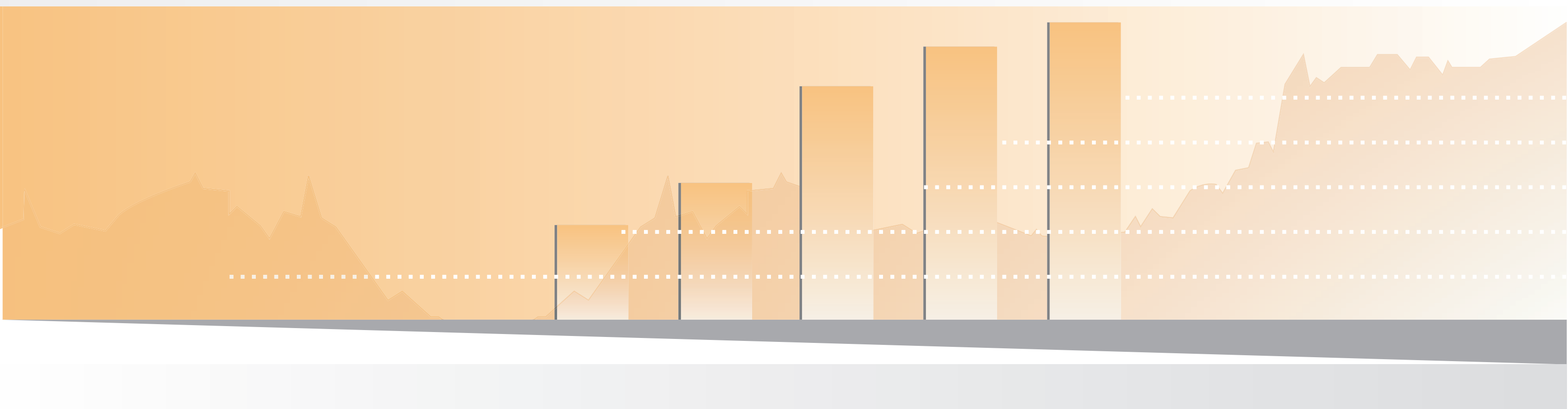
Annual Report 2007 and
Corporate Governance Report



SWISSQUOTE

SWITZERLAND'S LEADING ONLINE BROKER

Annual Report 2007
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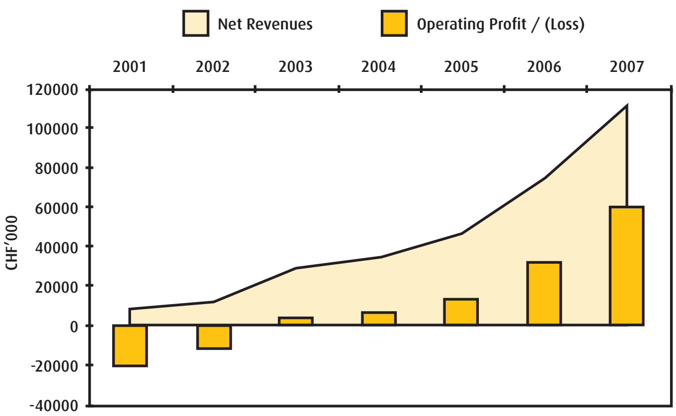
Swissquote....

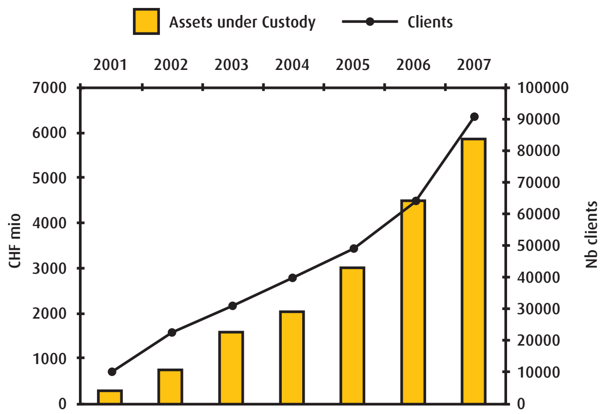
Is the leading provider of online financial and trading services in Switzerland.
Creates sustainable added value for its customers, employees and shareholders.
Is an independent Company, listed on the SWX Swiss Exchange.

Section 1: Key Figures

All amounts in KCHF	2007	2006	2005	2004	2003	2002
Net revenues (1)	110,882	74,747	46,628	34,273	28,737	12,079
% change	48.3%	60.3%	36.0%	19.3%	137.9%	49.0%
Operating Expenses (1)	(47,301)	(36,638)	(30,647)	(25,897)	(22,937)	(20,607)
% change	29.1%	19.5%	18.3%	12.9%	11.3%	-20.4%
EBITDA (1)	63,581	38,109	15,981	8,376	5,860	(8,528)
% change	66.8%	138.5%	90.8%	42.9%	168.7%	52.0%
Margin [%]	57.3%	51.0%	34.3%	24.4%	20.3%	-70.6%
Operating Profit / (Loss) (1)	59,947	34,793	12,993	5,816	3,660	(11,378)
% change	72.3%	167.8%	123.4%	58.9%	132.2%	44.9%
Net Profit / (Loss) (2)	47,573	36,529	14,683	6,235	5,129	(15,311)
% change	30.2%	148.8%	135.5%	21.6%	133.5%	14.6%
Margin [%]	42.9%	48.9%	31.5%	18.2%	17.8%	-126.8%
Equity	126,565	93,484	66,978	50,086	42,897	35,424
Equity ratio [%] (2)	9.7%	9.0%	9.7%	11.0%	11.3%	15.0%
Employees (2)	213	156	127	117	101	80
% change	36.5%	22.8%	8.5%	15.8%	26.3%	-51.5%
Clients	90,876	64,067	49,057	39,531	30,926	22,500
% change	41.8%	30.6%	24.1%	27.8%	37.4%	121.4%
Assets under Custody in mio (3)	5,850	4,492	2,986	2,017	1,560	733
% change	30.2%	50.4%	48.0%	29.3%	112.8%	136.5%

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



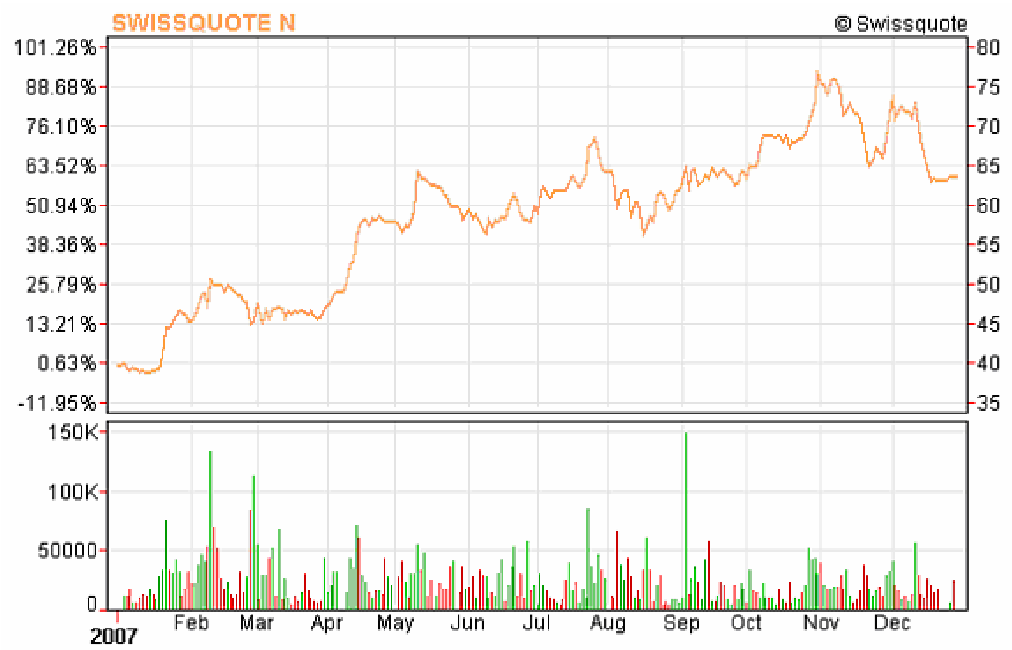


Swissquote Share

Stock market trading

The registered shares, each with a nominal value of CHF 8, 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 2007)



Stock market prices in CHF	2007	2006	2005	2004	2003	2002
High	78.95	39.98	14.95	14.45	10.08	3.48
Low	38.80	15.04	8.95	7.95	1.56	1.36
31 December	63.65	39.75	14.95	10.00	8.70	2.38

Stock market capitalisation in CHF mio	2007	2006	2005	2004	2003	2002
High	1,124.2	583.1	211.3	201.5	140.0	47.8
Low	552.5	212.6	124.4	110.8	21.2	18.7
31 December	906.3	579.8	211.3	139.4	121.0	32.7

Share indicators in CHF	2007	2006	2005	2004	2003	2002
Net revenue per share	7.79	5.29	3.35	2.51	2.19	0.92
Net profit per share	3.34	2.58	1.06	0.46	0.39	(1.17)
Equity per share	8.65	6.41	4.74	3.59	3.11	2.57

Report to the Shareholders

Dear Shareholders,

Once more, we are pleased to report exceptional yearly results in every respect. For the fifth consecutive time, Swissquote closes the financial year with record results: revenues rose by 48.3 percent to CHF 110.9 million, operating results were up by 72.3 percent to CHF 60.0 million, and net profit reached CHF 47.6 million (+30.2 percent). We now have 90,876 customers, which represents a 41.8 percent increase. Customer assets increased by 24.9 percent to CHF 1.2 billion.
Within this framework the Board of Directors proposes that the General Meeting increase the payout to the shareholders by 40 percent.

10 percent increase in customers per quarter
26,809 new clients joined Swissquote last year, which brings the total number of customers to 90,876 and represents a quarterly growth of more than 10 percent. Customer assets increased by 30.2 percent (2006: 50.4 percent) to CHF 5.9 billion despite the second semester's weak financial markets (2006: CHF 4.5 billion). The inflow of new funds of CHF 1.2 billion (2006: CHF 1.0 billion) tallies with our forecast adjusted to the upward trend in October 2007.

Revenues cross the 100 million mark for the first time
For the first time, revenues in 2007 crossed the 100 million mark, reaching CHF 110.9 million (2006: CHF 74.7 million). Compared with the 48.3 percent increase in revenues in 2007, operating expenses, including marketing costs as well as amortisation and depreciation, rose by only 27,5 percent to CHF 50.9 million (2006: CHF 40.0 million). This boosted operating results by 72.3 percent to reach CHF 60.0 million (2006: CHF 34.8 million), representing an operating margin of 54.1 percent (2006: 46.5 percent).

Start-up phase definitely concluded
After having used up the remaining tax credit of CHF 1.7 million last year, Swissquote's income statement for 2007 will be subject to taxes for the first time since the company's foundation. We now have definitely left the start-up phase behind us. We are of course pleased that net profit reached CHF 47.8 million (2006: CHF 36.5 million) despite the tax burden of CHF 12.4 million. The net profit margin is 42.9 percent (2006: 48.9 percent).

Report to the Shareholders

61 new jobs created
Swissquote's sustained growth is also reflected in human resources: in 2007 staff numbers rose by 36 percent to 228 (167). Two thirds of our employees work at the main office in Gland (French speaking part of Switzerland) and one third at the Zurich site, where our Customer Care Center and Sales & Client Relations Department are located.

New building inaugurated and...
During the 3rd quarter we were able to move our offices to the new headquarters in Gland, built according to our specifications. The investment for this building, which is equipped with the highest security standards and has offices for 250 people, amounts to CHF 16 million.

... move into new premises in Zurich
The 4th quarter saw the move of our Zurich operations from the Glatt Business Center to Schützengasse 22/24, in the city centre of Zurich. At this address, the first Swissquote Lounge has opened on 17 March 2008. Clients and other interested parties are welcomed here and receive relevant information about the Swissquote Bank services. The lounge also offers the newests financial informations in a pleasant atmosphere.

Additional 2007 highlights
In the past year, Swissquote was able to further expand its leadership position in Swiss online trading. The technical infrastructure has continually been strengthened, and Swissquote's offer and market share have increased. These are the 2007 highlights:

- Consolidation of the partnership with Swisscom – concluded in 2005 – for the sale of the Swissquote Box, permitting new clients to open an online account without hassle in one of 90 Swisscom Shops.
- Extension of the Swissquote – Swiss Television (SF Börse) sponsoring agreement until the autumn of 2009.
- Customer assets passed the 5 billion mark in the 1st quarter.
- Activation of fully electronic trading at the Eurex futures exchange in the 2nd quarter.
- Launch of the software for mobile applications (cell phones and PDAs) transmitting stock and other financial information in the 2nd quarter.
- Comparative tests published by renowned Swiss media clearly gave Swissquote the best marks, which enhances our leadership position in the Swiss online trading mar-ket.
- The 1:10 stock split decided by the General Meeting was carried out on 8 May.
- The "Structured Products" business segment on the Swissquote platform has been redesigned and enhanced with additional search engines, new information and a risk classification methodology unique on the Swiss market.
- In the 3rd quarter the Milan stock exchange was put on line, making it the 17th stock exchange available on the Swissquote platform.

Report to the Shareholders

Strong growth drivers for 2008

Although 2008 has not had a pleasant start at the stock markets, Swissquote again increased its customer base and assets in the first few weeks compared to the previous year. We believe the following trends are contributing to this success:

- The strong trend towards “asset self-management” continues. Our additional financial information, our platform’s high availability and the specific “Online Wealth Management” tools answer the needs of our increasingly sophisticated clientele.
- Generally speaking, we profit from the investors’ increased cost-consciousness and
- from the trust customers place in us, especially at present, since we are exclusively an online investment bank and not linked in any way whatsoever to the subprime crisis.

We will be welcoming our 100,000th client this year

For the current financial year, we expect an increase of our customer base of 25,000 to approximately 115,000 clients. We therefore should be able to welcome our 100,000th client before the end of the first semester.
We expect an inflow of approximately CHF 6 million in new funds per trading day and at least CHF 1.2 billion during the year.

Additional growth due to a business segment

The Federal Banking Commission has recently authorised Swissquote to act as depository bank for Swiss investment funds. We therefore expect additional growth from this new activity. We are already active in the field on account of the Swiss Discovery Fund launched on 17 January by CACEIS Fastnet (Suisse) SA with Dominicé & Co Asset Management, Geneva, as the asset manager of the fund . The acquisition of other funds is under way. We plan to generate client assets of approximalely CHF 500 million in this new segment.

Partnering with the Swiss Federal Institute of Technology EPFL

On the occasion of the presentation of the 2007 results, Professor Patrick Aebischer, president of the Swiss Federal Institute of Technology in Lausanne (École Polytechnique Fédérale de Lausanne, EPFL), introduced the “Master of Financial Engineering” programme soon to be offered by the school’s College of Management of Technology. A central element of the new study course is the “Swissquote Chair of Quantitative Finance” for which Swissquote allocates CHF 5 million. This partnership will enable EPFL to conduct practical research in the field of risk assessment and analysis – crucial to the financial markets – particularly of new financial products. For its part, Swissquote will have direct access to scientific research and contribute with its own research team to joint research projects. The results of this research activity will benefit the complex “Online Wealth Management” tools and contribute to make their application even safer and more user-friendly.

Report to the Shareholders

Shareholders' dividend payment

Owing to the excellent 2007 results and the rise of 35.4 percent in equity (from CHF 93.5 million to CHF 126.8 million), the Board of Directors of Swissquote Group Holding Ltd proposes for the General Meeting scheduled for 25 April 2008 a new payout to the shareholders in the form of a capital reduction of CHF 0.30 per share (2006: CHF 0.30) and a dividend of CHF 0.40 (CHF 0.20) per share.

Changes to the Board of Directors

Otto E. Nägeli resigned at the General Meeting of 25 April 2007. The Board of Directors regretted this resignation and thanked Mr. Nägeli for his valuable contribution and commitment to Swissquote. To replace Mr. Nägeli, the General Meeting elected Martin M. Naville (48, Swiss citizen), CEO of the Swiss-American Chamber of Commerce.
At the General Meeting of 25 April 2008, the Board of Directors will propose the election of a new Board member: Adrian Bult (48, Swiss citizen), COO of Avaloq Evolution AG and former CEO of Swisscom Mobile.

Thanks

On behalf of the Board of Directors and the Management, we would like to express our thanks to all our clients. Their use of our platform has largely contributed to Swissquote's commercial success and therefore to its security, soundness and development in the long term. Your suggestions and wishes are welcome, as are your critical remarks. We thank our shareholders for the trust they put in us. We also thank our staff for their personal commitment and their continued willingness to outdo their own performance. Last but not least, our thanks go to our co-operation partners for their competent support in the consolidation of our business.

Mario Fontana
Chairman of the Board of Directors

Marc Bürki
Chief Executive Officer

Section 2: Financial Report 2007

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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Financial Report 2007
Consolidated Balance Sheet

	Notes	31 December 2007	31 December 2006
ASSETS			
Cash and balances with central bank	1	36,912,408	25,355,664
Loans and advances to banks	1	1,066,267,114	870,174,405
Derivatives financial instruments	2	10,255,578	6,142,183
Loans and advances to customers	3	93,497,349	63,913,743
Investment securities	5	72,329,374	43,354,919
Information technology systems	7	8,975,173	5,717,167
Property, plant and equipment	8	19,705,973	8,569,805
Other assets	9	3,084,782	3,192,074
Deferred tax assets	10	-	7,062,435
Total assets		**1,311,027,751**	**1,033,482,395**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	2,646,844	5,743,186
Derivatives financial instruments	2	10,255,578	6,142,183
Due to customers	4	1,143,557,832	910,405,200
Other liabilities	6	21,981,123	16,947,996
Current income tax liabilities	18	3,788,670	-
Deferred tax liabilities	10	1,056,053	-
Provisions	11	1,176,970	759,619
Total liabilities		**1,184,463,070**	**939,998,184**
Equity			
Ordinary shares	13.1	7,319,185	11,668,648
Share premium		34,812,043	33,780,293
Share option reserve	13.2	742,379	330,685
Other reserve		(4,161,948)	(22,093)
Treasury shares	13.3	(13,798,287)	(9,011,338)
Retained earnings		101,651,309	56,738,016
Total equity		**126,564,681**	**93,484,211**
Total liabilities and equity		**1,311,027,751**	**1,033,482,395**

The notes on pages 15 to 68 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2007
Consolidated Statement of Operations

	Notes	2007	2006
Fee and commission income	14	86,762,346	63,935,805
Fee and commission expense		(10,960,397)	(8,125,052)
Net fee and commission income		**75,801,949**	**55,810,753**
Interest income	15	36,108,853	17,130,396
Interest expense	15	(9,747,518)	(4,374,214)
Net interest income		**26,361,335**	**12,756,182**
Net trading income		8,718,656	6,180,296
Operating income		**110,881,940**	**74,747,231**
Operating expenses	16	**(47,301,202)**	**(36,638,210)**
Operating profit before depreciation and amortisation		**63,580,738**	**38,109,021**
Depreciation and amortisation:			
Depreciation	7 / 8	(3,633,503)	(3,316,225)
Reversal of Goodwill	17	-	(3,000,000)
Operating profit		**59,947,235**	**31,792,796**
Income tax income / (expense), net	18	(12,374,687)	4,735,977
Net profit		**47,572,548**	**36,528,773**
Earning per share	*19*	*3.34*	*2.58*
Diluted earning per share		*3.31*	*2.56*

The notes on pages 15 to 68 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2007
Consolidated Changes in Shareholders' Equity

	Notes	Share capital	Share premium	Share Option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2006		**14,133,920**	**32,021,971**	**368,580**	**-**	**(846,458)**	**21,299,644**	**66,977,657**
Net change in investment securities, net of tax		-	-	-	(22,093)	-	-	**(22,093)**
Net profit of the period		-	-	-	-	-	36,528,773	**36,528,773**
Total recognised income for 2006		-	-	-	(22,093)	-	36,528,773	**36,506,680**
Capital increase resulting from the exercise of options	13.2	442,940	1,663,691	-	-	-	-	**2,106,631**
Dividend		-	-	-	-	-	(1,406,586)	**(1,406,586)**
Capital reduction	13.1	(2,908,212)	73,218	-	-	-	-	**(2,834,994)**
Employee stock option plan:								
Value of services provided	13.2	-	-	278,290	-	-	-	**278,290**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period		-	-	(316,185)	-	-	316,185	-
Purchase of treasury shares	13.3	-	-	-	-	(8,195,231)	-	**(8,195,231)**
Sale of treasury shares	13.3	-	21,413	-	-	30,351	-	**51,764**
Balance at 31 December 2006		**11,668,648**	**33,780,293**	**330,685**	**(22,093)**	**(9,011,338)**	**56,738,016**	**93,484,211**
Balance at 1 January 2007		**11,668,648**	**33,780,293**	**330,685**	**(22,093)**	**(9,011,338)**	**56,738,016**	**93,484,211**
Net change in investment securities, net of tax		-	-	-	(4,139,855)	-	-	(4,139,855)
Net profit of the period		-	-	-	-	-	47,572,548	47,572,548
Total recognised income for 2007		-	-	-	(4,139,855)	-	47,572,548	**43,432,693**
Capital increase resulting from the exercise of options	13.2	42,048	171,372	-	-	-	-	**213,420**
Dividend	13.4	-	-	-	-	-	(2,855,046)	**(2,855,046)**
Capital reduction	13.1	(4,391,511)	119,883	-	-	-	-	**(4,271,628)**
Employee stock option plan:								
Value of services provided	13.2	-	-	607,485	-	-	-	**607,485**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period		-	-	(195,791)	-	-	195,791	-
Purchase of treasury shares	13.3	-	-	-	-	(6,953,901)	-	**(6,953,901)**
Sale of treasury shares	13.3	-	740,495	-	-	2,166,952	-	**2,907,447**
Balance at 31 December 2007		**7,319,185**	**34,812,043**	**742,379**	**(4,161,948)**	**(13,798,287)**	**101,651,309**	**126,564,681**

The notes on pages 15 to 68 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2007
Consolidated Cash Flow Statement

	Notes	2007	2006
Cash flow from / (used in) operating activities			
Fees and commission receipts		86,729,052	63,896,637
Fees and commission paid		(9,934,022)	(7,516,284)
Interest receipts		36,420,204	15,751,573
Interest paid		(9,639,330)	(4,351,199)
Net trading income		8,718,656	5,782,404
Cash payments to employees and suppliers		(46,248,080)	(33,445,830)
Cash flow from operating profit before changes in operating assets and liabilities		**66,046,480**	**40,117,301**
Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities			
Loans and advances to customers		(29,583,606)	(23,368,667)
Deposits from banks		18,000,000	(18,000,000)
Other assets		-	97,962
Due to customers		233,152,632	300,387,368
Other liabilities		3,699,514	1,567,369
Net cash from operating activities		**291,315,020**	**300,801,333**
Cash flow from / (used in) investing activites			
Purchase of property, plant and equipment and Information technology systems	7/8	(8,312,875)	(3,656,752)
Purchase of new office	8	(9,714,803)	(7,867,277)
Redemption of investment securities		249,625	-
Purchase of investment securities	5	(34,520,770)	(42,979,120)
Net cash used in investing activities		**(52,298,823)**	**(54,503,149)**
Cash flow from / (used in) financing activities			
Net proceeds of issue of ordinary shares		213,420	2,106,631
Purchase of treasury shares		(6,953,901)	(8,195,231)
Sale of treasury shares		3,596,753	51,764
Capital reduction		(4,271,628)	(2,834,994)
Dividend		(2,855,046)	(1,406,586)
Net cash used in financing activities		**(10,270,402)**	**(10,278,416)**
INCREASE IN CASH AND CASH EQUIVALENTS		**228,745,795**	**236,019,768**
Movements in cash and cash equivalents			
Balance at beginning of year		871,786,883	635,767,115
Increase		228,745,795	236,019,768
Balance at 31 December	**1**	**1,100,532,678**	**871,786,883**

Non-cash transactions:

The principal non-cash transaction was the issue of shares as consideration for services provided by employees as reported in Note 13.2

The notes on pages 15 to 68 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2007
Notes to the 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 its 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 213 employees (full time equivalent) at the end of December 2007 (31 December 2006: 156). 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: chemin de la Crétaux 33, 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 2007 consists of 14,638,370 ordinary shares of CHF 0.50 nominal value (2006: 1,458,581 ordinary shares of CHF 8 nominal value). There is also a conditional share-capital and an authorised share-capital. Details are stated in Note 13.

The main shareholders at 31 December are:

	2007	2006
Mr. Marc Bürki	14.50%	14.55%
Mr. Paolo Buzzi	14.48%	14.54%
Mr. Jean Pfau	5.79%	6.57%
Alken Fund European Opportunities R ACC		
(former Vauban Fund (SICAV), LU-Luxembourg)	6.50%	5.73%
Mr. Mario Fontana	5.53%	5.55%
PEC Global Equity Fund	5.12%	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% (save as may apply to investment funds) who are members of the Board of Directors or members of the Executive Management 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 2007 is 65.50% (2006: 65.36%).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 6 February 2008.

SECTION II : SCOPE OF OPERATIONS OF THE GROUP

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 advanced notice. 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;
- 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 than via above mentioned tools.

- providing:
  - custodian services against fees and foreign exchange;
  - margin loans to customers against pledging of assets ;
  - 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.

In Q4-2007, the Swiss Federal Banking Commission granted the Bank the authorisation to carry out the Swiss regulated Custodian Bank function for Swiss Regulated Investment Funds as well as the authorisation to carry out quantitative asset management services. These newly authorised operations will start in 2008.

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.

SECTION III : ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group considered all of the new and revised Standards and Interpretation issued by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB effective for accounting periods beginning on 1 January 2007. These are:

- IFRS 7, Financial Instruments: Disclosures;
- IAS 1 Amendment - Capital disclosures;
- IFRIC 7, Applying the Restatement Approach under IAS 29;
- IFRIC 8, Scope of IFRS 2;
- IFRIC 9, Reassessment of embedded derivative; and
- IFRIC 10, Interim Financial Reporting and Impairment.

With respect to certain new accounting standards and IFRIC interpretations that have been published to the date of these Consolidated Financial Statements and that are mandatory for accounting periods beginning after 1 January 2007, the Group has elected not to early adopt any of the new / revised standards not yet mandatory for its 2007 consolidated financial statements:

- IFRS 2, Amendment - Vesting and performance conditions (effective 1 January 2009);
- IFRS 3, Revised - Business combinations (effective 1 January 2009);
- IFRS 8, Operating Segments (effective 1 January 2009);
- IAS 1, Amendment - Presentation of financial statments (effective 1 January 2009);
- IAS 23, Amendment - Borrowing Costs (effective 1 January 2009);
- IAS 27, Amendment - Transactions with non-controlling interests (effective 1 July 2009);
- IFRIC 11, IFRS 2 - Group Treasury Share Transactions (effective 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13, Customer loyalty programmes (effective 1 July 2008); and
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2008).

The application of these new interpretations is not expected to have a material impact on the entity’s financial statements in the period of initial application.

With respect to IFRS 8, Management has carried out a preliminary comparative analysis with IAS 14 and estimates that, based on its current internal reporting system, the range of services provided by the Group to date and those which will be provided in foreseeable future, it is possible that operating segment information will be provided.

SECTION IV : 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, share based payments and all derivative contracts.

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

B. Consolidation
(B1) 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 recognised 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.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(B2) List of consolidated subsidiaries

		Interest at 31 December	
Subsidiaries	Headquarters / Country	2007	2006
Swissquote Bank	Gland / Switzerland	100.0%	100.0%
Swissquote Trade Ltd	Gland / Switzerland	100.0%	100.0%

C. Foreign currency translation

(C1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in CHF, which is the functional and presentation currency of the parent and the subsidiaries.

(C2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under Net trading income. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

D. 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 set-up of the Group's operations (i.e. integrated online brokerage services and one single operating legal entity), implies that the Group operates in a sole business segment.

E. Derivative financial instruments and hedge accounting

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

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

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

F. 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 recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

(G1) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The Group does not trade in such financial assets, except for transactions on derivative financial instruments entered into to satisfy client needs. These derivatives are categorised as held for trading.

(G2) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(G3) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(G4) Available-for-sale
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available-for-sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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

H. Impairment of financial assets

(H1) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

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

(H2) Assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

In connection with the events that have affected the financial and capital markets, the Company reports that all third party financial institutions from which the Company had amounts receivable (in the form of deposits or bonds) at 31 December 2007 had ratings established by external rating agencies corresponding to investment grade. The risk management of the lending activity of the Company in the form of deposits or bonds to third party financial institutions is monitored based on independent external rating that must be investment grade at the time the investment is made / committed. Further, the Company has never had investments in or commitments to Asset-Backed Securities (ABS), Collateralized Debt Obligations (CDOs), Conduits or similar financial assets.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Information technology systems
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software under the item “Proprietary Software”. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives but not exceeding a period of three to five years.

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

Hardware and Telecom Systems are recorded at cost. Depreciation is calculated on the straight-line method to write-off the cost of these assets to their residual values over their estimated useful life, but not exceeding five 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.

J. Property, plant and equipment
Land and buildings comprise mainly offices. Land and buildings are shown at fair value, based on periodic valuations carried-out by independent valuers at least once every five year, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of he asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at cost less depreciation. Historical cost includes expenses that are directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders’equity. Decreases that offset previous increases of the same assets are charged against other reserves directly in equity. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset’s original cost is transferred from other reserves to retained earnings.
Land is not depreciated. Depreciation on other assets is calculated as follows:

Assets	Depreciation method	
Building	Straightline	30 years
Equipment	Straightline	5 to 10 years
Leasehold improvement	Straightline	5 to 10 years or duration of the lease if shorter

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

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gains and losses on disposables are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) / gains, net in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

K. Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amount 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 the asset 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 an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of the allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or 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. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

L. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

M. 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 capitalisation of certain assets and related depreciation and amortisation as well as from tax losses carried forward. Deferred tax assets relating to tax losses carried forward, are recognised to the extent that taxable profits are expected to be generated in the future and will be offset by the tax losses carried forward.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax related to fair value re-measurement of available-for-sale investments, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

N. 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 fulfil all of the criterias 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 amortised over the remaining working lives of employees participating in the plan.

O. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, if it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date. Where a provision is measured using cash flow estimates to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

P. Share-Capital / Share Issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Stock Option Plan
The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period (i.e. the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied). The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions and the number of options anticipated to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share-capital (nominal value) and share premium when the options are exercised.

R. 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.

S. Fee and commission income / expense
Fee and commission income / expense are recognised 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.

T. Interest income and expense
Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

U. Net trading income
Net trading income is recognised on foreign exchange transactions done by clients and also on foreign currency translation of monetary assets and liabilities denominated in other than Swiss Francs.

V. 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 recognised as an expense in the period in which termination takes place.

SECTION IV : 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. 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 amounts due to other banks.

Y. Comparatives

When required, the 2006 comparative figures have been adjusted to conform to changes in presentation in the current year.

- Pledged assets : Pledged assets that were disclosed in a single caption in the face of the Consolidated Balance Sheet at 31 December 2006 are now split in Loans and advances to banks and Investment securities. The amounts pledged are disclosed in the Notes.
- Other income : Other income that consist of Swissquote platform revenues (subscriptions and advertising fees) and that was disclosed in the face of the Consolidated Statement of Operations in 2006 is now included in Fee and commission income and the details is disclosed in the Notes.
- Per share data and number of shares : On 8 May 2007, the Company carried out a 1:10 split of its share. All per share data and number of shares prior to this date and that are included in these Consolidated Financial Statements have been adapted accordingly for comparison purpose.

SECTION V : CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the Group's accounting policies
In the process of applying the Group's accounting policies, which are described in Section III, circumstances may lead Management to make judgments that have most significant effect on the amounts recognised in the financial statements. At 31 December 2007 there are no such circumstances and related judgments to be reported (31 December 2006: none).

Key sources of estimation uncertainty
The process of applying the Group's accounting policies may require the use of key assumptions concerning the future, and / or key other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year. Key assumptions are discussed below:

31 December 2007
- None material.

31 December 2006
- **Deferred tax assets** - The recognition and extent of recognition of Deferred tax assets requires the use of several key assumptions such as the applicable tax rate and the future level of taxable profit. Detailed sensitivity analysis has been carried-out and Management is confident that the carrying amount of Deferred tax recognised to date will be recovered in the future.

SECTION VI : FINANCIAL RISK MANAGEMENT

A. General

Within its scope of operations (See Notes Section II), the Group is exposed to a variety of financial risks that require the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify, analyse these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in the markets, products and emerging best practices.

Risk management is carried out by the Trading & Treasury Department under policies approved by the Board and the adherence to said policies (and related limits) are controlled by the Reporting & Controlling Department. The Board provides written principles for the overall risk management, as well as written policies covering the main risk areas, i.e. credit risks (including margining of collateral), liquidity risk, foreign exchange risk, interest rate risk and the use of derivative financial instruments. Due to the fact that the Company does not have a nostro security trading activity (save as may happen as a result of operating issues), the Company is not directly exposed to price risk, but only indirectly through the valuation of collateral remitted by clients in guarantee of the credit facilities granted to them.

B. Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally in lending activities that lead to loans and advances, and investing activities that bring debt securities and other bills to the Group's asset portfolio.

B1. Credit risk measurement

(i) Loans and advances to customer

Loans and advances to clients are principally in the form of covered loans and are principally used by clients for leveraging their trading operations. The maximum amount of margin (and hence of credit to a client) is determined based on the aggregate margin determined on each item of the client's portfolio. The margin rate for securities is determined based on the type of security (mainly listed shares and bonds), and various other features such as liquidity, volatility and external rating. The amount of maximum margin is re-measured at each transaction of the client, and in case of inactivity of the client at several times per business day.

SECTION VI : FINANCIAL RISK MANAGEMENT

(ii) Loans and advances to banks and bonds

Loans and advances to banks are made in order to gain an interest margin on the assets deposited by clients at the bank in the form of current account or term deposits. Further a minor part of the loans and advances to banks and the bonds are pledged in favour of third party financial institutions in order to secure the settlement of the transactions carried-out by the Group's client. The limit for each counterparty – which absolute maximum is defined inter alia by reference to Group equity in accordance with Swiss Banking Regulation - is based on a set of cumulative conditions that include the external rating of the counterparty, the geographical region of the domicile of the counterparty and the duration of the financial instrument. Eligible counterparties must have an external rating of at least an A- Standard & Poor's equivalent at the time the loan / the investment is made.

B2. Risk limit control and mitigation policies

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. Margin loans 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 are subject to an annual or more frequent review. Limits on the level of credit risk as well as the Lombard margins are approved by the Board of Directors.

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

B3. Impairment and provisioning policies

Impairment provisions are provided for losses that have been incurred at the balance sheet date based on objective evidence. Objective evidence of impairment is principally based on:

- Downgrading below investment grade level (external rating);
- delinquency in the contractual payment of principal or interest;
- breach of loan covenants and conditions;
- initiation of bankruptcy proceeding.

The Group requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individual assessed accounts are determined by an evaluation of the incurred loss at the balance-sheet date on a case by case basis, and are applied to all significant accounts. The assessment normally encompasses collaterals held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

SECTION VI : FINANCIAL RISK MANAGEMENT

Collective assessed impairment allowances are provided for (i) portfolio of homogenous assets that are individually below material thresholds; and (ii) losses that have been incurred but have not yet been identified, by using available historical experience, experienced judgement and statistical techniques.

B4. Maximum exposure to credit risk before collateral held or credit enhancement

	Maximum exposure	
	2007	2006
Credit risk exposure relating to on balance sheet assets are as follows:		
Loans and advances to banks	1,066,267,114	870,174,405
Loans and advances to customers	93,497,349	63,913,743
Investment securities	72,329,374	43,354,919
Others (Derivatives and Other assets)	13,340,360	16,396,692
Credit risk exposure relating to off balance sheet assets are as follows:		
Financial guarantees	3,489,025	992,310
Loan commitments and other credit related liabilities	6,894,000	2,238,000
At 31 December	**1,255,817,222**	**997,070,069**

B5. Loans and advances

Loans and advances are summarised as follows:

	31 December 2007		31 December 2006	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	93,480,990	1,066,267,114	63,902,937	870,174,405
Past due but not impaired	16,359	-	10,806	-
Impaired	130,000	-	130,000	-
Gross	**93,627,349**	**1,066,267,114**	**64,043,743**	**870,174,405**
Less: allowance for impairment	(130,000)	-	(130,000)	-
Net	**93,497,349**	**1,066,267,114**	**63,913,743**	**870,174,405**

Loans and advances to customers are spread over 10,672 (2006: 7,193) distinct customers. The largest balance at 31 December 2007 is CHF 3,240,698 (2006: CHF 2,041,831).

Loans and advances to banks are spread over 42 (2006: 42) distinct counterparties. The largest balance at 31 December 2007 is CHF 52,823,691 (2006 : CHF 67,974,150)

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

Loans and advances to banks are further analysed as follows:

	External Rating	Sight	0-3 months	3-12 months	Gross amount	Provision	Net amount
Investment Grade	from AAA to AA-	230,126,735	381,328,300	-	611,455,035	-	611,455,035
	from A+ to A-	3,044,379	451,767,700	-	454,812,079	-	454,812,079
	from BBB+ to BBB-	-	-	-	-	-	-
Speculative Grade	from BB+ to BB-	-	-	-	-	-	-
	from B+ to B-	-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-	-
	D	-	-	-	-	-	-
Total at 31 December 2007		**233,171,114**	**833,096,000**	**-**	**1,066,267,114**	**-**	**1,066,267,114**

	External Rating	Sight	0-3 months	3-12 months	Gross amount	Provision	Net amount
Investment Grade	from AAA to AA-	107,634,892	410,870,695	-	518,505,587	-	518,505,587
	from A+ to A-	8,176,518	325,492,300	18,000,000	351,668,818	-	351,668,818
	from BBB+ to BBB-	-	-	-	-	-	-
Speculative Grade	from BB+ to BB-	-	-	-	-	-	-
	from B+ to B-	-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-	-
	D	-	-	-	-	-	-
Total at 31 December 2006		**115,811,410**	**736,362,995**	**18,000,000**	**870,174,405**	**-**	**870,174,405**

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

All amounts in Swiss Francs 32

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B6. Debt securities, treasury bills and other eligible bills

Debt securities, treasury bills and other eligible bills consist exclusively of listed bonds and are analysed as follows:

	S&P	1-2 years	2-5 years	Over 5 years	Gross amount	Provision	Net amount
Investment Grade	from AAA to AA-	-	32,096,540	15,965,832	48,062,372	-	48,062,372
	from A+ to A-	-	15,829,502	-	15,829,502	-	15,829,502
	from BBB+ to BBB-	8,437,500	-	-	8,437,500	-	8,437,500
Speculative Grade	from BB+ to BB-	-	-	-	-	-	-
	from B+ to B-	-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-	-
	D	-	-	-	-	-	-
Total at 31 December 2007		**8,437,500**	**47,926,042**	**15,965,832**	**72,329,374**	**-**	**72,329,374**

	S&P	1-2 years	2-5 years	Over 5 years	Gross amount	Provision	Net amount
Investment Grade	from AAA to AA-	-	15,943,921	-	15,943,921	-	15,943,921
	from A+ to A-	-	27,410,998	-	27,410,998	-	27,410,998
	from BBB+ to BBB-	-	-	-	-	-	-
Speculative Grade	from BB+ to BB-	-	-	-	-	-	-
	from B+ toB-	-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-	-
	D	-	-	-	-	-	-
Total at 31 December 2006		**-**	**43,354,919**	**-**	**43,354,919**	**-**	**43,354,919**

None of the above receivables are past due or impaired.

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

B7. 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 margin loans. The geographical analysis items based on the domicile of the counterparties is analysed below:

	Switzerland	Europe	Others	Total
Loans and advances to banks	314,087,783	729,816,877	22,362,454	1,066,267,114
Loans and advances to customers	65,071,017	20,585,616	7,840,716	93,497,349
Investment securities	-	-	72,329,374	72,329,374
Others (Derivatives and Other assets)	9,362,391	2,464,281	1,513,688	13,340,360
Total at 31 december 2007	**388,521,191**	**752,866,774**	**104,046,232**	**1,245,434,197**
Total at 31 december 2006	**804,702,919**	**139,087,385**	**50,049,455**	**993,839,759**

C. Liquidity Risk
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

C1. Liquidity risk management process
Financial liabilities principally consist of current client accounts and conversely the Group maintains the largest part of its loans and advances to banks at short maturities based on internal liquidity ratios that take into account the statistical distribution of client deposits by size and maturities and that comply with regulatory requirements. Monitoring and reporting takes the form of cash flow measurement and projections for the next days, weeks and months.

All amounts in Swiss Francs 34

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C2. Non-derivative cash flows

At 31 December 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over years	Total
Liabilities						
Deposits from banks	2,646,844	-	-	-	-	2,646,844
Due to customers	1,140,814,156	1,664,338	1,079,338	-	-	1,143,557,832
Other liabilities	23,037,176	-	-	-	-	23,037,176
Total liabilities (contractual maturity dates)	**1,166,498,176**	**1,664,338**	**1,079,338**	**-**	**-**	**1,169,241,852**
Total assets (expected maturity dates)	**1,163,761,653**	**108,329,374**	**-**	**-**	**-**	**1,272,091,027**

At 31 December 2006	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over years	Total
Liabilities						
Deposits from banks	5,743,186	-	-	-	-	5,743,186
Due to customers	910,405,200	-	-	-	-	910,405,200
Other liabilities	19,444,171	1,271,668	987,249	1,387,091	-	23,090,179
Total liabilities (contractual maturity dates)	**935,592,557**	**1,271,668**	**987,249**	**1,387,091**	**-**	**939,238,565**
Total assets (expected maturity dates)	**737,030,505**	**251,536,068**	**18,987,249**	**1,387,091**	**10,254,510**	**1,019,195,423**

In respect to derivatives, the Group enters only into back to back transactions and hence has no liquidity exposure.

C3. Off balance sheet items

The table below summarises the future cash outflow commitments at 31 December:

At 31 December 2007	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	6,894,000		-	6,894,000
Operating lease commitments	1,011,825	2,477,200	-	3,489,025
Capital commitments	-	-	-	-
Total	**7,905,825**	**2,477,200**	**-**	**10,383,025**

At 31 December 2006	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	2,238,000	-	-	2,238,000
Operating lease commitments	621,796	370,514	-	992,310
Capital commitments	8,100,000	-	-	8,100,000
Total	**10,959,796**	**370,514**	**-**	**11,330,310**

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

D. Market Risk

Market risk is the risk that fair values or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spread, foreign exchange rates and equity prices.

Due to the scope of its operations, the Company has only a limited exposure to trading (Nostro) portfolios i.e. positions arising from market making transactions where the Group acts as principal with clients or markets. Non-trading portfolios primarily arise from the interest rate management of the client deposits (liabilities), and loans and advances to banks and clients and available-for-sale investments (assets).

D1. Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table on the following page summarises the Group's exposure to foreign currency risk at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

SECTION VI : FINANCIAL RISK MANAGEMENT

At 31 December 2007	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	36,277,508	109,181	475,561	50,158	36,912,408
Loans and advances to banks	703,539,762	122,108,850	222,240,602	18,377,900	1,066,267,114
Loans and advances to customers	57,625,321	9,544,899	24,194,242	2,132,887	93,497,349
Investment securities	8,437,501	-	63,891,873	-	72,329,374
Others (Derivatives and Other assets)	6,871,224	1,449,457	5,018,359	1,320	13,340,360
Total financial assets	812,751,316	133,212,387	315,820,637	20,562,265	1,282,346,605
Liabilities					
Deposits from banks	2,372,826	-	1,304	272,714	2,646,844
Due to customers	679,454,231	131,673,836	312,168,371	20,261,394	1,143,557,832
Others (Derivatives and Other payables)	27,458,197	1,535,780	4,292,676	6,101	33,292,754
Total financial liabilities	709,285,254	133,209,616	316,462,351	20,540,209	1,179,497,430
Net on balance sheet financial position	**103,466,062**	**2,771**	**(641,714)**	**22,056**	**102,849,175**
Off balance sheet notional position	-	-	-	-	-
Credit commitments	-	-	-	-	-

At 31 December 2006	CHF	USD	EUR	Others	Total
Total financial assets	690,584,719	93,525,089	217,689,877	17,395,738	1,019,195,423
Total financial liabilities	613,401,737	92,704,224	216,245,760	16,886,844	939,238,565
Net on balance sheet financial position	**77,182,982**	**820,865**	**1,444,117**	**508,894**	**79,956,858**
Off balance sheet notional position	-	-	-	-	-
Credit commitments	-	-	-	-	-

No currency limits were exceeded during the reporting period. There are no mismatch and no material impact on net balance sheet at 31 December 2007.

D2. Interest rate risk
Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

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

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

At 31 December 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non interest Bearing	Total
Assets						
Cash and balances with central bank	36,912,408	-	-	-	-	36,912,408
Loans and advances to banks	1,030,267,114	36,000,000	-	-	-	1,066,267,114
Loans and advances to customers	93,497,349	-	-	-	-	93,497,349
Investment securities	-	72,329,374	-	-	-	72,329,374
Others (Derivatives and Other assets)	1,838,422	2,272,672	3,560,526	2,583,958	3,084,782	13,340,360
Total financial assets	1,162,512,293	110,602,046	3,560,526	2,583,958	3,084,782	1,282,346,605
Liabilities						
Deposits from banks	2,646,844	-	-	-	-	2,646,844
Due to customers	1,140,814,156	1,664,338	1,079,338	-	-	1,143,557,832
Others (Derivatives and Other payables)	19,112,088	2,272,672	3,560,526	2,583,958	5,763,510	33,292,754
Total financial liabilities	1,162,573,088	3,937,010	4,639,864	2,583,958	5,763,510	1,179,497,430
Net on balance sheet interest sensitivity gap	**(57,795)**	**106,665,036**	**(1,079,338)**	**-**	**(2,678,728)**	**102,849,175**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**(57,795)**	**106,665,036**	**(1,079,338)**	**-**	**(2,678,728)**	**102,849,175**

At 31 December 2006	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non interest Bearing	Total
Assets						
Cash and balances with central bank	25,355,664	-	-	-	-	25,355,664
Loans and advances to banks	601,910,005	250,264,400	18,000,000	-	-	870,174,405
Loans and advances to customers	63,913,743	-	-	-	-	63,913,743
Investment securities	-	43,354,919	-	-	-	43,354,919
Others (Derivatives and Other assets)	2,496,174	1,271,668	987,249	1,387,091	10,254,510	16,396,692
Total financial assets	693,675,586	294,890,987	18,987,249	1,387,091	10,254,510	1,019,195,423
Liabilities						
Deposits from banks	5,743,186	-	-	-	-	5,743,186
Due to customers	910,405,200	-	-	-	-	910,405,200
Others (Derivatives and Other payables)	19,444,171	1,271,668	987,249	1,387,091	-	23,090,179
Total financial liabilities	935,592,557	1,271,668	987,249	1,387,091	-	939,238,565
Net on balance sheet interest sensitivity gap	**(241,916,971)**	**293,619,319**	**18,000,000**	**-**	**10,254,510**	**79,956,858**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**(241,916,971)**	**293,619,319**	**18,000,000**	**-**	**10,254,510**	**79,956,858**

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

E. Fair value of financial assets and liabilities
The fair value of financial instruments traded in an active market, such as trading available-for-sale securities, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

SECTION VI : FINANCIAL RISK MANAGEMENT

F. Financial assets categorisation

IFRS 7 requires to present all the financial assets of the Group by category and by class of instruments. This presentation is as follow:

Classes of financial assets	Fair Value through profit & loss	Loans and advances	Held to maturity	Available for sale	Total	Fair value
Loans and advances to banks	-	1,066,267,114	-	-	1,066,267,114	n/a
Loans and advances to customers	-	93,497,349	-	-	93,497,349	n/a
Investment securities at fair value	-	-	-	72,329,374	72,329,374	72,329,374
Other assets amortised at cost - CHF	-	2,301,724	-	-	2,301,724	n/a
Derivatives at fair value - CHF	4,569,500	-	-	-	4,569,500	4,569,500
Other assets amortised at cost - FX	-	783,058	-	-	783,058	n/a
Derivatives at fair value - FX	5,686,078	-	-	-	5,686,078	5,686,078
Total at 31 December 2007	**10,255,578**	**1,162,849,245**	**-**	**72,329,374**	**-**	**-**

Classes of financial assets	Fair Value through profit & loss	Loans and advances	Held to maturity	Available for sale	Total	Fair value
Loans and advances to banks	-	870,174,405	-	-	870,174,405	n/a
Loans and advances to customers	-	63,913,743	-	-	63,913,743	n/a
Investment securities at fair value	-	-	-	43,354,919	43,354,919	43,354,919
Other assets amortised at cost - CHF	-	5,240,302	-	-	5,240,302	n/a
Derivatives at fair value - CHF	1,272,352	-	-	-	1,272,352	1,272,352
Other assets amortised at cost - FX	-	5,014,207	-	-	5,014,207	n/a
Derivatives at fair value - FX	4,869,831	-	-	-	4,869,831	4,869,831
Total at 31 December 2006	**6,142,183**	**944,342,657**	**-**	**43,354,919**	**-**	**-**

All amounts in Swiss Francs 40

SECTION VI : FINANCIAL RISK MANAGEMENT

G. Capital management

The Group's objectives when managing capital, which is a broader concept than "equity" on the face of the balance sheet are:

- to comply with the principles defined in the Swiss Federal Law on Banks and Savings Banks and the Implementing Ordinance on Banks and Savings Banks;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits for other stakeholders; and
- to maintain a strong capital basis to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly or more often when required. The required information is filed with the Authority (Swiss National Bank and Swiss Federal Banking Commission) on a monthly basis. The Authority requires each bank or banking group to (a) hold a minimum level of regulatory capital of CHF 10m, and (b) to maintain a ratio of total regulatory capital to risk weighted assets of 8% plus a security margin of 20%. With respect to the latter and in connection with the determination of the risk weighted assets, the Swiss Federal Law on Banks and Savings Banks and the Implementing Ordinance on Banks and Savings Banks require that banks implement computation systems that comply with Basel II as of 1 January 2008 at the latest. In particular, banks need to elect one of several methods which are permitted by Law. The Company elected to early adopt the Basel II compliant regulation as of 31 December 2007 using the Swiss Standard Approach for credit risk, the De Minimis Approach for market risks and the Basis Indicator Approach for operational risk.

SECTION VI : FINANCIAL RISK MANAGEMENT

The table below summarises the capital analysis, the risk weighted assets and the resulting surplus of capital. The 2006 comparative figures are established under the former applicable Swiss regulation and are fully Basel I compliant.

	2007
Tier 1 capital	
Share capital	42,131,228
General bank reserves (incl. share premium)	-
Statutory reserve	-
Share option reserve	742,379
Revaluation reserve - available for sale investments	(4,161,948)
Treasury shares	(13,798,287)
Retained earnings	101,651,309
Total qualifying Tier 1 capital	126,564,681
Tier 2 capital	
Redeemable preference shares	-
Convertible bonds (including liabilities and equity portions)	-
Collective impairment allowance	-
Total qualifying Tier 2 capital	126,564,681
Total regulatory capital	**126,564,681**
Needed capital	
Needed capital per credit risk	30,964,000
Needed capital per risk without counterparties	9,126,000
Needed capital per market risk on foreign currencies	43,000
Needed capital per operational risk	11,613,000
Total needed capital	**51,746,000**
Surplus of capital	**74,818,681**

The Company complies with the minimum capital requirement at 31 December 2007 and has done at all times during 2007.

The surplus of capital does not account for the impact of 2007 payout (dividend and capital reduction) payable in 2008 and that will be proposed for approval at the General Meeting of Shareholders in April 2008.

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	2006
Tier 1 capital	
Share capital	11,668,648
General bank reserves (incl. share premium)	33,780,293
Statutory reserve	-
Share option reserve	330,685
Treasury shares	(9,011,338)
Retained earnings	56,738,016
Total qualifying Tier 1 capital	93,506,304
Tier 2 capital	
Redeemable preference shares	-
Convertible bonds (including liabilities and equity portions)	-
Revaluation reserve - available for sale investments	(22,093)
Collective impairment allowance	-
Total qualifying Tier 2 capital	93,484,211
Less excess intangible assets	(518,200)
Total regulatory capital	**92,966,011**
Risk-weighted assets:	
On-balance sheet	30,704,768
Off-balance sheet	2,397,232
Market risk requirement	264,584
Provisions after risk weighting	(7,800)
Total risk-weighted assets	**33,358,784**
Surplus of capital	**59,607,227**

H. 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, excluding cash portion, amount to CHF 4.7 bn (2006: CHF 3.6 bn).

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SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2007	2006
Cash and balances with central bank	36,912,408	25,355,664
Loans and advances to banks	1,066,267,114	870,174,405
Deposits from banks	(2,646,844)	(5,743,186)
Total net	**1,100,532,678**	**889,786,883**
Less Due from other banks above 3 months	-	18,000,000
Cash and cash equivalents	**1,100,532,678**	**871,786,883**

Section VI "Financial Risk Management" provides further details on Loans and advances to banks.
CHF 21.9m (2006 CHF 55.3m) Loans and advances to banks are pledged in favour of third parties mainly in order to secure the settlement of client transactions.

2. Derivative financial instruments

	31 December 2007			31 December 2006		
	Positive Fair Value	**Negative Fair Value**	**Contract Amount**	**Positive Fair Value**	**Negative Fair Value**	**Contract Amount**
Futures	-	-	23,499,529	199,936	199,936	23,945,614
Options	10,255,578	10,255,578	1,368,473,448	5,942,247	5,942,247	4,523,846,256
Total	**10,255,578**	**10,255,578**	**1,391,972,977**	**6,142,183**	**6,142,183**	**4,547,791,870**

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.

The Group does not apply hedge accounting as defined by IAS 39.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE 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.

	2007	2006
Loans and advances		
Covered loans	93,480,990	63,902,937
Overdrafts	146,359	140,806
Total	**93,627,349**	**64,043,743**
Impairment allowance	(130,000)	(130,000)
Total net	**93,497,349**	**63,913,743**
Impairment allowance		
Balance at 1 January	130,000	130,000
Increase	-	-
Bad debts written-off	-	-
Balance at 31 December	**130,000**	**130,000**

Section VI “Financial Risk Management” provides further details on Loans and advances to customers.

4. Due to customers

Amounts due to customers mainly consist of current accounts remunerated at variable rates.

Section VI “Financial Risk Management” provides further details on Due to customers.

All amounts in Swiss Francs 46

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investment securities

Investment securities consist exclusively of listed bonds available-for-sale.

	2007	2006
Investment available-for-sale		
At 1 January	**43,354,919**	
Additions	32,643,156	42,979,120
Disposals (sale and redemption)	(249,625)	-
Losses from changes in fair value	(5,296,690)	(22,093)
Exchange differences on monetary assets	1,877,614	397,892
At 31 December	**72,329,374**	**43,354,919**

Section VI “Financial Risk Management” provides further details on Investment securities. CHF 72.3m (2006 CHF 43.8m) Investment securities are pledged in favour of third parties mainly in order to secure the settlement of client transactions.

Losses from changes in fair value are posted to Other reserve net of the underlying tax effect.

6. Other liabilities

	2007	2006
Accrued expenses	12,551,636	10,744,154
Account payables	7,667,207	3,967,693
Social security and other taxes	1,098,123	1,779,407
Deferred revenues	664,157	456,742
Total	**21,981,123**	**16,947,996**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware	Total
Year ended 31 December 2006				
Opening net book amount	1,119,289	3,125,535	998,024	5,242,848
Addition	353,079	1,830,498	1,248,045	3,431,622
Amortisation / depreciation	(558,519)	(1,612,353)	(786,431)	(2,957,303)
Closing net book amount	**913,849**	**3,343,680**	**1,459,638**	**5,717,167**
At 31 December 2006				
Cost	5,122,841	9,148,615	9,289,986	23,561,442
Accumulated amortisation / depreciation	(4,208,992)	(5,804,935)	(7,830,348)	(17,844,275)
Net book amount	**913,849**	**3,343,680**	**1,459,638**	**5,717,167**
Year ended 31 December 2007				
Opening net book amount	913,849	3,343,680	1,459,638	5,717,167
Addition	1,117,965	2,335,331	2,872,703	6,325,999
Amortisation / depreciation	(620,292)	(1,350,885)	(1,096,816)	(3,067,993)
Closing net book amount	**1,411,522**	**4,328,126**	**3,235,525**	**8,975,173**
At 31 December 2007				
Cost	6,240,806	11,483,946	12,162,689	29,887,441
Accumulated amortisation / depreciation	(4,829,284)	(7,155,820)	(8,927,164)	(20,912,268)
Net book amount	**1,411,522**	**4,328,126**	**3,235,525**	**8,975,173**

Additions to Information technology systems include an amount of CHF 1.8m (2006: CHF 1.4m) representing own costs capitalised in connection with the development of the systems of the Bank.

All amounts in Swiss Francs 48

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Property, plant and equipment

	Land & Building	Leasehold Improvements	Equipment	Total
Year ended 31 December 2006				
Opening net book amount	-	494,694	341,626	836,320
Addition	7,867,277	213,481	11,649	8,092,407
Amortisation / depreciation	-	(255,146)	(103,776)	(358,922)
Closing net book amount	**7,867,277**	**453,029**	**249,499**	**8,569,805**
At 31 December 2006				
Cost	7,867,277	3,292,382	1,813,219	12,972,878
Accumulated amortisation / depreciation	-	(2,839,353)	(1,563,720)	(4,403,073)
Net book amount	**7,867,277**	**453,029**	**249,499**	**8,569,805**
Year ended 31 December 2007				
Opening net book amount	7,867,277	453,029	249,499	8,569,805
Addition	9,714,803	249,569	1,737,307	11,701,679
Amortisation / depreciation	(200,590)	(203,345)	(161,576)	(565,511)
Closing net book amount	**17,381,490**	**499,253**	**1,825,230**	**19,705,973**
At 31 December 2007				
Cost	17,582,080	3,541,951	3,550,526	24,674,557
Accumulated amortisation / depreciation	(200,590)	(3,042,698)	(1,725,296)	(4,968,584)
Net book amount	**17,381,490**	**499,253**	**1,825,230**	**19,705,973**

Property consists of the new office building in Gland which construction was started in 2006 and completed by mid 2007. The total cost of the property includes an aggregate CHF 0.5 m of own costs capitalised, of which an amount of CHF 0.3m was capitalised in 2006. Due to the fact that the building was recently completed, the carrying amount at 31 December 2007 is deemed to approximate its fair value.

9. Other assets

	2007	2006
Accrued income	2,585,351	2,572,764
Account receivables	438,618	565,624
Prepayments	60,813	53,686
Total	**3,084,782**	**3,192,074**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Deferred tax assets (liabilities), net

	Sources of deferred taxes			
	Tax losses carried forward	Permanent differences	Temporary differences	Total Deferred tax assets (liabilities), net
Balance 1 January 2007	**6,061,827**	**10,838**	**989,770**	**7,062,435**
Movements with counterpart in Share premium				
In connection with movements and valuation of treasury shares	-	-	(989,770)	(989,770)
In connections with others	-	(10,838)	-	(10,838)
Movements with counterpart in Income tax expense				
In connection with the utilisation of tax losses carried forward	(5,776,827)	-	-	(5,776,827)
In connection with the creation of a general provision in the books of Swissquote Bank	-	-	(1,220,140)	(1,220,140)
In connection with differences in the capitalisation and depreciations policies in the books of Swissquote Bank	-	-	(120,913)	(120,913)
Balance 31 December 2007	**285,000**	**-**	**(1,341,053)**	**(1,056,053)**
Balance 1 January 2006	**1,325,850**	**10,838**	**989,770**	**2,326,458**
Movements with counterpart in Income tax income				
In connection with the recognition of tax losses carried forward	4,735,977	-	-	4,735,977
Balance 31 December 2006	**6,061,827**	**10,838**	**989,770**	**7,062,435**

All amounts in Swiss Francs 50

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In the course of 2006, the Company received formal confirmation from the tax authorities on the status of its income tax carry forward losses, which originated from losses of the Group companies as well as on the pre-acquisition tax losses of Consors (Schweiz) AG. Further and in the light of the development of the profitability of the Company in 2006, the Company decided to recognise in full the tax losses carried forward, including the pre-acquisition tax losses of Consors, and to reverse to the statement of operations in 2006 the CHF 11.8 mio provision for impairment of deferred tax assets on tax losses carried forward recorded in the balance sheet at 31 December 2005.

In 2007, the Company fully utilised its tax losses carried forward that lead to the amortisation of the deferred tax assets and with due care of the level of profits, the Company used the benefits provided by local tax laws in connection with the creation of general provisions and accelerated depreciation.

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 21.75% (2006: 20%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Due to the fact that Swissquote Group Holding Ltd benefits from the Swiss holding tax regime, no deferred income tax liabilities is required for the unremitted earnings of its subsidiaries that are all domiciled in Switzerland.

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Provisions

	Balance 1 January	Increase (decrease)	Used	Balance 31 December
Year 2007	759,619	756,990	(339,639)	1,176,970
Year 2006	890,266	-	(130,647)	759,619

12. Pension

The Group operates two pension plans, which are both organised 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 2007, the rate was 2.5% per annum (2006: 2.5% per annum).

All amounts in Swiss Francs 52

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2007	2006
Discount Rate	3.50%	2.75%
Rate of future increase in compensations	2.00%	1.00%
Rate of future increase in current pensions	0.50%	0.50%
Interest rate credited on savings accounts	3.50%	3.75%
Expected long-term rate of return on plan assets	4.50%	4.25%
Retirement age	65 (male) / 64 (female)	65 (male) / 64 (female)
Turnover	20% on average	20% 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)	2007	2006	2005
Fair value of plan assets	7,206.1	7,167.0	6,861.5
Defined benefit obligation	(6,973.4)	(6,892.6)	(7,582.5)
Funded status	**232.7**	**274.4**	**(721.0)**

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

	Actuarial	
(all amounts in thousands CHF)	2007	2006
Service cost	(1,124.0)	(1,236.5)
Interest cost	(189.5)	(208.5)
Expected return on plans assets	304.6	291.6
Employees contribution	481.1	588.8
Impact of §58 and 58A limit	36.0	(38.5)
Company's pension cost	**(491.8)**	**(603.1)**

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(all amounts in thousands CHF)	2007	2006
Company pension cost (actuarial)	(491.8)	(603.1)
Company's pension contribution (financial)	491.8	603.1
Difference : movement in prepaid pension cost	-	-

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

(all amounts in thousands CHF)	2007	2006
Beginning of year	-	-
Change	(36.0)	38.5
Impact of §58 and 58A	36.0	(38.5)
End of year	-	-

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

(all amounts in thousands CHF)	2007	2006
Funded status	232.7	274.4
Unrecognised (gain) / loss	(268.7)	(235.9)
Limit on balance sheet (para 58 & 58A of IAS19)	36.0	(38.5)
Reported prepaid pension cost	-	-

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes in defined benefit obligation, fair value of plan assets and unrecognised gains / (losses) are as follows:

(all amounts in thousands CHF)	2007	2006
Defined benefit obligation at beginning of the year	(6,892.6)	(7,582.5)
Service cost	(1,124.0)	(1,236.5)
Interest cost	(189.5)	(208.5)
Actuarial gains / (losses)	665.8	725.1
Benefit payments	566.9	1,409.8
Defined benefit obligation at end of the year	**(6,973.4)**	**(6,892.6)**

(all amounts in thousands CHF)	2007	2006
Fair value of plan assets at beginning of the year	7,167.0	6,861.5
Expected return on plan assets	304.6	291.6
Employees' contributions	481.1	588.8
Company contribution	491.8	603.1
Plan assets gains / (losses)	(671.5)	231.8
Benefit payments	(566.9)	(1,409.8)
Fair value of plan assets at end of the year	**7,206.1**	**7,167.0**

(all amounts in thousands CHF)	2007	2006
Unrecognised gains / (losses) at beginning of the year	274.4	(721.0)
Amortisation due to impact of §58 and 58A limit	-	38.5
Net liabilities	(36.0)	-
Actuarial gains / (losses)	665.8	725.1
Plan assets gains / (losses)	(671.5)	231.8
Unrecognised gains / (losses) at end of the year	**232.7**	**274.4**

The actual return on plan assets is as follows:

(all amounts in thousands CHF)	2007	2006
Actual return on plan assets	**(367.0)**	**523.4**

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The categories of plan assets and their expected return are as follows (corresponding figures for 2006 are not available) :

Categories of plan assets	**2007 proportion in %**	**2007 expected return**
Cash	38.2%	3.0%
Swiss bonds	29.8%	4.0%
Foreign bonds	11.5%	5.0%
Swiss shares	18.5%	10.0%
Foreign shares	2.0%	12.0%
Total	**100.0%**	**5.0%**

All amounts in Swiss Francs 56

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Equity

13.1 Share capital

a) Numbers of Shares in 2006

	1 January	Exercise	Capital Reduction	Exercise	31 December
Issued shares					
Ordinary share capital					
Number of shares	1,413,392	40,714	-	4,475	1,458,581
Nominal value per share (CHF)	10.00	10.00	(2.00)	8.00	8.00
Total nominal value (CHF)	14,133,920	407,140	(2,908,212)	35,800	11,668,648
Unissued shares					
Conditional capital					
Number of conditional shares	71,551	(40,714)	-	(4,475)	26,362
Nominal value per share (CHF)	10.00	10.00	(2.00)	8.00	8.00
Total nominal value (CHF)	715,510	(407,140)	(61,674)	(35,800)	210,896
Authorised capital					
Amount authorised (CHF)	2,000,000	-	(400,000)	-	1,600,000
Nominal value per share (CHF)	10.00	-	(2.00)	-	8.00
Number of authorised shares	200,000	-	-	-	200,000

b) Numbers of Shares in 2007

	1 January	Exercise before split	Total at split	Total after split 1:10	Exercise after split	Capital reduction	Exercise	31 December
Issued shares								
Ordinary share capital								
Number of shares	1,458,581	5,256	1,463,837	14,638,370	-	-	-	14,638,370
Nominal value per share (CHF)	8.00	8.00	8.00	0.80	-	(0.30)	-	0.50
Total nominal value (CHF)	11,668,648	42,048	11,710,696	11,710,696	-	(4,391,511)	-	7,319,185
Unissued shares								
Conditional capital								
Number of conditional shares	26,362	(5,256)	21,106	211,060	-	-	-	211,060
Nominal value per share (CHF)	8.00	8.00	8.00	0.80	-	(0.30)	-	0.50
Total nominal value (CHF)	210,896	(42,048)	168,848	168,848	-	(63,318)	-	105,530
Authorised capital								
Amount authorised (CHF)	1,600,000	-	1,600,000	1,600,000	-	(600,000)	-	1,000,000
Nominal value per share (CHF)	8.00	-	8.00	0.80	-	(0.30)	-	0.50
Number of authorised shares	200,000	-	200,000	2,000,000	-	-	-	2,000,000

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.2 Share options reserve

	31 December 2007	31 December 2006
Value of services to be reclassified to Accumulated profits when outstanding options will lapse, expire or be exercised	1,703,756	870,276
Value of services to be amortised through profit and losses over the residual vesting periods of options	(961,377)	(539,591)
Share options reserve	**742,379**	**330,685**

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 in 1999, a total of nine allocation schemes were offered. The first and second allocations lapsed in 2001 and 2002, the fifth allocation in 2006 and the third and fourth allocations in 2007. The terms of the non-lapsed allocations at 31 December 2007 are summarised below. In connection with the share split carried out in 2007, the original terms have been adapted accordingly. Optionees whose work contract is terminated lose their rights to options outstanding, unless the Board resolves otherwise.

- The sixth allocation is reserved to Group employees. It provides that one option grants the right to acquire one SQN share. 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 11.39.

- The options granted under the seventh allocation in July 2005 are made under the following terms:
  - one option grants the right to acquire one share;
  - the strike price is equal to CHF 17.00;
  - exercise:
    - options granted to members of the Board (117,000) are first exercisable three years after the date of grant. The exercise period is two years, starting on the date options first become exercisable;
    - options granted to Group employees (131,500) are exercisable in three equal tranches. The first tranche becomes exercisable on the date of the first anniversary of the grant date, the second tranche on the date of the second anniversary and the third tranche on the date of the third anniversary. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable.

All amounts in Swiss Francs 58

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The options granted under the eighth allocation in July 2006 are made under the following terms:
  - one option grants the right to acquire one share;
  - the strike price is equal to CHF 34.00;
  - options granted to Group employees are exercisable in three equal tranches. The first tranche becomes exercisable on the date of the first anniversary of the grant date, the second tranche on the date of the second anniversary and the third tranche on the date of the third anniversary. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable.

- The options granted under the ninth allocation in July 2007 are made under the following terms:
  - one option grants the right to acquire one share;
  - the strike price is equal to CHF 75.00;
  - options granted to Group employees are exercisable in three equal tranches. The first tranche becomes exercisable on the date of the first anniversary of the grant date, the second tranche on the date of the second anniversary and the third tranche on the date of the third anniversary. Each tranche is exercisable during a period of two years, starting from the date it first becomes exercisable.

The fair value of the options is determined based on Black-Scholes valuation model. The table below summarises the most significant inputs into the model that are the spot price at grant, the strike price, the expected life of the options and the volatility. The volatility is measured over a period of 3 years. Other inputs into the model are the risk free interest rate and the dividend yield (respectively 2.8% and 1% for the 2007 allocation). One option grants the right to acquire one share.

Date of Grant	24.07.2007
Strike price [CHF]	75
Number of equal tranches	3
Start of exercise period	
[years from date of Grant]	
Tranche 1	1
Tranche 2	2
Tranche 3	3
Max. duration of exercise period (years) for each tranche	2
Duration used for the calculation of the value of the option	1
Data on options granted and option price:	
Total number of options initially granted (*)	115,550
Of which granted to Board	2,000
Of which granted to Executive Management	24,000
Of which granted to Others employees	89,550
Spot price at grant [CHF]	64.00
Volatility [CHF]	33.47%
Fair value per option (average of all tranches) [CHF]	8.91

(*) 10% of the options granted are assumed to lapse in the vesting period

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Allocation								Conditional shares available
	#3	#4	#5	#6	#7	#8	#9	Total	for exercise
Balance at 1 January 2006	**16,350**	**366,000**	**45,750**	**67,790**	**248,500**	**-**	**-**	**744,390**	**715,510**
Grants	-	-	-	-	-	85,770	-	85,770	
Exercised									
Covered by the issue of new shares	(14,400)	(321,000)	(45,750)	(37,750)	(32,990)	-	-	(451,890)	(451,890)
Covered by treasury shares	-	-	-	-	-	-	-	-	
Lapsed	-	-	-	(450)	(14,670)	(1,200)	-	(16,320)	
Balance at 31 December 2006	**1,950**	**45,000**	**-**	**29,590**	**200,840**	**84,570**	**-**	**361,950**	**263,620**
Balance at 1 January 2007	**1,950**	**45,000**	**-**	**29,590**	**200,840**	**84,570**	**-**	**361,950**	**263,620**
Grants	-	-	-	-	-	-	115,550	115,550	
Exercised									
Covered by the issue of new shares	(1,950)	(45,000)	-	(2,860)	(2,750)	-	-	(52,560)	(52,560)
Covered by treasury shares	-	-	-	(19,480)	(27,140)	(12,942)	-	(59,562)	
Lapsed	-	-	-	-	(2,840)	(800)	-	(3,640)	
Balance at 31 December 2007	**-**	**-**	**-**	**7,250**	**168,110**	**70,828**	**115,550**	**361,738**	**211,060**

Less option outstanding	*(361,738)*	
Shortfall	*(150,678)*	*(150,678)*
Number of treasury shares available at 31 December 2007		*378,915*
Balance shares available for future grants		*228,237*

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

	Allocation							
	#3	#4	#5	#6	#7	#8	#9	Total
Balance at 1 January 2006	**32,297**	**150,120**	**17,157**	**170,830**	**192,753**	**-**	**-**	**563,157**
Grants	-	-	-	-	-	623,275	-	623,275
Exercise : new shares	(28,354)	(133,245)	(17,157)	(95,130)	(21,311)	-	-	(295,197)
Exercise : treasury shares								-
Lapsed	-	-	-	(1,134)	(11,105)	(8,720)	-	(20,959)
Balance at 31 December 2006	**3,943**	**16,875**	**-**	**74,566**	**160,337**	**614,555**	**-**	**870,276**
Balance at 1 January 2007	**3,943**	**16,875**	**-**	**74,566**	**160,337**	**614,555**	**-**	**870,276**
Grants	-	-	-	-	-	-	1,029,271	1,029,271
Exercise : new shares	(3,943)	(16,875)	-	(7,207)	(1,777)	-	-	(29,802)
Exercise : treasury shares	-	-	-	(49,090)	(20,082)	(88,510)	-	(157,682)
Lapsed	-	-	-	-	(2,323)	(5,984)	-	(8,307)
Balance at 31 December 2007	**-**	**-**	**-**	**18,269**	**136,155**	**520,061**	**1,029,271**	**1,703,756**

All amounts in Swiss Francs 60

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Strike value of stock options outstanding and movements

	Allocation							
	#3	#4	#5	#6	#7	#8	#9	Total
Balance at 1 January 2006	**138,039**	**1,070,940**	**127,414**	**772,128**	**4,224,500**	**-**	**-**	**6,333,021**
Grants	-	-	-	-	-	2,916,180	-	2,916,180
Exercise : new shares	(121,193)	(945,615)	(127,414)	(429,972)	(560,830)	-	-	(2,185,024)
Exercise : treasury shares	-	-	-	-	-	-	-	-
Lapsed	-	-	-	(5,126)	(249,390)	(40,800)	-	(295,316)
Balance at 31 December 2006	**16,846**	**125,325**	**-**	**337,030**	**3,414,280**	**2,875,380**	**-**	**6,768,861**
Balance at 1 January 2007	**16,846**	**125,325**	**-**	**337,030**	**3,414,280**	**2,875,380**	**-**	**6,768,861**
Grants	-	-	-	-	-	-	8,666,250	8,666,250
Exercise : new shares	(16,846)	(125,325)	-	(32,575)	(46,750)	-	-	(221,496)
Exercise : treasury shares	-	-	-	(221,877)	(461,380)	(440,028)	-	(1,123,285)
Lapsed	-	-	-	-	(48,280)	(27,200)	-	(75,480)
Balance at 31 December 2007	**-**	**-**	**-**	**82,578**	**2,857,870**	**2,408,152**	**8,666,250**	**14,014,850**

b) Maturity of stock options outstanding

Allocation #	Strike Price	Number Options	Exercise Period Start	Exercise Period End
6	11.39	500	May-06	April-08
		6,750	May-07	April-09
7	17.00	2,660	August-06	July-08
		13,260	August-07	July-09
		152,190	August-08	July-10
8	34.00	15,228	August-07	July-09
		27,800	August-08	July-10
		27,800	August-09	July-11
9	75.00	38,469	August-08	July-10
		38,523	August-09	July-11
		38,558	August-10	July-12
	Total	**361,738**		

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.3 Treasury Shares

The Company owned 378,915 treasury shares at 31 December 2007 (2006: 366,090). During 2007, the Company acquired 12,825 shares net (2006: acquisition of 285,870 shares, net) resulting from :

- the acquisition of 114,492 shares at a unit price ranging from CHF 44.84 to CHF 69.46 (average cost of CHF 60.74 per share);
- the disposal of 101,667 shares at unit prices ranging from CHF 11.39 to 59.15 CHF (average per share of CHF 35.38); and,
- the utilisation of 59,562 treasury shares for the coverage of options exercised by optionnees in 2007.

13.4 Dividend

Under Swiss Law, dividends can only be paid out of the distributable reserves that are determined on a non-consolidated basis.

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Board Meeting on 6 February 2008, a dividend in respect of 2007 of CHF 0.40 per share (2006: CHF 0.20 per share) amounting to a total of CHF 5,855,348 (2006: CHF 2,917,162) is to be proposed. The financial statements for the year ended 31 December 2007 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2008.

14. Fee and commission income

	2007	2006
Brokerage and related	76,374,666	54,651,014
Custody and others	7,665,321	5,586,315
Advertising and subscription fees *	2,722,359	3,698,476
Total	**86,762,346**	**63,935,805**

* This item has been reclassified in 2006. See Note Y in Section IV "Summary of Significant Accounting Policies".

15. Interest income, net

	2007	2006
Interest income		
Cash and short-term funds	29,471,932	14,220,509
Investment securities	2,648,612	109,825
Loans to customers	3,988,309	2,800,062
	36,108,853	**17,130,396**
Interest expense		
Banks	(34,207)	(50,460)
Due to customers	(9,713,311)	(4,323,754)
Total net	**26,361,335**	**12,756,182**

All amounts in Swiss Francs 62

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Operating expenses

	2007	2006
Payroll & related expenses	24,419,429	17,792,678
Production expenses	6,943,541	6,419,274
Marketing expenses	9,436,990	6,775,096
Administration and other operating expenses	5,744,252	5,651,162
Provisions	756,990	-
Total	**47,301,202**	**36,638,210**

Payroll and related expenses consist of:

	2007	2006
Wages and salaries	23,247,369	17,061,931
Social security costs	3,299,631	2,386,868
	26,547,000	**19,448,799**
Less capitalised costs	(2,127,571)	(1,656,121)
Total	**24,419,429**	**17,792,678**
Average headcount	194	143

The costs were capitalised in connection with the development of the Bank's IT systems and the realisation of the Company's new property.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Reversal of Goodwill

	2007	2006
Goodwill at 1 January	-	3,000,000
Reversal of Goodwill	-	(3,000,000)
Goodwill at 31 December	-	-

The Goodwill recognised until 1 January 2006 relates to the acquisition of Consors (Schweiz) AG in 2002. The Goodwill has been assessed for impairment until this date based on its comparison with the actual revenues generated by the clients of the former Consors (Schweiz) AG.

Consors (Schweiz) AG was acquired in 2002 and subsequently merged into Swissquote Bank. Pre-acquisition, Consors (Schweiz) AG had accumulated tax losses, for an amount of CHF 41.4 mio. In the process for determination the fair value of the net assets of Consors (Schweiz) AG, the deferred tax assets relating to these tax losses carried forward were considered fully impaired, and hence the difference between the consideration paid for the acquisition of Consors (Schweiz) AG and its net assets was fully allocated to the client base.

IAS 12 paragraph 68 provides that if conditions for the recognition of the deferred tax assets of the acquiree (Consors (Schweiz) AG) are subsequently met, the carrying amount of the Goodwill shall be reduced by the amount that would have been recognised if the deferred tax assets initially impaired had been recognised as an identifiable asset from the acquisition date. The reduction of the carrying amount of the Goodwill shall be recognised as an expense.

As a result of the circumstances described in Note 10 (inter alia ability of the Company to fully utilise the tax losses carried forward of Consors (Schweiz) AG) and in compliance with IAS 12 paragraph 68, the Goodwill was fully expensed in 2006.

All amounts in Swiss Francs 64

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Income tax income (expense)

	2007	2006
Current tax	(5,541,807)	-
Deferred tax assets		
Amortisation	(5,776,827)	-
Recognition	-	4,735,977
Deferred tax liabilities	(1,056,053)	-
Total	**(12,374,687)**	**4,735,977**

The income tax component underlying any realised and unrealised gains on treasury shares (that is booked in Equity in IFRS whereas it is booked in the statement of operations under statutory accounting principles) is directly booked in equity as well. The same applies to the fair value of investments available-for-sale, where the tax charge is netted in the fair value adjustment (See Note 5).

19. Earning per share

For comparison purpose, the share split 1:10 carried out in 2007 is deemed realised as at 1 January 2006.

Basic
Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	2007	2006
Net Profit	47,572,548	36,528,773
Weighted average number of ordinary shares in issue	14,239,588	14,136,710
Basic earning per share	3.34	2.58

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options is the only type of dilutive potential ordinary shares: a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Net Profit	47,572,548	36,528,773
Weighted average number of ordinary shares in issue	14,239,588	14,136,710
Adjustments for share options	151,805	144,400
Weighted average number of ordinary shares for diluted earnings per share options	**14,391,393**	**14,281,110**
Diluted earning per share	3.31	2.56

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%.

	2007	2006
Key management compensation		
Short term employee benefits	2,502,997	1,919,400
Post-employment benefits	227,378	220,726
Share based payment	231,580	174,408
Loans and advances to customers	2,773,152	-
Due to customers	4,155,070	11,585,191
Interest income	(67,523)	(447)
Interest expenses	22,787	24,337

The loan to Mr. Jean Pfau, related-party of the Group, is CHF 2,713,427 at 31 December 2007 with interests of CHF 59,725 at the same date.

21. Commitments

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

Payable:	2007	2006
Not later than 1 year	1,011,825	621,796
Later than 1 year and not later than 5 years	2,477,200	370,514
Later than 5 years	-	-

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Disclosure of compensation of the Board of Directors and Management Board in accordance with art. 663b^bis and art. 663c CO

In compliance with art. 663b^bis and art. 663c of Swiss Obligation Code (effective since 1 January 2007), the following table summarises all compensation, loan granted and participations held by each member of the Board of Directors and of the Executive Management.

a) Compensations

All amounts in CHF	Base compensation		Variable compensation		Other Compensation (*3)	Total	Number of share options (*2)
	Cash	Shares (fair value)	Cash bonus (*1)	Share option (fair value) (*2)			
Board of Directors							
Mario Fontana, Chairman of the Board	120,000	-	-	-	2,000	122,000	-
Paul E. Otth, member	60,000	-	-	-	2,000	62,000	-
Markus Dennler, member	60,000	-	-	-	2,000	62,000	-
Martin Naville, member (*4)	45,000	-	-	17,815	1,500	64,315	2,000
Otto E. Nägeli, member (*4)	20,000	-	-	-	667	20,667	-
Total Board of Directors	**305,000**	**-**	**-**	**17,815**	**8,167**	**330,982**	**2,000**
Executive Management							
Marc Bürki, CEO	355,000	-	248,500	71,255	25,300	700,055	8,000
Paolo Buzzi, CTO	355,000	-	248,500	71,255	25,300	700,055	8,000
Michael Ploog, CFO	355,000	-	248,500	71,255	16,900	691,655	8,000
Total Executive Management	**1,065,000**	**-**	**745,500**	**213,765**	**67,500**	**2,091,765**	**24,000**

Total compensation is reported based on the base compensation paid in 2007, the value of the options granted in 2007 (value at grant date) and the accrual in 2007 of the bonus payable in 2008, based on the 2007 results.

(*1) Cash bonus consists of the bonus payable in 2008 based on the performance of the 2007 financial year.

(*2) The fair value of the options has been determined based on the valuation method and the parameters used for the 9th allocation (see Note 13.2). The number of options granted in 2007 is stated in the last column of the above table. The amounts stated correspond to the total value of options granted.

(*3) Other compensation consists of discretionary allowances for out-of-pocket expenses as well as Bel-étage funding contributions.

(*4) At the AGM on 25 April 2007, Mr. O. Nägeli did not seek his re-election at the Board. Mr. M. Naville was elected at the Board for a first term on the same date.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Loans and credits

As per 31 December 2007, the following loans and credits were granted to and still outstanding with current and former members of the Board of Directors and the Executive Management:

All amounts in CHF	
Mario Fontana, Chairman of the Board	-
Paul E. Otth, member	-
Markus Dennler, member	-
Martin Naville, member	-
Otto E. Nägeli, member	-
Marc Bürki, CEO	-
Paolo Buzzi, CTO	-
Michael Ploog, CFO	-
Closely related persons	-
Former members	2,773,152

c) Participations

	Number of shares	Number of share options expiring				
		2008	2009	2010	2011	2012
Mario Fontana, Chairman of the Board	809,050			39,000		
Paul E. Otth, member	55,200			26,000		
Markus Dennler, member	-			26,000		
Martin Naville, member	3,689			666	667	667
Marc Bürki, CEO	2,122,500		2,660	5,336	5,337	2,667
Paolo Buzzi, CTO	2,119,000		2,660	5,336	5,337	2,667
Michael Ploog, CFO	73,000			5,336	5,337	2,667
Closely related persons (*1)	157,440					
Former members (*2)	1,029,830					

(*1) The data reported in the table above is based on its best knowledge of the number of shares owned by close relatives of the members of the Board and members of Executive Management. Close relatives consist of spouse, children, father and mother as well as sisters and brothers.
(*2) To the best knowledge of the Company, the following former Board members owned shares / options in the Company, whether acquired during their terms with the Company or after: Mr. J. Pfau (1999 to 2001), Mr. R. Briner (2000 to 2004), Mr. T. Tettamanti (2000 to 2001), Mr. P. Brogle (2002 to 2004), Mr. E. Gounod (2000 to 2004) and Mr. O. Nägeli (2003 to 2007).

All amounts in Swiss Francs 68

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Report of the group auditors
to the general meeting of
Swissquote Group Holding Ltd
Gland

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 3 to 60 of Swissquote Group Holding Ltd for the year ended 31 December 2007.

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 Swiss Auditing Standards 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

Jean-Christophe Pernollet
Auditor in charge

Maurizio Caputo

Geneva, 6 February 2008

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Statutory Financial Statements

STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 OF SWISSQUOTE GROUP HOLDING Ltd

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Proposal of the Board of Directors regarding available earnings	76

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BALANCE SHEET AT 31 DECEMBER 2007

	Notes	2007	2006
ASSETS			
Current assets			
Cash and banks		76,960	894,630
Receivables and prepayments		183,661	2,326
Securities (treasury shares)	2	13,798,286	14,552,078
Total current assets		**14,058,907**	**15,449,034**
Non-current assets			
Investments in subsidiaries	3	40,698,952	40,698,952
Receivables from subsidiaries		9,467,516	14,861,635
		50,166,468	**55,560,587**
Provision		-	(16,238,794)
Total Net		**50,166,468**	**39,321,793**
Intellectual property rights, net	4	673,250	1,421,367
Total non-current assets		**50,839,718**	**40,743,160**
TOTAL		**64,898,625**	**56,192,194**
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		183,350	33,787
Equity			
Share-capital	5	7,319,185	11,668,648
Share premium	6	7,603,243	12,218,818
Reserve for own shares	6	13,798,286	9,011,339
Retained earnings		35,994,561	23,259,602
Total equity		**64,715,275**	**56,158,407**
TOTAL		**64,898,625**	**56,192,194**

The notes on pages 73 to 76 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2007
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STATEMENT OF OPERATIONS FOR THE YEAR 2007

		2007	2006
Income			
Revenues from investments		680,616	623,275
Realised gain on treasury shares	2	1,549,684	94,631
Effect of change in valuation of treasury shares	2	(5,540,740)	5,187,909
Interest income		354,570	388,910
Royalties		3,673,869	2,861,993
Reversal of provision on investment and receivable from subsidiaries		16,238,794	9,000,000
Total		**16,956,793**	**18,156,718**
Expenses			
Operating expenses		618,671	716,745
Amortisation		748,117	768,516
Total		**1,366,788**	**1,485,261**
Net profit		**15,590,005**	**16,671,457**
Retained earnings, beginning of year		23,259,602	7,994,731
Dividend paid		(2,855,046)	(1,406,586)
Retained earnings, end of year		**35,994,561**	**23,259,602**

The notes on pages 73 to 76 are integral part of these financial statements

All amounts in Swiss Francs

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:

	2007	2006
Mr. Marc Bürki	14.50%	14.55%
Mr. Paolo Buzzi	14.48%	14.54%
Mr. Jean Pfau	5.79%	6.57%
Alken Fund European Opportunities R ACC		
(former Vauban Fund (SICAV), LU-Luxembourg)	6.50%	5.73%
Mr. Mario Fontana	5.53%	5.55%
PEC Global Equity Fund	5.12%	5.08%

The statutory financial statements were approved for issue by the Board of Directors of the Company on 6 February 2008.

2. Securities (Treasury shares)

In Q2-2007 the Company decided that obligation resulting from past and future grants of stock options in accordance with the Swissquote Group stock option plan shall be in principle covered by treasury shares acquired in the market and no more through the issue of new shares that was the policy in the past. As a result the Company changed its accounting policy with respect to the valuation of treasury shares. Whereas at 31 December 2006 treasury shares were valued at market, they are now valued as follows: The lowest of cost or a lower amount in the following cases:

- when the market value is below both the cost and the expected strike price of options outstanding (options are out-of the money): Valuation at market value;
- when the market value is above the strike price of options outstanding (options in the money), but the strike price is below the cost valuation at the strike of options outstanding.

In 2007 the Company realised a profit of CHF 1,549,684 on the disposal of treasury shares and recorded a charge of CHF 5,540,740 resulting from the change in valuation of treasury shares.

All amounts in Swiss Francs

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. Investments in and Receivables from subsidiaries

Investments in subsidiaries consist of:

	2007		2006	
	%	CHF	%	CHF
Swissquote Bank	100.00%	40,460,002	100.00%	40,460,002
Swissquote Trade Ltd	100.00%	238,950	100.00%	238,950
Total		**40,698,952**		**40,698,952**

In the years from 1999 to 2002, the Company created an aggregate of 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 completed the write-back of the provision in 2007. The effect in the write back in 2007 is CHF 16.2 mio (2006 : CHF 9.0 mio).

4. Intellectual property rights

Intellectual property rights are amortised over a period of 5 years (straight line method).

5. Share-capital

	2007	2006
Ordinary issued share-capital		
Number of shares in issue	14,638,370	14,585,810
Nominal value of each share (Registered shares)	0.50	0.80
Ordinary share-capital	7,319,185	11,668,648
Unissued share-capital		
Conditional share-capital	105,530	210,896
Authorised share-capital	1,000,000	1,600,000

At the 25 April 2007 Shareholders Meeting, the shareholders inter alia resolved:
(a) to split the nominal value (ratio 1:10). The actual split was carried out on 8 May 2007.
(b) to reduce the share-capital by an amount of CHF 0.30 per share through a reduction of the nominal value of each share from CHF 0.80 to CHF 0.50 (total reduction of nominal value: CHF 4,391,511). The capital reduction was paid on 27 July 2007.

All amounts in Swiss Francs 74

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

Conditional Share-Capital
52,560 stock options were exercised in 2007 that resulted in the issue of 52,560 new shares and the remittance of 59,562 treasury shares in exchange for the payment of the set strike price. (2006: 45,189).

Authorised Share-Capital
The provision ruling the utilisation of the Authorised share-capital provides that the Board of Directors is authorised until 20 March 2008 to increase the share-capital of the Company by a maximum of CHF 1,000,000 by issuing no more than 2,000,000 new registered shares with a nominal value of CHF 0.50. The provision further provides details on the capital increase process and exercise of preferential subscription rights.

Own Shares
The Company owned 378,915 treasury shares at 31 December 2007 (2006: 366,090). During 2007, the Company acquired 12,825 shares net (2006: acquisition of 285,870 shares, net) resulting from:
- the acquisition of 114,492 shares at a unit price ranging from CHF 44.84 to CHF 69.46 (average cost of CHF 60.74 per share);
- the disposal of 101,667 shares at unit price ranging from CHF 11.39 to 59.15 CHF (average per share of CHF 35.38); and
- the utilisation of 59,562 treasury shares for the coverage of options exercised by optionnees in 2007.

6. Share premium and reserve for own shares

	2007	2006
Share premium		
At beginning of year	12,218,818	18,720,007
Allocation to Reserve for own shares	(4,786,947)	(8,164,880)
Share premium on new shares issued	171,372	1,663,691
At end of year	**7,603,243**	**12,218,818**
Reserve for own shares		
At beginning of year	9,011,339	846,459
Allocation from Share premium	4,786,947	8,164,880
At end of year	**13,798,286**	**9,011,339**

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

7. Disclosure of compensation of the Board of Directors and Management Board in accordance with art. 663b^{bis} and art. 663c CO

See Note 22 of the Consolidated Financial Statements in Section VII “Other Notes to the Consolidated Financial Statements”.

All amounts in Swiss Francs

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PROPOSAL OF THE BOARD OF DIRECTORS REGARDING AVAILABLE EARNINGS AT 31 DECEMBER 2007

The Board of Directors proposes to utilise the available earnings as follows:

Available earnings		CHF
Retained earning carried forward at 1 January 2007		20,404,556
Net profit of year 2007		15,590,005
Retained earning at 31 December 2007		**35,994,561**
Proposed dividend *(1)*	CHF 0.40 per share	(5,855,348)
Retained earnings to be carried forward at 1 January 2008		**30,139,213**

(1) Amounts based on the number of shares issued at 31 December 2007.

All amounts in Swiss Francs 76

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Report of the statutory auditors
to the general meeting of
Swissquote Group Holding Ltd
Gland

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of operations and notes) included on pages 63 to 68 of Swissquote Group Holding Ltd for the year ended 31 December 2007.

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 Swiss Auditing Standards, 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

Jean-Christophe Pernollet
Auditor in charge

Maurizio Caputo

Genève, 6 February 2008

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Corporate Governance Report

Introduction

Swissquote Group Holding Ltd is fully committed to meeting the highest standards of corporate governance. Swissquote Group Holding Ltd complies with the standards established by the "SWX Swiss Exchange Directive on Information Relating to Corporate Governance" and the "Swiss Code of Best Practice for Corporate Governance", both effective since 2002.

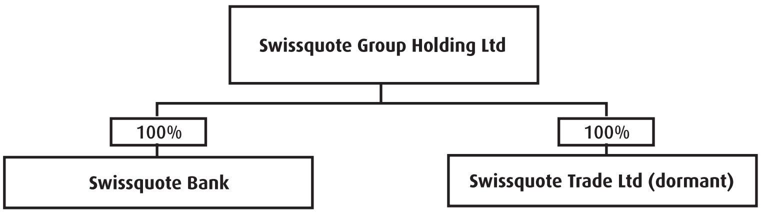
1. Group structure and shareholders

1.1 Group structure

The structure of Swissquote Group ("the Group"), which encompasses Swissquote Group Holding Ltd and its subsidiaries, is designed to support its operations within an efficient tax and regulatory framework. All Group companies are domiciled in Switzerland and their scope of operations is in Switzerland.

Swissquote Group Holding Ltd ("the Company") is the listed vehicle of the Group. Its shares are listed on the SWX Swiss Exchange since 29 May 2000. The ticker is SQN, the security number is 1,067,586 and the ISIN Number is CH0010675863.

Swissquote Bank, the fully owned operating subsidiary of the Company, is a bank submitted to the supervision of the Swiss Federal Banking Commission. Swissquote Bank's main office is in Gland, Canton de Vaud / Switzerland with a branch in Zürich. All Group operations are carried out within Swissquote Bank.



1.2 Significant shareholders

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) anyone holding shares in a company listed in Switzerland is required to notify the concerned company and the stock exchange, if the holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 33 1/3%, 50%, or 66 2/3% of the voting rights.

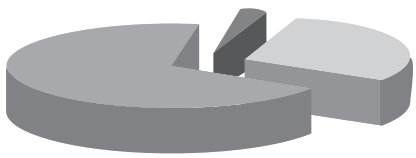
According to the information received by the Company, the Shareholders with an interest in the Company above 3% at 31 December 2007 were:

	2007	2006
Mr. Marc Bürki	14.50%	14.55%
Mr. Paolo Buzzi	14.48%	14.54%
Mr. Jean Pfau	5.79%	6.57%
Alken Fund European Opportunities R ACC		
(former Vauban Fund (SICAV), LU-Luxembourg)	6.50%	5.73%
Mr. Mario Fontana	5.53%	5.55%
PEC Global Equity Fund	5.12%	5.08%

At year-end the Group's holding in its own shares amounted to 2.6%.

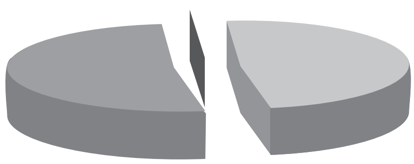
The Company is not aware of any shareholder's agreements.

At 31 December 2007 the issued share-capital consisted of 14,638,370 ordinary registered shares of CHF 0.50 nominal value each. The shareholders registered in the share register held 9,726,839 shares and the Company owned 378,915 treasury shares. The distribution of the shareholdings in the Company was the following:



69.0% Registered shares
2.6% Treasury shares
28.4% Non-registered shares

Further, the registered shareholders at 31 December 2007 are analysed as follows:



51.3% Board Members & Executive Management
0.0% Board Members & Executive Management who left the Company in 2007
48.7% Other shares registered

1.3 Cross-shareholdings

There are no cross-shareholdings.

2. Capital structure

2.1 Capital

Under Swiss Company Law shareholders have to approve in a Shareholders' Meeting any increase in the total number of issued shares, which may be an ordinary share-capital increase or the creation of conditional or authorised capital.

At 31 December 2007 the issued share-capital consisted of 14,638,370 ordinary registered shares of CHF 0.50 nominal value each. The Company owned 378,915 treasury shares. Further, a conditional share-capital of CHF 105,530 consisting of 211,060 ordinary conditional shares of CHF 0.50 nominal value and an authorised capital of CHF 1 mio consisting of 2,000,000 authorised shares of CHF 0.50 nominal value each were outstanding at 31 December 2007.

All shares in issue at 31 December 2007 were freely tradable (i.e. there is no lock-up in place). SWX Regulations however provide that individual shareholdings exceeding 5% (save inter alia for certain investment funds) 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 2007 was 65.50% (2006: 65.36%).

2.2 Authorised and conditional capital in particular

The purpose of the conditional capital is to allow the coverage of the exercise of the options granted to Group employees and Board members in accordance with the Group stock option plan. Art. 4bis of the Articles of Association on the utilisation of the conditional capital provides that the Board of Directors is authorised to increase the share-capital of the Company by a maximum of CHF 105,530, by issuing no more than 211,060 new registered shares with a nominal value of CHF 0.50 each.

Art. 4ter of the Articles of Association ruling the utilisation of the authorised capital provides that the Board of Directors is authorised until 20 March 2008 to increase the share-capital of the Company by a maximum of CHF 1 mio by issuing no more than 2,000,000 new registered shares with a nominal value of CHF 0.50 each. 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 Association 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 Art. 652b, paragraph 2 of the Swiss Code of Obligations (CO). 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.

2.3 Changes in capital

The following table summarises the changes in capital that took place within the last three financial years.

Number of shares	Ordinary Shares Issued	Unissued Shares: Conditional Capital	Unissued Shares: Authorised Capital	Total Shares Issued and Unissued
At 1 January 2005	**1,394,304**	**90,639**	**200,000**	**1,684,943**
Exercise of employees' Stock Options	19,088	(19,088)	-	-
At 31 December 2005	**1,413,392**	**71,551**	**200,000**	**1,684,943**
At 1 January 2006	**1,413,392**	**71,551**	**200,000**	**1,684,943**
Exercise of employees' Stock Options	45,189	(45,189)	-	-
At 31 December 2006	**1,458,581**	**26,362**	**200,000**	**1,684,943**
At 1 January 2007	**1,458,581**	**26,362**	**200,000**	**1,684,943**
Exercise of employees' Stock Options	5,256	(5,256)	-	-
Total at split	1,463,837	21,106	200,000	1,684,943
Total after split 1:10	14,638,370	211,060	2,000,000	16,849,430
At 31 December 2007	**14,638,370**	**211,060**	**2,000,000**	**16,849,430**

The following table summarises the change of equity in the last three financial years (amounts in CHF).

	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Accumulated profits	Total
Balance at 1 January 2005	**13,943,040**	**29,899,614**	**371,735**	**-**	**(588,511)**	**6,460,115**	**50,085,993**
Net profit	-	-	-	-	-	14,682,970	14,682,970
Pay-out							
Dividend	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-
Other movements (*1)	190,880	2,122,357	(3,155)	-	(257,947)	156,559	2,208,694
Balance at 31 December 2005	**14,133,920**	**32,021,971**	**368,580**	**-**	**(846,458)**	**21,299,644**	**66,977,657**
Balance at 1 January 2006	**14,133,920**	**32,021,971**	**368,580**	**-**	**(846,458)**	**21,299,644**	**66,977,657**
Net profit	-	-	-	-	-	36,528,773	36,528,773
Pay-out							
Dividend	-	-	-	-	-	(1,406,586)	(1,406,586)
Capital reduction	(2,908,212)	73,218	-	-	-	-	(2,834,994)
Other movements (*1)	442,940	1,685,104	(37,895)	(22,093)	(8,164,880)	316,185	(5,780,639)
Balance at 31 December 2006	**11,668,648**	**33,780,293**	**330,685**	**(22,093)**	**(9,011,338)**	**56,738,016**	**93,484,211**
Balance at 1 January 2007	**11,668,648**	**33,780,293**	**330,685**	**(22,093)**	**(9,011,338)**	**56,738,016**	**93,484,211**
Net profit	-	-	-	-	-	47,572,548	47,572,548
Pay-out							
Dividend	-	-	-	-	-	(2,855,046)	(2,855,046)
Capital reduction	(4,391,511)	119,883	-	-	-	-	(4,271,628)
Other movements (*1)	42,048	911,867	411,694	(4,139,855)	(4,786,949)	195,791	(7,365,404)
Balance at 31 December 2007	**7,319,185**	**34,812,043**	**742,379**	**(4,161,948)**	**(13,798,287)**	**101,651,309**	**126,564,681**

(*1) See Consolidated Changes in Shareholder' Equity for the years ended 2007 and 2006 for further details.

2.4 Shares and participation certificates

Each Company's registered share (par value CHF 0.50) carries one voting right at the General Meeting. Registered shareholders can only execute their voting rights if they are entered in the share register as owner and beneficiary.

The share-capital of the Company is fully paid up. Dividend entitlement is in accordance with par value of the share. The Company does not issue any participation certificates.

2.5 Profit sharing certificates

The Company does not issue any profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

Art. 6bis of the Articles of Association stipulates that, subject to Art. 685d of the Swiss Code of Obligations, the transfer of nominative shares is subject to the approval of the Board of Directors. Art. 6ter of the Articles of Association stipulates that the Board of Directors is entitled to refuse to give its approval if, despite Company's request, the buyer of the shares does not expressly represent that he/she acquires the shares on his / her behalf and account.

Nominees cannot be registered in the share register.

Decisions related to the restriction of the transferability of registered shares can only be taken by the General Meeting and require a qualified majority (two-thirds of the votes represented and the absolute majority of the par value of the shares represented).

2.7 Convertible bonds and warrants / options

The Company does not issue any convertible bonds or warrants / options.

3. Board of Directors

The Board of Directors is the most senior body with the ultimate responsibility for the strategy and the management of the Company and for the supervision of its Executive Management. The Articles of Association stipulate that the Board of Directors shall be composed of a minimum of three members. At 31 December 2007, the Board of Directors consisted of four members, all non-executive, which are presented here-below.

3.1 Members of the Board of Directors

At the Annual General Meeting of Shareholders on 25 April 2007, all Board members seeking their re-election were re-elected. Otto Nägeli, who did not, was replaced by Martin M. Naville who sought his election for the first time.

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 Nomination & Remuneration 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 for over 15 years as General Manager for Hewlett-Packard, 10 years leading HP Switzerland, then the Computer 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.

Mario Fontana has never been a member of the management of the Company or one of the Company's subsidiaries, nor has he significant business connections with the Company or one of the Company's subsidiaries.

At 31 December 2007 Mario Fontana was a member of the board of the following companies:
- Switzerland: Dufry Holding AG; Inficon AG; SBB AG;
- Sweden : Hexagon AB;
- USA : X-Rite Inc.

Mario Fontana has not held official functions and political posts in 2007.

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 now active as chairman, vice-chairman or member of several Boards.

Paul E. Otth has never been a member of the management of the Company or one of the Company's subsidiaries, nor has he significant business connections with the Company or one of the Company's subsidiaries.

At 31 December 2007 Paul E. Otth was a member of the board of the following Swiss companies: Ascom Holding AG (Vice-Chairman); EAO Holding AG (Chairman); Inficon Holding AG (Vice-Chairman); SBB AG.

Paul E. Otth has not held official functions and political posts in 2007.

Markus Dennler (1956 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group since March 2005
Member of the Board of Swissquote Bank since March 2005
Member of the Nomination & Remuneration Committee

Markus Dennler completed his studies at the University of Zurich with a doctorate in law and subsequently is admitted to the Bar of Zurich. Further he attended the International Bankers School in New York and the Harvard Business School in Boston (AMP). Following a period working with a law office, Markus Dennler moved in 1986 to what is now the Credit Suisse Group, where he spent 18 years in a variety of management functions. He began his career with Credit Suisse as assistant to President of the Executive Board and branch manager. He subsequently held the positions of Managing Director of CS Columna, Chief Executive Officer of Winterthur Columna, Member of the Corporate Executive Board of Winterthur and, ultimately, member of the Executive Board of Credit Suisse Financial Services. Since the beginning of 2005, Markus Dennler serves on various Boards as Non-Executive Director and on the British-Swiss Chamber of Commerce as councilor.

Markus Dennler has never been a member of the management of the Company or one of the Company's subsidiaries, nor has he significant business connections with the Company or one of the Company's subsidiaries.

At 31 December 2007 Markus Dennler was a member of the board of the following Swiss companies: Implenia AG (Vice-Chairman); Petroplus Holding AG; Allianz Suisse; Jelmoli Holding AG.

Markus Dennler has not held official functions and political posts in 2007.

Martin M. Naville (1959 / Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group since April 2007
Member of the Board of Swissquote Bank since April 2007
Member of the Audit Committee

Martin M. Naville holds a Master of Law from the University of Zurich. He started his professional career in 1985 as a corporate banker with JP Morgan in Zurich and New York. He then spend 16 years with The Boston Consulting Group (BCG) in Munich, Zurich and New York where he was elected Partner and Director in 1995 and where he specialised in the fields of Wealth Management and Telecommunications. Since 2004 he has been the CEO of the Swiss-American Chamber of Commerce. He further serves on various Boards as Non-Executive Director.

Martin M. Naville has never been a member of the management of the Company or one of the Company's subsidiaries, nor has he significant business connections with the Company or one of the Company's subsidiaries.

At 31 December 2007 Martin M. Naville was chairman of the Zurich Zoo AG and member of the board of Lombard International Assurance SA (Luxemburg).

Martin M. Naville has not held official functions and political posts in 2007.

3.2 Other activities and vested interests

See 3.1 for any other activities and vested interests.

3.3 Elections and terms of office

The Board of Directors shall have a minimum of three members elected by the General Meeting of Shareholders for a one-year term. The Board members are eligible for re-election.

Since 2005 the Board has been comprised of four non-executive members. The Board of Swissquote Group Holding Ltd acts at the same time as the Board of Swissquote Bank.

The time of the first election is mentioned under 3.1.

3.4 Internal organisational structure

3.4.1 Generalities

The Board is the supreme management body of the Company. It consists of at least three members and may form one or several advisory committees.

The operating of a bank in Switzerland requires inter alia that a bank is duly organised and that there is a clear segregation between the duties and responsibilities of the Board of Directors and of the Executive Management. The Company's internal regulation framework consists of a cohesive set of by laws, regulations and policies that is organised with respect to the level of competence required for adopting new regulations and / or amending existing ones. The various levels of competence required are the following:

- both the General Meeting of Shareholders and the FBC;
- the General Meeting of Shareholders;
- both the Board and the FBC;
- the Board;
- Executive Management; and
- Management.

The determination of the level of competence for making decisions in the Company (including according to levels of financial materiality) is summarised in a single document, the Regulation on Competences.

After each Annual General Meeting of Shareholders the Board elects its Chairman, Vice Chairman and appoints its Secretary. The Board may form one or several advisory 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 2007, there were two such Committees at the level of the Group: the Audit Committee and the Nomination & Remuneration Committee. Further certain functions are delegated to the Chairman.

New Board members are introduced to their new function by a specific program including presentations by Executive Management of the firm-wide considerations and by the Managers of each department. Further new Board members receive a manual including the Company's Internal Regulations and By-Laws.

The Board meets as often as business requires, but at least four times a year. The Board and the Committees plan and coordinate their activities in accordance with a yearly planning that covers all matters that require the Board attention and thus assures that the Board's activity is compliant with applicable laws and regulations.

In 2007 the Board met 7 times, out of which one meeting was dedicated to a two-day strategy session and another to the Annual Conference on Risks. In average each ordinary meeting lasts four to five hours. At various occasions, decisions were taken by ways of circular resolutions and ratified at the next Board meeting.

3.4.2 Functions of the Board of Directors

The Board of Directors has ultimate responsibility for the strategic direction of the Group, for the appointments and dismissals of Executive Management, for the approving of the overall organisation of the Group and the risk principles and risk capacities. Its members may not act alone on behalf of the Company and may not give instructions on their own, except when the Articles of Association, the Internal Regulations or a Resolution of the Board provide otherwise.

The Board has the power to decide on all matters, which are not vested in the Shareholders' Meeting or in any other body by law, Articles of Incorporation or Internal Regulations. The Board has in particular the following functions:

- choose the Chairman of the Board and the Chairman of the Committees;
- act as the ultimate direction of the Company;
- 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 organisation;
- based on the proposal of the Nomination & Remuneration 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 choose 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;
- approve the organisation of the risk identification and monitoring as well as supervise the internal control function;
- supervise the Executive Management, especially with respect to compliance with laws, Articles of Association, internal directives and instructions;
- prepare the annual report and the Shareholder's Meeting (invitations incl.) 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 Art. 651 IV CO (increase of share-capital in the case of authorised capital);
- approve mass dismissal of employees in the sense of Art. 335d CO or similar foreign regulations;
- approve those matters for which the Executive Management have to seek approval by the Board;
- notify the judge pursuant to Art. 725 CO in case of over indebtedness.

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.

3.4.3 Functions delegated to the Chairman

The Chairman has the following functions:

- chair the meetings of the Board and the General Meeting of Shareholders;
- 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.

3.4.4 Rules governing decisions

Valid decisions can only be taken if a majority of all Board 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.

The Chairman has the casting vote. For decisions regarding capital reductions and capital increases (ordinary, conditional and authorised increases) including the statutory modifications corresponding to these decisions, the presence of one member of the Board of Directors is sufficient.

3.4.5 Group Audit Committee

Board members on the Committee: Paul E. Otth, Martin M. Naville.

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 examines and reports to the Board on 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 Meeting of Shareholders;
- check the independence of the Auditors;
- review the audit plan;
- assess the qualification of Auditors and the quality of their audit work.

The Audit Committee meets at least twice a year and has met five times in 2007. The usual length of the meeting was 3 hours. At each meeting held in 2007 Executive Management, Internal Audit and the Auditors were present. With few exceptions, all other Board members attended the meetings as well.

The Audit Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

3.4.6 Group Nomination & Remuneration Committee

Board members on the Committee: Mario Fontana, Markus Dennler.

The Committee takes care of and reports to the Board on the following matters:
- propose to the Board the compensation of the Executive Management and the members of the Board;
- propose to the Board the terms and conditions of employee shares or option plans (ESOP) and new profit sharing, bonus or incentive schemes;
- propose to the Board a planning of the succession for the Executive Management (emergency and long-term planning);
- propose to the Board the appointment of new members of the Board;
- propose to the Board the appointment, suspension and dismissal of the 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 2007 it met 3 times. The usual length of the meeting was 1.5 hours. At each meeting held in 2007 the Executive Management was present, except for those parts of the agenda dedicated to the examination of the personal situation of the members of Executive Management. With few exceptions, all other Board members attended the meetings as well.

The Nomination & Remuneration Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

3.5 Definitions of areas of responsibility

The Executive Management has the business management responsibility of Swissquote. All executive functions within the Group not reserved for the Board or the Chairman are delegated to the Executive Management. Executive Management is responsible for the implementation of business strategies approved by the Board of Directors and for the compliance of the operations with the risk management policies approved by the Board. Further Executive Management assures the maintaining and development of a corporate framework embedded in the corporate values approved by the Board. Executive Management is accountable to the Board of Directors for the Company's results.

Executive Management has in particular the following functions:

- implement the strategy decided by the Board and execute the decisions and instructions of the Board;
- prepare the items to be discussed by the Board;
- delegate competences to committees;
- draft the Internal regulations for the Board approval;
- propose the organisation chart to the Board;
- hire the employees and set their employment conditions and loans according to the guidelines issued by the Board;
- propose the budget to the Board;
- prepare the financial statements;
- ensure that the stock exchange journal is properly maintained and that transactions are properly reported to the stock exchange;
- ensure that the IT systems are adequate;
- implement the instructions of the Board related to internal controlling;
- report to the Board material information on the risk evolution and provide its own risk analysis;
- determine the commissions, interest rates and other business conditions applicable to Bank clients.

The delegation process to General Management is documented in the Internal Regulation and the Board has an overview of the delegation process through the summary provided in the Regulation on Competences.

The following business functions, organised in departments led by Directors and seconded by Vice Directors, report to:

- Marc Bürki: Customer Care and Sales & Marketing
- Paolo Buzzi: Product Development and Information Technology & Security
- Michael Ploog: Trading & Treasury, Back-office & Banking Applications, Human Resources, Legal & Compliance and Reporting & Controlling

Executive Management is further assisted by non-executive committees formed of members of the General Management that assure coordination and reporting functions and make recommendations to the Executive Management. At least one member of the Executive Management sits in each committee.

3.6 Information and control instruments vis-à-vis the Executive Management

The Group operates a comprehensive Management Information System that provides Executive Management with all data required to monitor and control the business and to report relevant information to the Board.

The Board periodically reviews the nature of the formal reporting prepared by Executive Management and the frequency of the respective reports:

- monthly reports typically focus on the development of the operations and on the list of counterparties that exceed 10% of the capital, if any;
- quarterly reporting includes a full set of Interim Consolidated Financial statements, which are reviewed by the Auditors, a financial report examining the key financial matters, comparison with and actualisation of budgets and capital management issues. A risk and compliance report summarises the key risk issues, new or amendments to internal regulations that require Board approval, and assesses the changes in the compliance environment. Further the Board receives summary reports on key human resources and compensation issues as well as a status on important projects, statistics on the development of the revenues and comments on the operations and the business environment;
- half year report also includes interim statutory reports;
- yearly reporting includes the review of the audited consolidated and statutory financial statements.

Once a year the Board of Directors organises a conference dedicated to an in-depth review of risk and of the risk management process ("the Annual Conference on Risks"). Executive Management provides the Board with its own risk assessments and its recommendations with respect to the enhancement of the risk assessment process and to internal control.

Ad'hoc reporting is addressed to the Board when required by circumstances or upon request by the Board. Further, the Executive Management shall immediately report to the Board material matters outside the ordinary course of business.

Executive Management participates at all meetings of the Board and of the Committees, unless otherwise requested by the Board or the concerned Committees.

The position of Internal Auditor reporting directly and independently to the Board of Directors of Swissquote Bank is outsourced to BDO Visura, Lausanne. The duties of the Internal Audit are governed by the Federal Law on Banks and Saving Banks and the Bank's Internal Regulations. Internal Audit screens the compliance of business activities with legal and regulatory requirements and with applicable internal regulations. Internal Audit carries out the audit plan approved by the Board and reports its significant findings and recommendations in writing. It also executes ad hoc missions and investigations upon request of the Board. Internal Audit provides the Board with a specific half year summary report that inter alia reviews the progress made by the Company in implementing the recommendations made by Internal Audit in past reports and includes all relevant information with respect to the execution of the audit plan. Internal Audit participates to the Annual Conference on Risks and provides the Board with its own assessment of the risks and risk management process. The Board formally acknowledges the taking note of the reports of Internal Audit and reviews the conclusions and comments made by the Audit Committee who will have examined the report in detail.

As part of their ordinary reporting to the Swiss Federal Banking Commission, the Auditors prepare two reports which are copied to the Board of Directors who must acknowledge its taking note. The first report commonly called the Prudential Report examines the overall compliance and adequacy of the organisation and assesses matters such as the independence and the qualification of the Board as a body, the professional qualification of Internal Audit and the adequacy and quality of the planning, execution and reporting of internal audit. The second report commonly called Financial Report examines inter alia the financial strength of the Company, its compliance with minimal financial ratios set by law and the adequacy of capital. Further the Auditors are invited to participate to Audit Committees and to the Annual Conference on Risks, where they provide the Board with an assessment of specific and audit risks based on their report "Risk Analysis / Audit Strategy".

4. Executive Management

4.1 Members of the Executive Management

Executive Management consists of Marc Bürki, Chief Executive Officer, Paolo Buzzi, Chief Technology Officer and Michael Ploog, Chief Financial Officer. Marc Bürki and Paolo Buzzi are founding shareholders of Swissquote and were still major shareholders at 31 December 2007. All three members have assumed their current positions at the level of the Group since its formation in 1999. They have assumed the same functions in Swissquote Bank since 2002.

Marc Bürki (1961 / Swiss National, domiciled in Switzerland)
Chief Executive Officer (CEO) of Swissquote Group and Swissquote Bank
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.

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

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.
Michael Ploog is the acting Secretary of the Board.

4.2 Other activities and vested interests

None of the members of Executive Management has other activities and vested interests as defined in the SWX regulation.

4.3 Management contracts

The Company has not entered into management contracts with third parties.

5. Compensation

5.1 Group Nomination & Remuneration Committee

The Group Nomination & Remuneration Committee is composed of two non-executive, independent members of the Board. At 31 December 2007, these were Mario Fontana (Chairman) and Markus Dennler.

Swissquote being a comparatively young company with a strong growth pattern, the Group Nomination & Remuneration Committee is in particular entrusted with the responsibility to regularly examine and review the adequacy of the firm's compensation systems and policies with the current and future needs of the Company, and to report its conclusions and recommendations to the Board.

No external advisors have been consulted by the Company in respect of the structuring of compensation and share-ownership programmes

5.2 Content and method of determining the compensation and the shareholding programmes (compensation policy)

Swissquote compensation policy is one of the components of the corporate framework which ultimate purpose is to deliver sustainable growth and performance to shareholders, to provide a favourable development ground for the Company's employees and to induce a responsible and ethical behaviour vis-à-vis the Company and the community. Swissquote compensation policy is designed to contribute attracting and retaining employees, and to reward merit and short and long term performance, with due care to the Company success and its stage of development as well as in alignment with the interest of shareholders.

Whatever the level of responsibilities, all employees' compensation at Swissquote is structured in four components: (i) the base salary, (ii) the level of pension benefits, (iii) the variable compensation and (iv) the medium term participation of employees to the growth of the stock price of the Company in the form of stock options. The compensation of Board members has only two components: a base fee and stock options.

With due care to labour market constraints, the Company seeks to keep multiples between lowest and highest paid employees within sensible ranges.

Base salary depends on the level of seniority and the craft in which an employee exercises his / her function. Pension benefits depend on individual family situation and level of management.

The level of variable compensation follows the following principles: the level of the annual bonus is resolved upon by the Board of Directors based on the recommendations of the Nomination & Remuneration Committee. The amount is discretionary, based on the assessment by the Board of the success of the Company. Success is a broader measurement basis than profitability (although a key factor): the assessment of success also encompasses the examination of the context in which the Company has developed and performed in the period under review.

All employees of the Company save the Executive Management and employees that are paid on commissions are eligible to the same bonus plan. General Management's variable remuneration includes an additional mark-up which amount is determined based on the measurement of the achievement of objectives set by the Executive Management for the group of General Managers as a whole. The bonus system for Executive Management is distinct and is based on the assessment by the Board of the achievement by Executive Management of objectives set by the Board.

The Company has been operating a discretionary stock option plan since 1999. The Board is sole competent for deciding on the terms of the options and the number of options offered. Although terms have varied over the past years, the Company practice has converged to an annual grant to all eligible employees. Historically and until 2005, Board members were granted options every 3 years. Board members who joined the Company since 2006 have been granted options on the same terms than employees.

Since 2007 and in ordinary business circumstances, the maximum number of options that can be offered in a single calendar year is determined based on a set ratio expressing the percentage of the fair value of the options offered compared to the base salary payroll costs including social charges. The ratio was 5.29% in 2007. In ordinary circumstances of the business, the allocation of options to individual employees is made based on the belonging of an employee to a level of the organisation structure. All employees belonging to the same level of the organisation are offered the same number of options.

The Board seeks to maintain a sensible ratio between number of options offered to individual base employees, individual Board members and individual members of the Executive Management.

5.3 Executive Management compensation

The work contract of the members of the Executive Management provide that their compensation consists of a base salary, the entitlement to a bonus subject to meeting specific performance related conditions and the eligibility to annual grants of stock options at the discretion of the Board. Further the contract provides that members of the Executive Management participate to a “bel-étage” pension scheme. The termination period is 6 months and there is no provision that would entitle Executive Management to a “golden parachute”. Members of the Executive Management do not attend the part of the meeting, where their compensation is decided on.

The base salary of the members of the Executive Management is assessed annually against labour market conditions and is adjusted when needed.

Each year, the Board sets a list of objectives to the Executive Management as a whole that will be measured against actual achievements in the next year. Objectives typically include business development targets, target profitability ratios and objectives relating to the strengthening of the organisation (risk management, compliance, people development, etc.). The performance review is carried out by the Nomination & Remuneration Committee, after the Auditors have delivered their Audit Report on the Consolidated Financial Statements of the year under review. A percentage weighting is established for each objective and the maximum bonus (100% of the base salary) is reached when all objectives are completely met. The Board resolves on the level of the bonus in response to the recommendation of the Nomination & Remuneration Committee.

The main change in the compensation package of Executive Management in 2007 is that the maximum bonus that can be earned by each member of the Executive Management was increased from 50% to 100% of the base salary. Base salaries were last increased in 2006.

The audited details of the compensation of Executive Management are disclosed in Note 22 to the Consolidated Financial Statements (Section VII) in a format compliant with the provisions of Art. 663bbis and Art. 663c of the Swiss Code of Obligations.

5.4 Board compensation

Board members are elected for one year terms, renewable. The remuneration of the Chairman of the Board and other Board members comprises a cash component and a Swissquote Group Holding Ltd stock option component. The cash component, which is reviewed annually, is set by the entire Board of Directors in response to a proposal by the Nomination & Remuneration Committee. The same procedure applies to the grant of stock options.

The review of the compensation of the Board takes several factors into consideration, such as benchmarking with comparable companies and consistency of the compensation of Board members with compensation of Executive Management. The Board considers that there should be some sensible relation between the cash compensation of a Board member and the base salary of a member of Executive Management.

In 2007 only Martin Naville - who was elected for the first time at the Board in the year under review - was offered a grant of 2,000 options, corresponding to 25% of the options offered to each member of the Executive Management. The other Board members were not offered stock options because they were still under the former grant policy that provided that Board members were offered stock options every third year (last time in 2005).

The audited details of the compensation of the members of the Board are disclosed in Note 22 to the Consolidated Financial Statements (Section VII) in a format compliant with the provisions of Art. 663bbis and Art. 663c of the Swiss Code of Obligations.

5.5 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 members of the Board of Directors. Since the creation of the Plan in 1999, a total of nine allocation schemes have been made. The terms of options in the ordinary course of business generally provide that options offered to an individual employee are divided in three equal tranches, each tranche becoming exercisable respectively one, two and tree years after the date of grant. The exercise period is generally 2 years.

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

	Allocations 3rd	4th	5th	6th	7th	8th	9th	Total	Conditional shares available for exercise
Year of grant	2000/2001	2002	2002	2004	2005	2006	2007		
Strike (*1) [CHF per option]	5.43 to 12.50	2.79	2.79	11.39	17.00	34.00	75.00		
Number of options									
Board	-	486,000	-	-	117,000	-	2,000		
Executive Management	-	-	50,000	-	-	24,000	24,000		
Other employees	286,720	-	155,000	79,980	131,500	61,770	89,550		
	Number of options								
Balance at 1 January 2005	**53,330**	**486,000**	**73,000**	**79,170**	-	-	-	**691,500**	**906,390**
Grants	-	-	-	-	248,500	-	-	248,500	
Exercised								-	
Covered by the issue of new shares	(36,980)	(120,000)	(27,250)	(6,650)	-	-	-	(190,880)	(190,880)
Covered by treasury shares	-	-	-	-	-	-	-	-	
Lapsed	-	-	-	(4,730)	-	-	-	(4,730)	-
Balance at 31 December 2005	**16,350**	**366,000**	**45,750**	**67,790**	**248,500**	-	-	**744,390**	**715,510**
Balance at 1 January 2006	**16,350**	**366,000**	**45,750**	**67,790**	**248,500**	-	-	**744,390**	**715,510**
							-		
Grants	-	-	-	-	-	85,770	-	85,770	
Exercised								-	
Covered by the issue of new shares	(14,400)	(321,000)	(45,750)	(37,750)	(32,990)	-	-	(451,890)	(451,890)
Covered by treasury shares	-	-	-	-	-	-	-	-	
Lapsed	-	-	-	(450)	(14,670)	(1,200)	-	(16,320)	
Balance at 31 December 2006	**1,950**	**45,000**	-	**29,590**	**200,840**	**84,570**	-	**361,950**	**263,620**
Balance at 1 January 2007	**1,950**	**45,000**	-	**29,590**	**200,840**	**84,570**	-	**361,950**	**263,620**
							-		
Grants	-	-	-	-	-	-	115,550	115,550	
Exercised								-	
Covered by the issue of new shares	(1,950)	(45,000)	-	(2,860)	(2,750)	-	-	(52,560)	(52,560)
Covered by treasury shares	-	-	-	(19,480)	(27,140)	(12,942)	-	(59,562)	
Lapsed	-	-	-	-	(2,840)	(800)	-	(3,640)	
Balance at 31 December 2007	-	-	-	**7,250**	**168,110**	**70,828**	**115,550**	**361,738**	**211,060**
Exercise periods of balance options at 31 December 2007									
May 2006 to April 2008	-	-	-	*500*	-	-	-	*500*	
August 2006 to July 2008	-	-	-	-	*2,660*	-	-	*2,660*	
May 2007 to April 2009	-	-	-	*6,750*	-	-	-	*6,750*	
August 2007 to July 2009	-	-	-	-	*13,260*	*15,228*	-	*28,488*	
August 2008 to July 2010	-	-	-	-	*152,190*	*27,800*	*38,469*	*218,459*	
August 2009 to July 2011	-	-	-	-	-	*27,800*	*38,523*	*66,323*	
August 2010 to July 2012	-	-	-	-	-	-	*38,558*	*38,558*	

(*1) Number of shares and strike price for the years 2000 to 2006 restated in order to reflect the share split 1:10 carried out on 8 May 2007.

Further details on the terms of the respective allocations are provided in Note 13.2 to the Consolidated Financial Statements (Section VII).

6. Shareholders's participation

6.1 Generalities

Shareholders in Swiss corporations have extended participatory and protective rights. Protective rights include the right to inspection and information (Art. 696, 697 CO), the right to a special audit, the right to call a General Meeting (Art. 699 par. 3 CO), motion rights, the right of appeal (Art. 706 f CO) and the right to instigate liability proceedings (Art. 752 ff CO). Participatory rights primarily include the right to participate at General Meetings, the right to express an opinion and voting rights (Art. 694 CO).
All shareholders listed in the share register as having voting rights, are permitted to attend and vote at General Meetings. For organisational 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 Association;
- 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;
- the release of the members of the Board of Directors;
- passing any resolution on matters which are by law or by the Articles of Association reserved to the General Meeting of Shareholders.

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. 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 via an electronic system.

Minutes of each General Meeting shall be kept. They are signed by the Chairman and 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.

6.2 Voting-rights and representation restrictions

Art. 12 of the Articles of Association 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 formalised in order to be validly recognised by the Company.

The Articles of Association do not include any percentage clause or group limitation clause.

6.3 Statutory quorums

A Meeting, which has been called in accordance with the provisions of the Law and Articles of Association, 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 Association 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 organised 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 authorised 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 relocation of the Company’s domicile;
- the dissolution of the Company without liquidation;
- the conversion of registered shares into bearer shares and conversely.

6.4 Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders is called to meet by the Board of Directors in the normal course of business or otherwise by the Auditors, the Liquidator and the Representatives of Bond Holders. The General Meetings can also be called by one or more shareholders who represent in aggregate 10% or more of the share-capital.

Ordinary General Meetings must be held within 6 months from the date of the financial year-end. Extraordinary General Meetings are called whenever required. If all shareholders or their representatives are present, the shareholders can validly hold a meeting, even if the form provided by the Articles of Association 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.

6.5 Agenda

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 Art. 699 of the Swiss Code of Obligations.

One or more shareholders representing shares with a par value of at least CHF 1,000,000.– can have an item included on the agenda. Written requests for the inclusion of items on the agenda must be submitted to the Company at least 45 days prior to the General Meeting in accordance with Art. 699 par. 3 OR and paragraph 3 of this clause.

6.6 Inscriptions into the share register

Art. 6 of the Articles of Association provides that the Company shall maintain a share register that shall include for each shareholder having requested his / her registration, his / her name and address, and the number of shares owned. The Board has mandated ShareCommService AG, Europastrasse 29, CH-8152 Glattbrugg, to maintain the Company's share register.

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 / her behalf and account. Nominees cannot be registered. 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 register in periods up to 20 days before a Meeting. Registered shareholders that dispose of their shares prior to the General Meeting are no longer entitled to exercise their votes.

7. Changes of control and defence measures

7.1 Duty to make an offer

Art. 32 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. Art. 29 SESTA 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).

The Company has no opting out / opting up clause in its Articles of Association.

7.2 Clauses on changes of control

None of the members of the Board of Directors and the Executive Management benefits from change-of-control clauses.

8. Auditors

8.1 Generalities

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 Financial Statements, the Annual Report and the proposed utilisation of the accumulated result complies with law and with the Articles of Association. The Auditors recommend the approval, with or without qualification, or rejection of the Annual Financial Statements. 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 Group's Financial Statements and the individual Group companies' Financial Statements are audited by PricewaterhouseCoopers SA since 1999, which were re-elected in each year since then. The supervising auditor, Mr. Jean-Christophe 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. As the rotation frequency of the lead auditor is 7 years, Mr Jean-Christophe Pernollet will be replaced in 2008.

Except for tax matters, audit related services and other services that can generally only be provided by the Auditors (e.g. reviews of documents filed with the Swiss Federal Banking Commission), the Group uses consultants who are entirely independent from the Company's Auditors.

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.

8.2 Duration of the mandate and term of office of the lead auditor

The auditors are elected for one-year terms by the General Meeting and are eligible for re-election. They shall be independent from the Board and from the shareholders. As mentioned above, the rotation frequency of the lead auditor is 7 years.

8.3 Auditing fees and additional fees

The total fee (in CHF) charged by the auditors to the Group in 2007 is analysed as follows:

	2007	**2006**
Auditing fees	377,000	338,500
Additional fees:		
Audit related services	44,500	85,000
Tax	4,000	13,500
Total	**425,500**	**437,000**

The amount of the auditing fees is based on fees agreed upon for the audits of the Consolidated and Statutory Financial Statements of the Group companies, including the regulatory audit of the bank, for the year ended 31 December 2007.

8.4 Informational instruments pertaining to the external audit

In addition to traditional informational instruments, the Auditors are requested to meet at least twice a year with the Audit Committee. In 2007, the auditors met 5 times with the Audit Committee. Further, as mentioned under 3.6, the Auditors participate to the Annual Conference on Risks, where they provide the Board with an assessment of specific and audit risks based on their report "Risk Analysis / Audit Strategy".

The Auditors confirm their independence to the Audit Committee at least once a year. The qualification and performance of the Auditors as well as the level of their fees are assessed and benchmarked once a year by the Audit Committee.

9. Information Policy

9.1 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.

The Company commits to providing timely and orderly information in accordance with the legal and regulatory requirements, in particular with the provisions of the SWX Listing Rules on ad hoc publicity. The Company 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 rumors and speculations.

9.2 Regular reporting

9.2.1 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 financial statements. 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 or in April. The Annual Report is released on the Company's website or in print format at the Board's discretion.

9.2.2 Quarterly reporting

The quarterly results are published by a press release shortly after the Board of Directors has approved them. The press release is 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 2008 are scheduled as follows:

Quarter 1 Interim Financial Statements at 31 March 2008: 24 April 2008
Quarter 2 Interim Financial Statements at 30 June 2008: 29 July 2008
Quarter 3 Interim Financial Statements at 30 September 2008: 28 October 2008

9.3 Updated information and contacts

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

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