negative Goodwill") shall be analysed as follows:

- the Company shall primarily investigate if the cause of the Negative Goodwill is relating to possible fair-value adjustments of the share of the non-monetary assets underlying the minority interest, the impairment of such assets, and / or any expected future expenses and / or losses. Such portion should be recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable / amortizable assets and / or when the expected future expenses and / or losses are recognized;
- should the amount identified by the above process be less than the Negative Goodwill, the residual part shall be recognized as profit.

In connection with the above process, the Company resolved to create provisions amounting to CHF 2.6 mio relating to needs of accelerated amortization (CHF 0.9 mio – see Note 8) and specific accrued liabilities (CHF 1.7 mio – see Note 12) in connection with past acquisitions of customers, of which CHF 0.5 mio (representing the share of the minority in these provisions) is deducted from the CHF 4.7 mio Negative Goodwill. The resulting CHF 4.2 mio Negative Goodwill (net) posted to the Statement of operations is a gain on acquisition of Minority interest.

All amounts in Swiss Francs 38

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Equity

14.1 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 2003	1,376,030	40,000	-	1,416,030
Options exercised in 2003 against issue of new shares	2,990	(2,990)	-	-
At 31 December 2003	**1,379,020**	**37,010**	**-**	**1,416,030**
At 1 January 2004	**1,379,020**	**37,010**	**-**	**1,416,030**
Increase of the Conditional Capital and creation of an Authorized Capital	-	68,913	200,000	268,913
Options exercised in 2004 against issue of new shares	15,284	(15,284)	-	-
At 31 December 2004	**1,394,304**	**90,639**	**200,000**	**1,684,943**

The purpose of the conditional capital is to allow the exercise of the options granted to Group employees and Board members in accordance with the Group Stock Option Plan.

The provision ruling the utilisation of the Authorized capital provides that the Board of Directors is authorized to increase the share-capital of the Company by a maximum of CHF 2,000,000 by issuing no more than 200,000 new registered shares with a nominal value of CHF 10 within two years from 1 April 2004, i.e. before 31 March 2006. The provision further provides details on the capital increase process and exercise of preferential subscription rights.

14.2 Stock Option Plan

The Group operates a Stock Option Plan under which it makes options in common stock available to the Group’s employees and directors at the discretion of the Board. Since the creation of the Plan, a total of six allocation schemes were offered. The first and second allocations lapsed in 2001 and 2002.

The options granted under the third allocation are made under the following terms:

- one option grants the right to acquire one share;
- the strike price is equal to the 10-day-average closing price of SQN preceeding the date of grant;
- options granted are exercisable in four equal tranches of 25%. The first tranche becomes exercisable on the date of the first anniversary of the respective grant date, the second on the date of the second anniversary of the respective grant date, the third tranche on the date of the third anniversary of the respective grant date and the fourth tranche on the date of the fourth anniversary of the respective grant date. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable. The exercise price ranges from CHF 54.30 to CHF 86.39.

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The 4th allocation is reserved to the non-executive members of the Board. It provides that the options granted will be first exercisable three years after the date of grant. One option gives the right to acquire one SQN share at a strike price ranging between CHF 27.85 and CHF 113.90. The exercise period is two years starting on the date options first become exercisable.

The 5th allocation is reserved to Group employees. It provides that 50% of the options granted to each employee will become exercisable one year after the date of grant and the remaining 50% after two years. The exercise price is CHF 27.85. The period of exercise of options that become exercisable is two years.

The 6th allocation is reserved to Group employees. It provides that one option grants the right to acquire one SQN share. The strike price is equal to the 10-day average closing price of SQN preceeding the date of grant. Options granted are exercisable in three equal tranches. The fist tranche becomes exercisable on the date of the first anniversary of the date of grant, the second on the second anniversary and the third on the third anniversary. The options granted in 2004 have a strike price of CHF 113.90.

The movements in options granted, exercised and lapsed are reported below:

	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	-	-	-	-	-	
Exercised						
Covered by the issue of new shares	-	-	(2,990)	-	(2,990)	(2,990)
Covered by treasury shares	(540)		(860)	-	(1,400)	
Lapsed	(2,272)	-	-	-	(2,272)	
Balance at 31 December 2003	**11,712**	**48,000**	**16,450**		**76,162**	**37,010**
Balance at 1 January 2004	**11,712**	**48,000**	**16,450**	**-**	**76,162**	**37,010**
Increase of the Conditional Capital further to resolution of the AGM on 30 March 2004						68,913
Grants	-	600	-	7,998	8,598	
Exercised						
Covered by the issue of new shares	(6,134)	-	(9,150)	-	(15,284)	(15,284)
Covered by treasury shares	-	-	-	-	-	
Lapsed	(245)	-	-	(81)	(326)	
Balance at 31 December 2004	**5,333**	**48,600**	**7,300**	**7,917**	**69,150**	(69,150)
Balance conditional shares available for future grants						**21,489**

All amounts in Swiss Francs 40

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The options outstanding at 31 December 2004 are maturing as follows:

Allocation #	Strike Price	Number Options	Exercise Period Start	Exercise Period End
4 & 5	27.85	850	May-03	April-05
		1,450	May-04	April-06
		5,000	May-05	April-07
		48,000	May-05	April-07
3	54.30	50	July-03	June-05
		50	July-04	June-06
		50	July-05	June-07
3	58.27	25	May-03	April-05
		25	May-04	April-06
		105	May-05	April-07
3	66.60	25	April-03	March-05
		65	April-04	March-06
		65	April-05	March-07
3	86.39	790	March-03	February-05
		1,700	March-04	February-06
		2,383	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
	Total	**69,150**		

14.3 Treasury Shares

The Company owned 19,024 treasury shares at 31 December 2004 (2003: 21,865). Their value based on the closing price on this date is CHF 1,902,400 (2003: CHF1,902,255). During 2004, the Company disposed of 2,841 shares net (2003: disposal of 68,655 shares, net) resulting from the acquisition of 16,463 shares at a unit price ranging from CHF 91.00 to CHF 128.00 (average cost of CHF 114.50 per share) and of the disposal of 19,304 shares at unit prices ranging from CHF 92.00 to CHF 122.00 (average per share of CHF 111.67).

14.4 Dividend

Under Swiss Law, dividends can only be paid out of the distributable reserves that are determined on a non-consolidated basis. In addition, the tax authorities in Switzerland have imposed dividend restrictions as long as certain Group companies benefit from special tax arrangements granted to new companies. The Group is not allowed to distribute the portion of the distributable reserves which have been accumulated and that correspond to the tax savings resulting from the benefit of the special tax treatment compared to the ordinary taxation regime.

On 31 December 2003 and 2004, there are no distributable reserves.

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Fee and commission income

	2004	2003
Brokerage and related	28,065,145	25,922,463
Custody and others	2,870,986	1,504,969
Total	**30,936,131**	**27,427,432**

16. Interest income, net

	2004	2003
Interest income		
Cash and short-term funds	2,517,272	1,493,451
Investment securities	69,504	83,607
Loans to customers	968,955	516,115
	3,555,731	**2,093,173**
Interest expense		
Banks	(2,833)	(25,934)
Due to customers	(842,915)	(467,498)
Total net	**2,709,983**	**1,599,741**

17. Other operating income

Other operating income mainly consists of revenues from the display of advertising banners and the sales of subscription for financial information available against payment on the Group's websites.

All amounts in Swiss Francs 42

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Operating expenses

	2004	2003
Payroll & related expenses	12,474,375	10,963,040
Production expenses	5,231,317	4,255,210
Marketing expenses	3,522,208	2,968,111
Administration and other operating expenses	4,669,033	4,750,680
Total	**25,896,933**	**22,937,041**

Payroll and related expenses consist of:

	2004	2003
Wages and salaries	11,618,892	10,253,770
Social security costs	1,690,074	1,471,340
	13,308,966	**11,725,110**
Less capitalized costs	(834,591)	(762,070)
Total	**12,474,375**	**10,963,040**
Average headcount	*115*	*101*

The costs were capitalized in connection with the development of the Bank's IT systems.

19. Earning per share

	2004	2003
Net Profit	6,235,212	5,129,120
Weighted average number of ordinary shares in issue	1,364,743	1,312,928
Basic earning per share	4.57	3.91
Diluted earning per share	4.28	3.80

Basic earning per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. Diluted earning per share accounts for the non-issued conditional shares.

All amounts in Swiss Francs

SECTION IV : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Related party transactions

Related party transactions are defined as transactions and balances with members of the Board and of the Executive Management, as well as with shareholders with an interest in the Group of more than 5%.

	2004	2003
Remuneration	1,354,666	1,817,600
Loans and advances to customers	-	-
Due to customers	9,533,911	3,036,399

21. Commitments

Operating leases: Operating lease commitments consist of office space leases.

Payable:	2004	2003
Not later than 1 year	644,000	686,000
Later than 1 year and not later than 5 years	966,000	1,743,000
Later than 5 years	-	131,000

Purchase commitments: none at 31 December 2004

All amounts in Swiss Francs 44

PRICEWATERHOUSECOOPERS

Group Auditors Report on the Consolidated financial Statements

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of operations, statement of changes in shareholders' equity, statement of cash flows and notes) included on pages 9 to 44 of Swissquote Group Holding Ltd for the year ended 31 December 2004.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

JC Pernollet M Caputo

Geneva, 10 February 2005

Section 2 Financial Report 2004
Statutory Financial Statements

STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 OF SWISSQUOTE GROUP HOLDING Ltd

Financial Report 2004
Statutory Financial Statements

BALANCE SHEET AT 31 DECEMBER 2004

	Notes	2004	2003
ASSETS			
Current assets			
Cash and banks		1,211,863	9,249,807
Receivables and prepayments		3,096	86,119
Securities (treasury shares)	5	1,902,400	1,902,255
Total current assets		**3,117,359**	**11,238,181**
Non-current assets			
Investments in subsidiaries	2	40,698,952	40,798,952
Receivables from subsidiaries		17,647,241	10,649,868
		58,346,193	51,448,820
Provision		(31,938,794)	(32,402,865)
Total Net		**26,407,399**	**19,045,955**
Long-term loan	4	228,647	299,127
Formation costs and intellectual property rights, net	3	3,584,915	2,024,586
Total non current assets		**30,220,961**	**21,369,668**
TOTAL		33,338,320	32,607,849
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		**201,378**	**375,873**
Equity			
Share-capital	5	13,943,040	13,790,200
Share premium	6	18,405,391	17,844,540
Reserve for own shares	6	588,511	577,236
Accumulated profits		200,000	20,000
Total equity		**33,136,942**	**32,231,976**
TOTAL		33,338,320	32,607,849

All amounts in Swiss Francs

Financial Report 2004
Statutory Financial Statements

STATEMENT OF OPERATIONS FOR THE YEAR 2004

	Notes	2004	2003
Income			
Revenues from investments		200,000	-
Gain on own shares		233,661	1,968,493
Interest income		15,540	37,087
Royalties		1,846,615	-
Total		**2,295,816**	**2,005,580**
Expenses			
Operating expenses		407,004	802,450
Provision on investment and receivables from subsidiaries	2	(464,071)	(216,870)
Amortization		2,172,883	1,400,000
Total		**2,115,816**	**1,985,580**
Net profit		**180,000**	**20,000**
Accumulated profits, beginning of year		20,000	-
Accumulated profits, end of year		**200,000**	**20,000**

All amounts in Swiss Francs 48

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. Introduction

The Company was formed on 12 August 1999. It is registered in the Canton de Vaud, Switzerland, with headquarters in Gland. Swissquote Group Holding Ltd is the parent of Group companies that are active in online financial services.

The shares of Swissquote Group Holding Ltd are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

The main shareholders are:

	2004	2003
Mr. Marc Bürki	15.28%	15.95%
Mr. Paolo Buzzi	15.28%	16.07%
Mr. Jean Pfau	7.95%	16.74%
Mr. Thomas Matter	5.02%	5.08%

2. Investments in and Receivables from subsidiaries

Investments in subsidiaries consist of:

	2004		2003	
	%	CHF	%	CHF
Swissquote Bank	100.00%	40,460,002	100.00%	40,460,002
Swissquote Info Ltd	-	-	100.00%	100,000
Swissquote Trade Ltd	100.00%	238,950	100.00%	238,950
Total		**40,698,952**		**40,798,952**

The receivables from subsidiaries include a total amount of CHF 10.0 mio subordinated in favour of the creditors of Swissquote Bank (2003: CHF 3.0 mio in favour of the creditors of Swissquote Info Ltd).

In the years from 1999 to 2002, the Company created an aggregate CHF 32.6 mio provision representing a fair value adjustment of the amounts invested in its loss making subsidiaries (up to 2002). Though the subsidiaries turned profitable in 2003, and in accordance with the provisions of the Swiss Code of Obligations with respect to the creation of silent reserves, the Company decided to maintain the provision at its 2003 level at 31 December 2004, except for CHF 464,071 that were reversed in the Statement of operations in 2004 (2003: 216,870).

All amounts in Swiss Francs

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. Formation costs and intellectual property

Formation costs and intellectual property are amortized over a period of 5 years (straight line method).

4. Long-term loan

The amount of CHF 228,647 (2003: CHF 299,127) corresponds to the balance of a CHF 300,000 loan granted to Marvel Communications Ltd. The terms are:

- no interest was payable until 30 June 2004. Thereafter interest is charged at Libor + 2% per annum;
- repayable on a quarterly basis, the first time on 30 September 2004. Each repayment is based on 30% of the free cash flow of Marvel in the respective quarters, but shall not be less than CHF 30,000. Early repayments are possible.

5. Share-capital

	2004	2003
Ordinary issued share-capital :		
Number of shares in issue	1,394,304	1,379,020
Nominal value of each share (Registered shares)	10	10
Ordinary share-capital	13,943,040	13,790,200
Unissued share-capital		
Conditional share-capital	906,390	370,100
Authorized share-capital	2,000,000	-

Conditional Share-Capital
The increase of the conditional share-capital to CHF 1,000,000 was approved at the General Meeeting of Shareholders on 30 March 2004. 15,284 stock options were exercised during 2004 (2003: 4,390).

Authorized Share-Capital
The provision ruling the utilisation of the Authorized capital provides that the Board of Directors is authorized to increase the share-capital of the Company by a maximum of CHF 2,000,000 by issuing no more than 200,000 new registered shares with a nominal value of CHF10 within two years from 1 April 2004, i.e. before 31 March 2006. The provision further provides details on the capital increase process and exercise of preferential subscription rights.

Own Shares
The Company owned 19,024 treasury shares at 31 December 2004 (2003: 21,865). Their value based on the closing price on this date is CHF 1,902,400 (2003: CHF 1,902,255). During 2004, the Company disposed of 2,841 shares, net (2003: disposal of 68,655 shares, net) resulting from the acquisition of 16,463 shares at a unit price ranging from CHF 91.00 to CHF 128.00 (average cost of CHF 114.50 per share) and of the disposal of 19,304 shares at unit prices ranging from CHF 92.00 to CHF 122.00 (average per share of CHF 111.67).

Dividend Restriction
Certain Group companies benefit from special tax arrangements granted to new companies. The Group is not allowed to distribute the portion of the distributable reserves which have been accumulated and that correspond to the tax savings resulting from the benefit of the special tax treatment compared to the ordinary taxation regime. At 31 December 2004 and 2003, the amount of such non-distributable reserves is nil.

All amounts in Swiss Francs 50

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

6. Share premium and reserve for own shares

	2004	2003
Share premium		
At beginning of year	17,844,540	66,621,793
Allocation to accumulated losses	-	(50,426,493)
Allocation (to) / from reserve for own shares	(11,275)	1,577,140
Share premium on new shares issued	572,126	72,100
At end of year	**18,405,391**	**17,844,540**
Reserve for own shares		
At beginning of year	577,236	2,154,376
Allocation to / (from) Share premium	11,275	(1,577,140)
At end of year	**588,511**	**577,236**

The reserve for own shares is carried at the average acquisition cost of the own shares.

All amounts in Swiss Francs 51

Financial Report 2004
Statutory Financial Statements

PROPOSAL OF THE BOARD OF DIRECTORS REGARDING ACCUMULATED PROFITS AT 31 DECEMBER 2004

The Board of Directors proposes to carry forward the CHF 200,000 accumulated profits.

Report of the Statutory Auditors to the General Meeting of Shareholders

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of operations and notes) included on pages 47 to 52 of Swissquote Group Holding Ltd for the year ended 31 December 2004.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

JC Pernollet M Caputo

Geneva, 10 February 2005

Corporate Governance Report
Table of Contents

Corporate Governance Report

1. Introduction

1.1 Adoption of Corporate Governance Rules

Further to the introduction of the SWX Swiss Exchange Corporate Governance Guidelines on 1 July 2002, the Board of Swissquote Group Holding Ltd adopted on 7 August 2002, a formal document – the Swissquote Group Corporate Governance Regulations – that:

- sets the policies ruling the Internal Regulations ("the Internal Regulations"), the Financial Disclosures and defines the principles applicable with respect to Delegation and Authorization;
- complements the Articles of Incorporation of the Company and other provisions applicable by Law.

1.2 Main changes in 2004

Compared to 2003, there were few changes in the Corporate Governance Regulations and Framework. The main events were:

- the creation of an authorized capital of CHF 2.0 mio and the lifting of the conditional capital to CHF 1.0 mio resolved at the General Meeting of Shareholders on 30 March 2004;
- at the same meeting, the election of Mr. Otto E. Nägeli at the Board of Swissquote Group. Mr. Paolo Buzzi did not solicit his reelection with a view of his taking the position of CTO in the Bank after the completion of the merger of Swissquote Bank and Swissquote Info Ltd which was formally completed on 1 June 2004;
- the reduction of the number of Board members of Swissquote Bank from 6 to 4, after MM Robert Briner and Etienne Gounod did not solicit their reelection at the General Meeting of Shareholders of Swissquote Bank on 29 March 2004;
- the merger on 1 June 2004 of Swissquote Info Ltd into Swissquote Bank as further step to the simplification of the Group structure;
- the resignation of Mr. Peter Brogle from the Board on 2 November 2004.

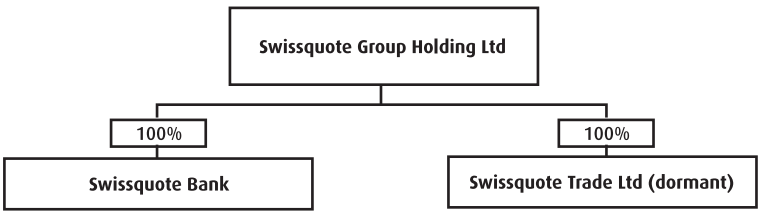
2. Group Structure and Shareholding

2.1 Scope of operations

Swissquote Group Holding Ltd and its subsidiaries ("the Group") are active in online financial services in Switzerland. The operations consist of Swissquote Bank, a pure Internet bank (http://bank.swissquote.ch) that primarily offers online brokerage and cash management services to self-directed investors and Independent Asset Managers. The Group also offers to the Bank's clients and non-clients a broad range of financial information on its website www.swissquote.ch, that encompass stock quotes, currencies, news, information on investment funds as well as financial analysis tools.

2.2 Legal structure

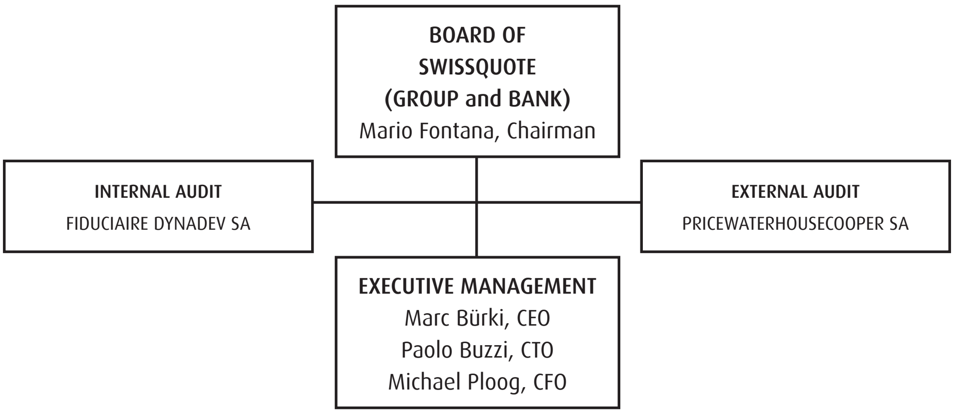
The Company is headquartered in Gland, Canton de Vaud, Switzerland. Since 1 June 2004, the legal structure of the Group is the following:



All Group companies are domiciled in Switzerland and their scope of operations is in Switzerland.
The shares of Swissquote Group Holding Ltd are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

2.3 Organization

The Internal Regulations determine the organization as well as the duties and powers of the executive bodies that consist of:
- the Board of Directors (the "Board") and the Chairman of the Board (the "Chairman");
- the Executive Management and its speaker the Chief Executive Officer ("CEO").



2.4 Major shareholdings

Shareholders with an interest in the Company above 5% are:

	2004	2003
Mr. Marc Bürki	15.28%	15.95%
Mr. Paolo Buzzi	15.28%	16.07%
Mr. Jean Pfau	7.95%	16.74%
Mr. Thomas Matter	5.02%	5.08%

3. Structure of the Equity

3.1 Capital at 31 December 2004

At 31 December 2004, the issued share-capital consists of 1,394,304 ordinary registered shares of CHF 10 nominal value each. The Company owned 19,024 treasury shares. Further, a conditional share-capital of CHF 906,390 consisting of 90,639 ordinary conditional shares of CHF 10 nominal value and an authorized capital of CHF 2 mio consisting of 200,000 authorized shares of CHF 10 nominal value each were outstanding at 31 December 2004.

The purpose of the conditional capital is to allow the exercise of the options granted to Group employees and Board members in accordance with the Group Stock Option Plan.

The provision of the Articles of Incorporation ruling the utilisation of the Authorized capital provides that the Board of Directors is authorized to increase the share-capital of the Company by a maximum of CHF 2,000,000 by issuing no more than 200,000 new registered shares with a nominal value of CHF 10 within two years from 1 April 2004, i.e. before 31 March 2006. The amount of the issue, the point of time at which the shares confer a dividend entitlement, the method of payment in full for contributions and the subscription procedure shall be determined by the Board of Directors. An increase in tranches or a partial increase is also possible. The amount of the increase must be fully paid-up in accordance with procedures to be defined by the Board of Directors. The provisions of the Articles of Incorporation relating to the restriction on the transferability of shares shall also apply to the new shares. The General Meeting may decide to abolish preferential subscription rights in the sole event that the increase in share-capital is adopted with a view to acquiring another undertaking or parts of undertakings or holdings in accordance with the terms of Article 652b, paragraph 2 of the Swiss Code of Obligations. In other instances of increases in share-capital decided within the framework of this provision, preferential subscription rights may be exercised by shareholders in proportion to their previous holding. Regarding preferential subscription rights assigned but not exercised, the Board of Directors may, without having to put it to a General Meeting first, either allow these to lapse or else offer them – respectively, to offer the corresponding new shares – wholly or in part to other shareholders in proportion to their previous holding, or offer them wholly or in part to one or more third parties, under such conditions as it sees fit to decide. Only shareholders listed in the share register may exercise their preferential subscription right. The Board of Directors shall determine the conditions of registration of shareholders who purchased shares in the company prior to the decision of the Board of Directors to increase the share-capital, but who have not yet been registered to the share register. The Board of Directors may require the subscription in trust by a third party and define the corresponding procedure as it sees fit.

3.2 History of share-capital

		Unissued Shares		
Number of shares	Ordinary Shares Issued	Conditional Capital	Authorized Capital	Total Shares Issued and Unissued
At 1 January 2002	**1,376,030**	**93,970**	**50,000**	**1,520,000**
Reduction of the conditional share capital and supression of the authorized share-capital further to the resolutions of the AGM of 18 April 2002	-	(53,970)	(50,000)	(103,970)
At 31 December 2002	**1,376,030**	**40,000**	**-**	**1,416,030**
At 1 January 2003	**1,376,030**	**40,000**	**-**	**1,416,030**
Exercise of employees, Stock Options	2,990	(2,990)	-	-
At 31 December 2003	**1,379,020**	**37,010**	**-**	**1,416,030**
At 1 January 2004	**1,379,020**	**37,010**	**-**	**1,416,030**
Increase of the conditional capital and creation of an authorized capital	-	68,913	200,000	268,913
Exercise of employees, Stock Options	15,284	(15,284)	-	-
At 31 December 2004	**1,394,304**	**90,639**	**200,000**	**1,684,943**

All amounts in Swiss Francs

3.3 History of the free float

All shares in issue at 31 December 2004 are freely tradable (i.e. there is no lock-up in place). SWX Regulations however provide that individual shareholdings exceeding 5% are deemed to be permanent investment and are to be excluded from the free float. In accordance with SWX Regulations, the free float at 31 December 2004 is 56.47%.
Historically, the founders agreed at the time of the IPO to be bound by a look-up agreement which provided that they shall not sell the following aggregate number of shares they owned in the following respective periods:

- 821,670 shares during the period from the IPO to 5 June 2001;
- 547,780 shares during the period from 6 June 2001 to 5 December 2001;
- 273,890 shares during the period from 6 December 2001 to 29 May 2002.

3.4 Stock Option Plan

The Group operates a Stock Option Plan under which it makes options in common stock available to the Group's employees and directors at the discretion of the Board. Since the creation of the Plan, a total of six allocation schemes were offered. The first and second allocations lapsed in 2001 and 2002.
The options granted under the third allocation are made under the following terms:

- one option grants the right to acquire one share;
- the strike price is equal to the 10-day-average closing price of SQN preceeding the date of grant;
- options granted are exercisable in four equal tranches of 25%. The first tranche becomes exercisable on the date of the first anniversary of the respective grant date, the second on the date of the second anniversary of the respective grant date, the third tranche on the date of the third anniversary of the respective grant date and the fourth tranche on the date of the fourth anniversary of the respective grant date. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable. The exercise price ranges from CHF 54.30 to CHF 86.39.

The 4th allocation is reserved to the non-executive members of the Board. It provides that the options granted will be first exercisable three years after the date of grant. One option gives the right to acquire one SQN share at a strike price ranging between CHF 27.85 and CHF 113.90. The exercise period is two years starting on the date options first become exercisable.

The 5th allocation is reserved to Group employees. It provides that 50% of the options granted to each employee will become exercisable one year after the date of grant and the remaining 50% after two years. The exercise price is CHF 27.85. The period of exercise of options that become exercisable is two years.

The 6th allocation is reserved to Group employees. It provides that one option grants the right to acquire one SQN share. The strike price is equal to the 10-day average closing price of SQN preceeding the date of grant. 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 second anniversary and the third on the third anniversary. The options granted in 2004 have a strike price of CHF 113.90.

The movements in options granted, exercised and lapsed is reported below:

	2nd Allocation	3rd Allocation	4th Allocation	5th Allocation	6th Allocation	Total	Conditional shares available for exercise
Balance at 1 January 2002	**6,605**	**22,456**	-	-	-	**29,061**	**93,970**
Reduction of number of conditional shares as per resolution of the AGM on 18 April 2002							(53,970)
Grants	-	-	48,000	20,300	-	68,300	
Exercised							
Covered by the issue of new shares	-	-	-	-	-	-	-
Covered by treasury shares	-	-	-	-	-	-	
Lapsed	(6,605)	(7,932)				(14,537)	
Balance at 31 December 2002	-	**14,524**	**48,000**	**20,300**	-	**82,824**	**40,000**
Balance at 1 January 2003	-	**14,524**	**48,000**	**20,300**	-	**82,824**	**40,000**
Grants	-	-	-	-	-	-	
Exercised							
Covered by the issue of new shares	-	-	-	(2,990)	-	(2,990)	(2,990)
Covered by treasury shares	-	(540)		(860)	-	(1,400)	
Lapsed	-	(2,272)	-	-	-	(2,272)	
Balance at 31 December 2003	-	**11,712**	**48,000**	**16,450**		**76,162**	**37,010**
Balance at 1 January 2004	-	**11,712**	**48,000**	**16,450**	-	**76,162**	**37,010**
Increase of the conditional capital further to resolution of the AGM on 30 March 2004							68,913
Grants	-	-	600	-	7,998	8,598	
Exercised							
Covered by the issue of new shares	-	(6,134)	-	(9,150)	-	(15,284)	(15,284)
Covered by treasury shares	-	-	-	-	-	-	
Lapsed	-	(245)	-	-	(81)	(326)	
Balance at 31 December 2004	-	**5,333**	**48,600**	**7,300**	**7,917**	**69,150**	**(69,150)**
Balance Conditional shares available for future grants							**21,489**

All amounts in Swiss Francs

The options outstanding at 31 December 2004 are maturing as follows:

Allocation #	Strike Price	Number Options	Exercise Period Start	End
4 & 5	27.85	850	May-03	April-05
		1,450	May-04	April-06
		5,000	May-05	April-07
		48,000	May-05	April-07
3	54.30	50	July-03	June-05
		50	July-04	June-06
		50	July-05	June-07
3	58.27	25	May-03	April-05
		25	May-04	April-06
		105	May-05	April-07
3	66.60	25	April-03	March-05
		65	April-04	March-06
		65	April-05	March-07
3	86.39	790	March-03	February-05
		1,700	March-04	February-06
		2,383	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
	Total	**69,150**		

3.5 History of equity

	Share capital	Share premium & reserves	Treasury shares	Accumulated losses	Total
Balance at 1 January 2002	**13,760,300**	**62,125,044**	**(527,727)**	**(22,191,390)**	**53,166,227**
Net changes in treasury shares	-	-	(1,626,649)	(309,763)	(1,936,412)
Movement in deferred taxes	-	(494,917)	-	-	(494,917)
Net loss of the period	-	-	-	(15,311,035)	(15,311,035)
Balance at 31 December 2002	**13,760,300**	**61,630,127**	**(2,154,376)**	**(37,812,188)**	**35,423,863**
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	-	-	252,121	1,968,493	2,220,614
Movement in deferred taxes	-	21,754	-	-	21,754
Capital increase against exercise of options	29,900	72,100	-	-	102,000
Net profit of the period	-	-	-	5,129,120	5,129,120
Balance at 31 December 2003	**13,790,200**	**61,723,981**	**(1,902,255)**	**(30,714,575)**	**42,897,351**
Balance at 1 January 2004	**13,790,200**	**61,723,981**	**(1,902,255)**	**(30,714,575)**	**42,897,351**
Net changes in treasury shares	-	-	(145)	233,657	233,512
Capital increase against exercise of options	152,840	567,077	-	-	719,917
Net profit of the period	-	-	-	6,235,212	6,235,212
Balance at 31 December 2004	**13,943,040**	**62,291,058**	**(1,902,400)**	**(24,245,706)**	**50,085,992**

All amounts in Swiss Francs

4 Board of Directors

The Board is a body consisting of a minimum of three members elected by the General Meeting of Shareholders for a one-year term, and who are eligible for reelection. Its members may not act alone on behalf of the Company and may not give instructions on their own, except when the Articles of Incorporation, the Internal Regulations or a Resolution of the Board provide otherwise. Since 30 March 2004, the Board has been comprised of four non-executive members. The Board of Swissquote Group acts at the same time as the Board of Swissquote Bank.
The Board shall meet at least 4 times a year. In 2004, the Board met 7 times, out of which one meeting was for a two-days strategy session. The Board may form one or several Committees, which consist of members of the Board. The Committees are in charge of proposing Board Resolutions to the full Board with respect to specific matters. Such Committees have to report to the Board on a regular basis, at least once a year. In 2004, there were two such Committees at the level of the Group: the Audit Committee and the Remuneration and Nomination Committee. For banking regulating reasons, there is no Audit Committee at the level of Swissquote Bank. All Audit and Compliance issues are directly treated by the Board of the Bank.

The Internal Regulations further provide that certain functions are delegated to the Chairman and define the scope of functions delegated to the CEO and the Executive Management.

4.1 Presentation of the members of the Board

4.1.1 Non-Executive Directors

Mario Fontana (1946 / Swiss National, domiciled in Switzerland)
Member of the Board of Swissquote Group since April 2001.
Chairman of the Board of Swissquote Group since April 2002
Chairman of the Board of Swissquote Bank since March 2004
Chairman of the Remuneration and Nomination Committee

After studying engineering at the Federal Institute of Technology in Zurich and at the Georgia Institute of Technology in Atlanta, Mario Fontana started his career in 1970 with IBM Switzerland. In 1977, he moved to Brazil as CIO for Brown Boveri and later started the Swiss subsidiary of Storage Technology. After that, he served over 15 years as General Manager for Hewlett-Packard, 10 years leading HP Switzerland, then the Computer Systems Business in Germany and Europe and at the end was responsible for the worldwide Business Unit Financial Services in Cupertino. Since the beginning of 1999, Mario Fontana serves on various Boards as Non-Executive Director. He is Chairman of Leica Geosystems and on the Board of SBB, Sulzer and a few other Swiss companies.

Paul E. Otth (1943 / Swiss National, domiciled in Switzerland)
Member of the Board of Swissquote Group since April 2002
Vice Chairman of the Board of Swissquote Bank since March 2004
Chairman of the Audit Committee

Paul E. Otth is a Swiss Certified Public Accountant. From 1974 to 1988 he worked for Corange Group (Boehringer Mannheim) in Switzerland and abroad in various managing positions. In 1988, he was a partner at Budiger Treuhand AG. In 1989, he joined Landis & Gyr where he was appointed Chief Financial Officer and member of the Group Executive Board in 1994. He occupied the same responsibilities from 1996 to 1997 at Elektrowatt and, in 1998, he became the CFO and member of the Executive Board of Siemens Building Technologies. From 2000 until 31 December 2002, he was CFO and Member of the Group Executive Board of Unaxis Holding AG. He is active as chairman, vice-chairman or member of several Boards.

Otto E. Nägeli (1949 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group since March 2004
Member of the Board of Swissquote Bank since May 2003
Member of the Audit Committee

After obtaining a commercial degree in Zurich, Otto E. Nägeli joined Credit Suisse where he held junior positions in Zurich and in Montreal, Quebec. After his return from Canada, he was appointed branch manager of a suburban branch of Credit Suisse. In 1976, he joined the Bank of Tokyo (Switzerland) Ltd., Zurich and was in charge of primary and secondary market trading and settlement. In 1987, he was appointed CEO of SOFFEX, the first fully electronic Exchange and Clearinghouse for Futures and Options, and became in 1994 also a member of the Management Board of the SWX - Swiss Exchange in Zurich. During this time, Otto E. Nägeli was involved in the merger project of SOFFEX and DTB Deutsche Terminbörse into EUREX. Between 1996 and 1998, he was the functional and organizational project manager for EUREX. With the opening of EUREX in 1998 Otto E. Nägeli was appointed Deputy CEO with the main responsibility for the Clearinghouse of EUREX. In 2001, he returned to the banking industry and became CEO of Rüd, Blass & Cie AG, Private Bankers, Zurich, a member of the Zurich Financial Services Group. In April 2003 he founded OEN Consulting, Nägeli & Partner, an independent consulting firm specialized in Banking and Exchanges.

4.1.2 Members of the Board who resigned in 2004

Peter Brogle resigned on 2 November 2004.

4.2 Functions of the Board of Directors

The Board has the following functions :
- the ultimate direction of the Company and the authority to give the necessary instructions;
- define and modify the strategy of the Company as well as to pass resolutions about the taking up or ceasing of business activities;
- establish the organization;
- based on the proposal of the Remuneration and Nomination Committee, decide on the appointment, suspension and dismissal of the Executive Management and of other signatories of the Company;
- define the finance and investment policy;
- approve the annual budget;
- based on the proposal of the Audit Committee, approve the financial planning, financial control and determine the applicable accounting standards and decide on accounting issues where the accounting standards allow the Company to chose between different solutions;
- approve the financial disclosure policy;
- approve the annual financial statements and regular interim financial reporting prior to their disclosure and after clearance by the Audit Committee;
- supervise the Executive Management, especially with respect to compliance with laws, Articles of Incorporation, internal directives and instructions. The Chairman is responsible for the supervision of the CEO;
- prepare the annual report and the Shareholder's Meeting as well as to execute decisions;
- pass resolutions in connection with a capital increase pursuant to Art. 651a, 652g, 653g CO, decisions pursuant to Art. 634a I CO (contributions on shares not fully paid in) and 651 IV CO (increase of share-capital in the case of authorized capital);
- approve mass dismissal of employees in the sense of Art. 335d CO or similar foreign regulations;
- approve those matters for which the CEO and the Executive Management have to seek approval by the Board or for which the CEO seeks approval of his own accord;
- notify the Judge pursuant to Art. 725 CO in case of over indebtedness.

More generally, the Board has the power to decide on all matters, which are not vested in the Shareholders' Meeting or by any other body by law, Articles of Incorporation or Internal Guidelines. Further, the Board's approval is required for specific transactions that do not fall under the ordinary business activities and or which financially exceed defined thresholds.

The Boards of subsidiaries are proposed by the Board of the Company. If subsidiaries are subject to special regulatory frameworks and authorities, the Board of the Company shall not interfere in matters that are the sole responsibility of the board of the subsidiaries.

4.3 Decisions of the Board

Valid decisions can only be taken if a majority of all members participate in the meeting. Should this quorum not be met, the Board of Directors may pass contingent resolutions under the condition that all members of the Board of Directors shall unanimously approve the resolutions in writing after such a Board meeting. For the following decisions a minimum of two thirds of all members of the Board have to be present:
- motions to be submitted to the Shareholders' Meeting;
- modifications of these Regulations.

The Chairman has the casting vote.

4.4 Functions delegated to the Chairman

The Chairman has the following functions:
- chair the meeting of the Board and the Shareholders' Meeting;
- represent the Board vis-à-vis the public at large, public officials and the shareholders;
- supervise the execution of measures, which the Board has enacted;
- supervise the CEO.

4.5 Group Audit Committee

Board members on the committee: Paul E. Otth, Otto E. Nägeli.

The principal duties of the Audit Committee are the supervising of the regular financial reporting, the risk management and the audit function. In particular, the Audit Committee attends the following matters:
- overview the entire financial reporting;
- review significant accounting issues and propose changes of accounting standards;
- review the audit results and supervise the actions taken by the management on the auditor's management letters;
- advise the Board on whether the existing or new auditors shall be proposed to the General Assembly of Shareholders;
- check the independence of the auditors;
- review the audit plan;
- assess the quality of the auditors and audit work.

The Audit Committee meets at least 4 times a year and has met 5 times in 2004.

4.6 Group Remuneration and Nomination Committee

Board members on the committee: Mario Fontana, Peter Brogle (Until 2 November 2004).

The Committee takes care of the following matters:
- determine the compensation of the Executive Management and propose the remuneration of the members of the Board;
- propose the terms and conditions of employee shares or option plans (ESOP) and new profit sharing, bonus or incentive schemes;
- plan the succession for the CEO and of other executive functions (emergency and long-term planning);
- propose the appointment of new members of the Board;
- propose the appointment, suspension and dismissal of Executive Management and of other signatories of the Company;
- provide guidance in relation to overall management development.

The Committee meets at least twice a year. In 2004, it met two times.

4.7 Functions delegated to the CEO and the Executive Management

The Executive Management consists of the CEO and those persons, which the Board appoints. All executive functions within the Group not reserved for the Board or the Chairman are delegated to the CEO and the Executive Management.

4.8 Management information and control over the Executive Management

The Group's Management Information Systems materialize into monthly, quarterly and yearly Management Reports to the Board, which need to be provided by the Executive Management on a timely basis. Such reports include statistics on the development of the revenues, comments on the operations and on the business environment, explanations on the variances between budget / forecasts and actual figures, Risk Management reports as well as any other information which needs to be brought to the Board's attention and / or which the Board may require from time to time. Further, the CEO shall immediately report to the Board material matters outside the ordinary course of business.

The position of internal auditor reporting independently to the Board of Directors of Swissquote Bank has been outsourced to Fiduciaire Dynadev SA, Geneva, since the creation of Swissquote Bank in the year 2000. The duties of the internal auditor are governed by the Federal Law on Banks and Saving Banks and the Bank's Internal Regulations.

4.9 Boards, management and public positions held by the members of the Board

The Board, Management and Public positions held by the members of the Board at 31 December 2004, are listed in the following table:

Swissquote	**Mario Fontana**	**Paul E. Otth**	**Otto E. Nägeli**
Swissquote Group Holding Ltd	Chairman	Board Member	Board Member
Swissquote Bank	Chairman	Vice-Chairman	Board Member
Other companies			
Amazys	Chairman		
Ascom Holding AG		Vice-Chairman	
Büro Fürrer AG	Board Member		
EAO Holding AG		Chairman	
Inficon Holding AG	Board Member	Chairman	
Leica Geosystems Ltd	Chairman		
SBB AG	Board Member	Board Member	
ShareComm Service AG			Board Member
Sulzer Ltd	Board Member		
Zurich - Swiss Value Ltd			Chairman
Zurich - Swiss Value Invest			Chairman
Former positions with Swissquote Group	None	None	None
Public Offices	None	None	None

5. Executive Management

5.1 Duties and responsibilities

All executive functions within the Group not reserved for the Board members, for the Chairman or for the Board of subsidiaries are delegated to the CEO and the Executive Management.

5.2 Presentation of the Executive Management

5.2.1 Executive Management in duties at 31 December 2004

Marc Bürki (1961 / Swiss National, domiciled in Switzerland)
Chief Executive Officer (CEO)
Founding partner of Swissquote Group

Marc Bürki is a graduate from the Swiss Federal Institute of Technology (EPFL) in Lausanne, in 1987, with a degree in electrical engineering. Until 1990, he worked as a telecommunications specialist at the European Space Agency in Nordweijk (Netherlands). He is founding partner of Swissquote and held various positions in the Group's Board and management. In March 2002, he was appointed CEO of Swissquote Bank.

Paolo Buzzi (1961 / Swiss National, domiciled in Switzerland)
Chief Technology Officer (CTO)
Founding Partner of Swissquote Group

Paolo Buzzi is a graduate from the Swiss Federal Institute of Technology (EPFL) in Lausanne, in 1988, with a degree in micro technology. Until 1990, he worked for Rolm Systems, Santa Clara (CA, USA) as a software specialist and technical integration engineer. He is founding partner of Swissquote and held various positions in the Group's Board and management. He is Chief Technology Officer of Swissquote Bank.

Michael Ploog (1960 / Swiss National, domiciled in Switzerland)
Chief Financial Officer (CFO)

Michael Ploog is a graduate from HEC Lausanne (1983) and a Swiss Certified Public Accountant (1990). Prior to joining Swissquote in 1999 as Group CFO, he worked for Deloitte & Touche and PricewaterhouseCoopers in Switzerland and for Touch Ross in London in the fields of audit, corporate finance and restructuring.

5.2.2 Executive Management who left in 2004
None

5.2.3 Organization chart of the enlarged Management Group

EXECUTIVE MANAGEMENT
Marc Bürki, CEO
Paolo Buzzi, CTO
Michael Ploog, CFO

Reporting to Marc Bürki	Reporting to Paolo Buzzi	Reporting to Michael Ploog	Reporting to EXECUTIVE MANAGEMENT
MARKETING & SALES Axel Liebe	**PRODUCT DEVELOPMENT** Loïc Guezennec	**TRADING & TREASURY** Steve Knabl	**HUMAN RESOURCES** Tara Yip
CUSTOMER CARE Giuseppe Tafuro	**IT & SECURITY** François Junod	**BACKOFFICE & BANKING PROCESS** Lino Finini	**INTERNAL CONTROL** Gilles Chantrier
CLIENT RELATIONS René Krebs		**LEGAL & COMPLIANCE** Thomas Keller	
		ACCOUNTING & REPORTING Luis de la Cruz	

Axel Liebe(1968 / German National, domiciled in Switzerland)
Head Marketing & Sales

Axel Liebe joined Swissquote in June 2004 as Head of Marketing & Sales. Formerly, he worked for Credit Suisse (2001-2004), inter alia on the strategy of the former online broker youtrade and as Head of Strategic Branding. From 1995-2001, Axel worked as Product Marketing Manager in the specialty chemical industry in Switzerland and in South Africa. Axel has an Executive-MBA of the University of St. Gallen (Switzerland) and a Diplom in Chemistry of the University of Kaiserslautern (Germany).

Giuseppe Tafuro (1959 / Swiss National, domiciled in Switzerland)
Head of Customer Care

Giuseppe Tafuro joined Swissquote in April 2000 as Head of Customer Care with the mission to organize the Customer Care in Zürich. Before he joined the Company, he worked as a communication consultant since 1978 in various companies dealing in the commercial, communication, insurance and banking fields. In 1995, he contributed to the launch of the Call Center Swissline AG for Winterthur Insurance. In 1996, he joined UBS as Head of Office and Vice Director of the Call Center Swiss Life. He has a degree in Marketing from SAWI.

René Krebs (1958 / Swiss National, domiciled in Switzerland)
Head of Client Relations

René Krebs joined Swissquote in February 2004 as Head of the newly created Client Relations department. He formerly worked at UBS as Associated Director in the Global Custody Relationship/Custody Support, and prior to 2001 as Trader and department Head at various banks and brokerage companies. He made his commercial apprenticeship at UBS in 1980.

Loïc Guezennec (1968 / French & Australian National, domiciled in Switzerland)
Head of Product Development

Loïc Guezennec joined Swissquote in 1999 as Project Manager in charge of the development of the trading platform. In 2000, he was appointed Head of Product Development with the mission to define, build and integrate the core of the Bank trading system. Before joining Swissquote, he worked as an IT Specialist for various companies active in the banking, software and medical industries. He graduated with a B.Sc. and a B.Inf.Tech from Queensland University in Brisbane, Australia.

François Junod (1964 / Swiss National, domiciled in Switzerland)
Head of IT Department

François Junod joined Swissquote in 2000 as Head of IT Department with the missions to develop the Swissquote IT infrastructure, to define and build the Bank architecture together with the Product Development Department.
He formerly worked 13 years as an Engineer and Database Administrator for various companies such as Ingres, Oracle Software, Elizabeth Arden International and the Hospital of the Canton de Vaud. He graduated in 1987 with a B.Sc. in Computer Sciences.

Steve Knabl (1972 / Austrian National, domiciled in Switzerland)
Head of Treasury & Trading

Steve Knabl joined Swissquote in 1999 with the missions to organize the Customer Care Center in Suisse romande and to participate to the development of the investment funds business. In 2002, he was appointed Head Treasury & Trading. He graduated from the Lausanne Hotel School. He is holder of the SWX traders and the Investment Fund Advisor Licences.

Lino Finini (1965 / Swiss National, domiciled in Switzerland)
Head of Back-office and Banking Process

Lino Finini joined Swissquote in 2001 as Head of Banking Process & Quality and became head of Back-office and Banking process after these two department were merged in June 2004. Formerly, from 1988, he worked for Crédit Agricole Indosuez as IT Security Officer until 1996, and then joined Lasercom SA, a consulting and software provider company, as a Consultant and e-Business Architect. He graduated in computer science in 1988.

Thomas Keller (1973 / Swiss National, domiciled in Switzerland)
Head of Legal, Compliance and Risk Management

Thomas Keller joined Swissquote in 2001 as Head of Legal, Compliance and Risk Management. He formerly worked for the Attorneys at Law Firm Pestalozzi, Lachenal & Patry, as Associate lawyer specialized in Commercial and Banking laws. He graduated with a Law Degree in 1996 and was admitted at the Geneva Bar in 1999. He has been serving as Secretary of the Board since 1 April 2004.

Luis De La Cruz (1958 / Swiss National, domiciled in Switzerland)
Head of Accounting & Reporting

Luis De La Cruz joined Swissquote in 1999 as Head of Accounting & Reporting. Formerly, since 1979 he gained a large experience as an Accountant and as a Financial Analyst in various consulting, auditing and industrial companies, such as Digital and TRW. He graduated from a Business School in 1979.

Tara Yip (1973 / Swiss National, domiciled in Switzerland)
Head of Human Resources

Tara Yip joined Swissquote in 2000 as HR Deputy in charge of recruitment. In February 2002, she was appointed Head of Human Resources. Before joining Swissquote, she worked as a Psychologist for an HR consulting company specialized in the fields of coaching and recruitment. She is a graduated in Psychology from Geneva University.

Gilles Chantrier (1972 / Swiss National, domiciled in Switzerland)
Internal Controller

Gilles Chantrier joined Swissquote in 2000 as Deputy Head Accounting and was appointed Head of the Backoffice in February 2002. In July 2003, he was entrusted with the position of Internal Controller. Prior to join Swissquote, he worked as an Accountant since 1995 and obtained in 2000 a B.Sc. in Economics from the HEG.

5.3 Work contracts

The work contracts of the Executive Management are based on the Group's Human Resources Standard Terms and Conditions and provide a 6 months notice period and a "Bel Etage" pension scheme.
The remuneration and the performances of the Executive Management are reviewed annually after the completion of the audit of the consolidated financial statements.

6. Remuneration of the Executive Bodies

6.1 Overview

The following table summarizes the compensation and other financial relations between the Board of Swissquote Group, the Executive Management and the Company:

	Board members and management in place at 31 December 2004			Board members and management who left the Group in 2004		
	Non- Executive Board Members	Executive Management	Total	Non- Executive Board Members	Executive Management	Total
Base remuneration / fees (1)	CHF230,000	CHF958,600	CHF1,188,600	CHF63,466	-	CHF63,466
Bonus paid in 2004	-	CHF102,600	CHF102,600	-	-	-
Accrued bonus	-	CHF143,400	CHF143,400	-	-	-
Fridge benefits (2)	pm	pm	pm	pm	pm	pm
Consulting and other fees	-	-	-	-	-	-
Departure indemnities	-	-	-	-	-	-
Shares granted (number)	-	-	-	-	-	-
Value of shares granted	-	-	-	-	-	-
Price paid for shares granted	-	-	-	-	-	-
Shares bought back by company						
- Number of shares	-	-	-	-	-	-
- CHF Value	-	-	-	-	-	-
Stock options						
Options granted in 2004 (number) (3)	600.0	-	600.0	-	-	-
Value of options granted	25.2	-	25.2	-	-	-
Strike price / per share	113.9	-	113.9	-	-	-
Options granted, but not exercised at 31 Dec.2004	36,600	5,000	41,600	12,000.0	-	12,000.0
Of which exercisable	-	-	-	-	-	-
Ownership in the Company at 31 December 2004:						
- Number of shares	61,907	437,512	499,419	3,630	-	3,630
- % of share-capital in issue	4.44%	31.38%	35.82%	0.26%	-	0.26%
Contingent compensation (4)	-	-	-	-	-	-

(1) Base remuneration and fees paid in 2004 consist of the base salary for management and of the remuneration decided by the Board for members of the Board.
(2) Fringe benefits - Members of the Board and the Executive Management are benefiting from special terms with respect to the consumption of services provided by the Group. The monetary value of these benefits is not material.
(3) Options granted – the options granted will be first exercizable one year after the date of grant. One option gives the right to acquire one SQN share at a strike price of CHF 113.90. The exercise period is two years starting on the date options first become exercizable.
(4) Contingent remuneration – Consists of contractual terms, if any, that provide certain compensation, in case of dismissal.

6.2 Highest remuneration of the Board

The highest aggregate compensation paid to a member of the Board amounted to CHF 120,000 in 2004.

6.3 Bonus scheme for the Executive Management

Members of the Executive Management, can earn a performance bonus of up to 50% of their respective base salary. Further, they also agree to take a malus of 25% of their base salary should the objectives set by the Board not be reached.

6.4 Loans and lending activity

There was no lending activity to either members of the Board or of the Executive Management in 2004.

7. Shareholders Meeting and Voting Rights

Shareholders in Swiss corporations have extended participatory and protective rights. Protective rights include the right to inspection and information (Code of Obligations 696, 697), the right to a special audit, the right to call a general meeting (CO 699/III), motion rights, the right of appeal (CO 706 f) and the right to instigate liability proceedings (CO 752 ff). Participatory rights primarily include the right to participate at General Meetings, the right to express an opinion and voting rights (CO 694).
All shareholders listed in the company register as having voting rights, are permitted to attend and vote at General Meetings. For organizational reasons, no further entries are permitted 20 days prior to the General Meeting. Shareholders who dispose of their shares prior to the General Meeting are no longer entitled to vote.

The General Meeting of Shareholders is the highest body of the Company. Its non-delegable rights are:

- the adoption and the amending of the Articles of Incorporation;
- the election of the members of the Board of Directors and of the Auditors;
- the approval of the Annual Report, including the Consolidated Financial Statements;
- the approval of the Annual Financial Statements, as well as the resolution regarding the use of the balance sheet profit, in particular,
- the amount of the dividend and of profit sharing by Directors;
- the release of the members of the Board of Directors;
- passing any resolution on matters which are by Law or by the Articles of Incorporation reserved to the General Meeting of Shareholders.

The General Meeting of Shareholders is called to meet by the Board in the normal course of business, or otherwise by the Auditors, the Liquidator and the Representatives of Bond Holders.

7.1 Meetings

Ordinary Meetings must be held within 6 months from the date of the financial year-end. Extraordinary Meetings are called whenever required. The General Meetings can also be called by one or more shareholders, who represent in aggregate 10% or more of the share-capital. If all shareholders or their representatives are present, the shareholders can validly hold a meeting, even if the form provided by the Articles of Incorporations has not been met.

Meetings shall be called respecting a notice period of at least 20 days. Invitations to meetings are valid if made in the form of the publication of the invitation in the "Feuille des Avis Officiels" or by mail to each shareholder. The invitation to the Ordinary Meeting shall state that the Annual Report is available for the shareholders at the Company's headquarters.

No decision can be made by the Meeting on matters that are not stated in the agenda, except if all shareholders or their representatives are present and / or with respect to resolution to call an extraordinary General Meeting and / or to resolve a special audit, in accordance with article 699 of the Swiss Code of Obligations.

7.2 Share register and shareholders

Article 6 of the Articles of Incorporation provides that the Company shall maintain a Register of Shareholders that shall include for each shareholder having requested their registration, their name and address, and the number of shares owned. The Board has mandated ShareCommService AG, Europastrasse 29, CH-8152 Glattbrugg, to mayntain the Company's Share registry.

The registration of an acquirer of Swissquote shares is made on the request of the acquirer, who shall on request of the Company, represent that the acquisition was made on his behalf and account. If such a representation is not received, the Board may refuse to proceed to a registration. For practical reasons, no new registration will be made in the Share Registry in periods up to 20 days before a Meeting. Registered shareholders that dispose of their shares prior to the General Assembly are no longer entitled to exercise their votes.

7.3 Decisions of the General Meeting of shareholders

Article 12 of the Articles of Incorporation provides that one share of a registered shareholder gives the right to one vote. Registered shareholders can be represented at a Meeting. The invitation to Meetings provides instructions as to how a representation shall be formalized in order to be validly recognized by the Company.

A Meeting, which has been called in accordance with the provisions of the Law and Articles of Incorporation, can make decisions, irrespective of the number of shares / shareholders present or represent at a General Meeting. There is no Quorum.

Except when Law and / or the Articles of Incorporation provide otherwise, the decisions are made based on the simple majority of the votes, corresponding to the shares validly represented. In case of even ballot, a second round is organized and if there is still no majority, the Chairman of the Board casts the decisive vote.

A qualified majority (two-thirds of the votes represented and the absolute majority of the par value of the shares represented) is required for resolutions on the following matters:

- the change in the Company's purpose;
- the creation of shares incorporating privileged rights;
- the restriction of the transferability of registered shares;
- the creation or the increase of a conditional and / or an authorized share-capital;
- an increase of the share-capital out of equity, or by means of a contribution in kind, or for the purpose of acquisition of assets or in exchange for the grant of special benefits;
- the limitation or withdrawal of preemptive rights;
- the dissolution of the Company without liquidation;
- the conversion of registered shares into bearer shares and conversely.

Unless a secret ballot is requested by one or more shareholders representing an aggregate of 10% or more of the shares represented, ballots are made at "raised hands".

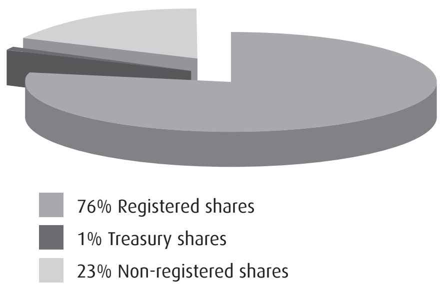
The Chairman of the Board chairs the General Meeting, or if absent, another member of the Board does, or otherwise a chairman, who shall not necessarily be a shareholder, is elected by the General Meeting.

Minutes of each General Assembly shall be kept. They are signed by the Chairman and by the Secretary. Minutes shall include:

- the number, type, value and classes of shares represented by shareholders, corporate bodies, independent proxies of voting
- rights and proxies for deposited shares;
- the resolution and results of elections;
- the request of information and the respective replies;
- the statements for records made by shareholders.

7.4 Analysis of the voting rights at 31 December 2004

At 31 December 2004 the issued share-capital consists of 1,379,020 ordinary registered shares of CHF 10 nominal value each. The shareholders registered in the Shareholders Register held 1,074,175 shares and the company owned 19,024 treasury shares. The distribution of the shareholdings in the company is the following:



Further, the registered shareholders at 31 December 2004 are analysed as follows:

8. Change of Control and Defensive Measures

Art. 32 para. 1 of the Federal Act on Stock Exchanges and Securities Trading (SESTA) states that anyone directly or indirectly acquiring equity securities, thereby exceeding the threshold of 33 1/3 per cent of the voting rights of an offeree company, whether or not such rights can be exercised, is obliged to submit an offer to acquire all listed equity securities of the company. In art. 32, SESTA governs the obligation of any potential controlling shareholder to submit an offer for the remaining securities, and in art. 29 it outlines the Board of directors' obligation, in the event of a public takeover bid, to provide shareholders with the information they need to evaluate the offer as well as the prohibition of defensive measures (no significant alteration in the assets or liabilities of the offeree company is permitted as of the time of the bid, aside from transactions that have already been approved by the General Meeting).

9. Auditors

The duties of the auditors are to report to the General Meeting of Shareholders the results of their audit, the objective of which is to verify that the accounts, the Annual Report and the proposed utilization of the accumulated result complies with Law and with the Articles of Incorporation. The auditors recommend the approval, with or without qualification, or rejection of the Annual Accounts. Further, when the company is required to deliver consolidated financial statements, the auditors shall report their compliance with law and the accounting principles adopted for the consolidation. Auditors must be present at General Meetings, unless a unanimous resolution of the shareholders provides otherwise.

The auditors are elected for one-year terms by the General Assembly and are eligible for reelection. They shall be independent from the Board and from the shareholders.

The Group's accounts and the individual Group companies' accounts are audited by PricewaterhouseCoopers since 1999, and were reelected in each year since then. The supervising auditor, Mr. JC Pernollet, is responsible for the audit of the Group since the year end 2002 and has been the Lead auditor of Swissquote Bank since the year-end 2001.

Except for tax matters and audit related services, the Group uses consultants who are entirely independent from the company's auditor.

In addition to their audit opinions, the auditors are requested to provide specific information such as their audit findings, comments on accounting issues and audit fee proposals to the Audit Committee, and to meet at least twice a year with it. From January 2004 to December 2004, the auditors met twice with the Audit Committee. The qualification and performance of the auditors as well as the level of their fees is assessed and benchmarked once a year by the Audit Committee.

The total fee charged by the auditors to the Group in 2004 is analysed as follows:

	2004	2003
Audit fees	295,500	270,000
Other fees:		
- Audit related services	54,000	70,000
- Tax	14,000	36,000
- Legal	-	-
Total	**363,500**	**376,000**

The amount of the audit fees is based on fees agreed upon for the audits of the consolidated and statutory financial statements of the Group companies for the year ended 31 December 2004.

All amounts in Swiss Francs

10. Information Policy

10.1 General principles

The Company aims primarily to promote confidence in its disclosure policy. Thereby it intends to create a better understanding of its business and to develop and maintain realistic investor expectations.

Swissquote Group commits to providing timely and orderly information in accordance with the legal and regulatory requirements. It aims to provide the financial market with consistent, accurate and complete information evenly during good and bad times and ensures that the investment community has fair access to such information.

It is the Company's policy not to release explicit earnings projections, but it may provide certain guidance to the investment community for them to assess the company and its business prospects.

As a general rule, material or price-sensitive information shall be released promptly as soon as the main aspects of such information are established by the Company. However, the Company is permitted under the relevant regulatory provisions to postpone the release of material information, if the information concerns a plan or negotiation of the Company and its premature disclosure would prejudice the legitimate interest of the Company. In such case, the Company will take adequate measures to ensure the effective confidentiality of the information and to prevent insiders from trading on the basis of that information. The Company will adequately inform the investment community in cases where the information previously kept confidential is substantially leaked to the market.

The Company will avoid releasing material and price-sensitive information during trading periods of the shares or shortly before opening of trading. If the information is to be released during normal trading hours of the SWX Swiss Exchange (9 a.m. to 5.30 p.m.) or less than 90 minutes before the opening of trading, the Listing Department of the SWX shall be informed at least 90 minutes prior to the release of such information. In situations where it cannot be avoided that material information is to be disclosed during trading hours, the CEO and CFO shall consider whether a request for a suspension of trading is appropriate. If material and non-public information is divulged unintentionally in a selective setting, such as analyst meetings or conference calls, which are not open to the investment community, the company will publicly disclose such information promptly after the meeting or after it learns of the selective disclosure.

If the Company discovers that the statement made was, in fact, materially incorrect at the time it was disclosed, the Company will publicly issue a corrective statement of such incorrect statement as soon as the error is discovered.

The Company will also issue within due time a corrective statement when new facts have emerged that render a previous disclosure false or misleading.

The Company does not comment on market rumours and speculations.

10.2 Regular reporting

10.2.1 Annual reporting

The Company announces its annual revenues and results in a press release shortly after the Board of Directors has approved the audited annual reports. This announcement is normally scheduled in February, followed by a press conference and / or a telephone conference for analysts and media. The General Meeting normally takes place in March. The Annual Report is released on the Company's website or in print format at the Board's discretion.

10.2.2 Quarterly reporting

The quarterly results are published by a press release shortly after the Board of Directors has approved the quarterly results followed by a call-in conference for analysts and media and a press conference for the half-year results. The quarterly reports are released on the Company's website.

The releases of the quarterly results in 2005 are scheduled as follows:

Quarter 1	Interim Financial Statements at 31 March 2005:	26 April 2005
Quarter 2	Interim Financial Statements at 30 June 2005:	26 July 2005
Quarter 3	Interim Financial Statements at 30 September 2005:	25 October 2005

10.3 Updated information and contacts

Press releases and reports as well as other information made public are accessible on www.swissquote.ch section "The Company".

Adresses contacts

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