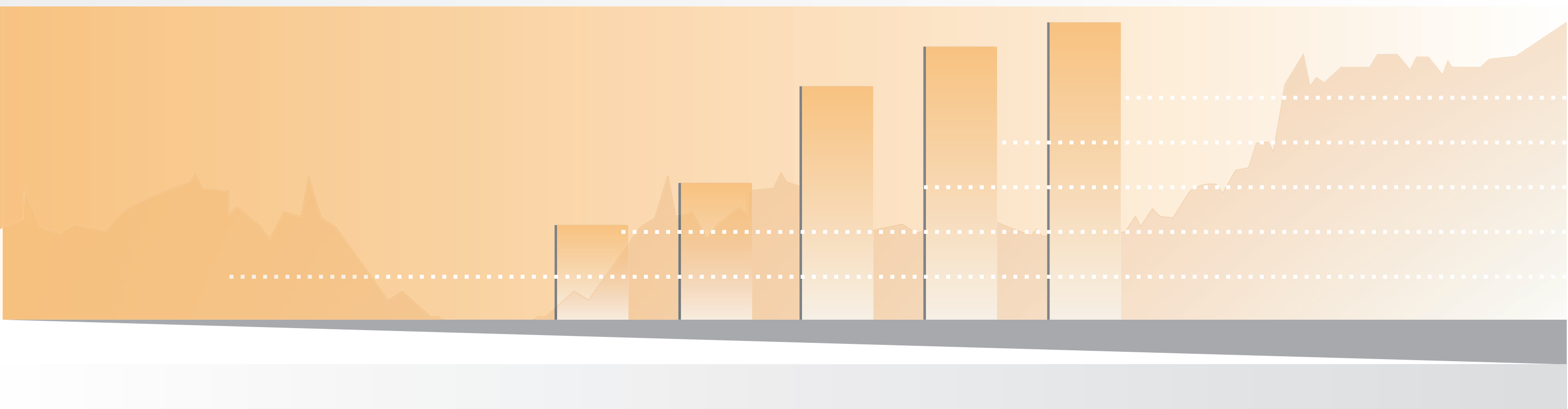
Annual Report 2008 and
Corporate Governance Report



SWISSQUOTE

SWITZERLAND'S LEADING ONLINE BROKER

Annual Report 2008
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Swissquote....

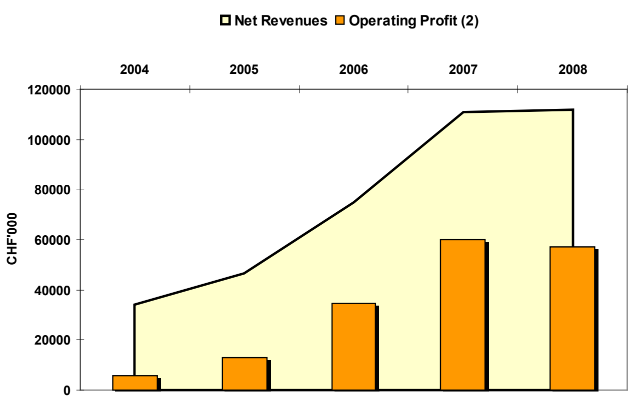
Is the leading provider of online financial and trading services in Switzerland.
Creates sustainable added value for its customers, employees and shareholders.
Is an independent Company, listed on the SIX Swiss Exchange.

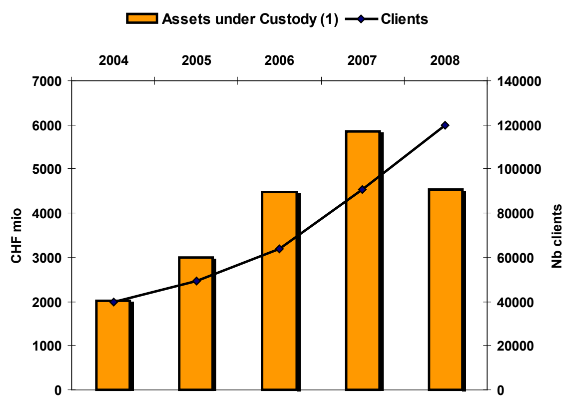
Section 1: Key Figures

	2008	2007	2006	2005	2004
Clients	119,869	90,876	64,067	49,057	39,531
% change	31.9%	41.8%	30.6%	24.1%	27.8%
Assets under Custody in CHFm (1)	4,540	5,850	4,492	2,986	2,017
% change	-22.4%	30.2%	50.4%	48.0%	29.3%
Employees	236	213	156	127	117
% change	10.8%	36.5%	22.8%	8.5%	15.8%

All amounts in CHF '000	2008	2007	2006	2005	2004
Net revenues	111,677	110,882	74,747	46,628	34,273
% change	0.7%	48.3%	60.3%	36.0%	19.3%
Operating Expenses (2)	(54,640)	(50,935)	(39,954)	(33,635)	(28,216)
% change	7.3%	27.5%	18.8%	19.2%	1.2%
Operating Profit (2)	57,037	59,947	34,793	12,993	6,057
% change	-4.9%	72.3%	167.8%	114.5%	65.5%
Operating Profit Margin [%]	51.1%	54.1%	46.5%	27.9%	17.7%
Net Profit	32,807	47,573	36,529	14,683	6,057
% change	-31.0%	30.2%	148.8%	142.4%	18.1%
Net Profit Margin [%]	29.4%	42.9%	48.9%	31.5%	17.7%
Equity	139,130	126,565	93,484	66,978	50,086
% change	9.9%	35.4%	39.6%	33.7%	16.8%
Equity ratio [%] (2)	10.3%	9.7%	9.0%	9.7%	11.0%

(1) including cash deposited by clients at the Bank
(2) excluding goodwill amortisation, impairment and provision on investment securities





Swissquote Share

Stock market trading

The registered shares, each with a nominal value of CHF 0.20, are listed on SIX 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 (2004 to 2008)

Development of stock market share price (January to December 2008)

Share price in CHF	2008	2007	2006	2005	2004
High	63.90	78.95	39.98	14.95	14.45
Low	25.40	38.80	15.04	8.95	7.95
31 December	37.00	63.65	39.75	14.95	10.00

Stock market capitalisation in CHF million	2008	2007	2006	2005	2004
High	903.4	1,124.2	583.1	211.3	201.5
Low	359.1	552.5	212.6	124.4	110.8
31 December	523.1	906.3	579.8	211.3	139.4

Per share data in CHF	2008	2007	2006	2005	2004
Net revenue per share	7.90	7.79	5.29	3.35	2.51
Net profit per share	2.32	3.34	2.58	1.06	0.46
Equity per share	9.50	8.65	6.41	4.74	3.59
Issued shares at 31 December (*1)	14,638,370	14,638,370	14,585,810	14,133,920	13,943,040
Nominal value (*1)	0.20	0.50	0.80	1.00	1.00

(*1) Number of shares and nominal value for the years 2004 to 2006 restated in order to reflect the share split 1:10 carried out on 8 May 2007.

Report to the Shareholders

Dear Shareholders,

We are pleased to report an excellent business year for Swissquote, despite the global financial crisis. Revenues in 2008 came to CHF 111.7 million, which was slightly higher than the record result the previous year (CHF 110.9 million). Operating profit stood at CHF 57.0 million, close to the previous year's level, while net profit was a respectable CHF 32.8 million despite the write-off of a Lehman Brothers bond (CHF 12.2 million) Swissquote beat its 2008 growth targets for the number of clients and the inflow of new funds by a wide margin.

Revenues very stable

There are basically two reasons why Swissquote again succeeded in raising its revenues slightly despite the serious turmoil on the financial markets: For one thing, the 26,265 new trading clients in 2008 contributed to the fact that commission income contracted by only CHF 6.3 million even though trading activity was down 25 percent versus the previous year. For another, this decline was more than offset by the CHF 5.0 million increase in interest income, a large part of which was generated in the first half of 2008, and by the extremely successful eForex platform, which had an average daily turnover of approx. CHF 400 million and increased trading income by CHF 2.1 million versus the previous year.

Solid earnings despite write-off

In 2008, operating expenditure rose by 7.3 percent to CHF 54.6 million versus CHF 50.9 million the previous year. The increase was due in particular to production and amortisation costs, while personnel and marketing expenses were virtually unchanged. This resulted in a 4.9 percent decline in operating profit, which came to CHF 57.0 million (CHF 59.9 million).Net income fell to CHF 32.8 million (vs. CHF 47.6 million) owing to the complete write-off of a Lehman Brothers bond totalling CHF 12.2 million (net after tax).

No other risk positions

Following the announcement that Lehman Brothers, the fourth largest US investment bank, had announced bankruptcy, Swissquote informed the media and shareholders on 19 September 2008 that it would as a result have to write off a Lehman Brothers bond in the amount of EUR 10 million (gross). The complete value adjustment took place in two stages in the third and fourth quarters of 2008. Even after this unfortunate value adjustment, Swissquote still has a strong and healthy balance sheet with a BIS core capital ratio (tier 1) of 22.4 percent plus surplus funds of CHF 89.5 million. Shareholders' equity amounts to CHF 139.1 million (CHF 126.6 million).Swissquote does not hold any other risk positions, does not engage in trading for its own account and is therefore only indirectly affected by the global financial crisis. The Lehman Brothers bond was used exclusively to hedge transactions with third parties.

Report to the Shareholders

More than 100,000 clients – growth targets clearly exceeded

In the second quarter of 2008, the number of clients exceeded the 100,000 mark. On balance, the number of trading clients in 2008 rose by 26,265 or 28.9 percent versus the previous year to 117,141, which was well above the objective of 115,000. The inflow of new funds came to CHF 1.3 billion, which was also higher than the target of CHF 1.2 billion. Client assets, however, contracted by 22.4 percent to CHF 4.5 billion versus the previous year (CHF 5.9 billion) owing to the financial crisis. Since the launch of the "Dynamic Savings Account" in May 2008, 2,728 savings clients have brought their business to Swissquote, with assets of CHF 60 million at end-2008. Altogether, Swissquote had 119,869 clients at end-2008.

Presence in Zurich strengthened

In 2008, Swissquote expanded its presence in the Zurich region. Following the move from the Glatt Center into central Zurich and the opening of the Swissquote Lounge at Schützengasse 22–24 in the immediate vicinity of the Zurich main railway station, a logistics centre was inaugurated in Zurich Seebach which had 14 employees at end-2008. Part of the trading room was moved from Gland to Zurich owing to the strong development of the institutional client segment. All in all, the two Zurich offices of Swissquote now have more than 70 employees.

Successful eForex platform

On 31 March 2008 Swissquote launched its new foreign exchange trading platform for EUR, USD, CHF, GBP, JPY and CAD. 24 hour trading is on best terms with low spreads from 1.8 pips, high liquidity and a leverage of 100. The service is commission-free. The new eForex platform offers investors access to the world's biggest liquidity pool of 60 leading banks. It handles multiple order types including market, limit and stop orders with varying maturities. The new service also features the use of real-time charts with detailed technical analysis and specialised financial information. The eForex platform has been a huge success since it was launched in the spring – in the fourth quarter daily turnover already averaged USD 400 million.

Dynamic Savings Account off to a strong start

With its Dynamic Savings Account, launched on 15 May 2008, Swissquote offers one of the most attractive terms available on the market. There are no amount restrictions or time limits for the Savings Account. Its innovative design makes management of the account simple and uncomplicated. The account is presented clearly and transparently, showing the accumulated interest in real time. The account balance is available at any time. Swissquote does not charge any account management or other fees. The launch of this Savings Account enables Swissquote to offer its services to a completely different client segment, thereby further reducing the exposure of its business to stock market volatility. By the end of 2008, Swissquote had gained 2,728 Dynamic Savings Account customers with total assets of CHF 60 million at that point in time.

Expansion of online stock market trading

On 13 February, Swissquote went live online with the former telephone trading of "world" stock markets. Now, an additional 80,000 securities from 50 markets – ranging from ASX (Australia) to Zagreb can be traded inexpensively and online on the Swissquote platform.

Report to the Shareholders

Further new services

- Swissquote clients have enjoyed an expanded and improved risk analysis for structured products since 24 April 2008. These data now do not have to be consulted on the platform; they can also be downloaded with a password, which is free of charge.
- To coincide with the launch of the iPhone, Swissquote unveiled a specific application that provides access to a wide range of financial data plus direct online trading. This application can be downloaded free of charge from the iTunes App Store.

Growth strategy to continue in 2009

In 2009, Swissquote will systematically pursue its growth strategy. It plans to raise the number of clients by 25,000 and attract CHF 1.0 billion in new funds. In order to achieve these ambitious goals, Swissquote will steady expand its range of services and develop new products. It is also planning a raft of targeted marketing measures. As in the previous year, the costs of the marketing campaign will be around CHF 10 million.

New member of the Board of Directors

At the Annual General Meeting on 25 April 2008, the shareholders approved the proposal of the Board of Directors to elect Adrian Bult (49, Swiss citizen) to the Board of Swissquote Group Holding AG.

Acknowledgements

On behalf of the Board of Directors and Group Management, we would like to thank our customers, who, by actively using our platform, are making a crucial contribution to Swissquote's business success and hence to Swissquote's long-term security, solidity and growth. Their suggestions and requests – and their criticism – help us to drive that success. Our thanks also go out to our shareholders for the confidence they have in our company. Thank you to all employees for their personal commitment and readiness to achieve the exceptional again and again. And finally, we also owe a debt of gratitude to our cooperation partners for their unfailing expertise and support in helping us to grow our business.

Mario Fontana	**Marc Bürki**
Chairman of the Board of Directors	Chief Executive Officer

Section 2: Financial Report 2008

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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Financial Report 2008
Consolidated Balance Sheet

	Notes	31 December 2008	31 December 2007
ASSETS			
Cash and balances with central bank	1	293,175,551	36,912,408
Loans and advances to banks	1	765,749,630	1,066,267,114
Derivative financial instruments	2	12,125,144	10,255,578
Loans and advances to customers	3	71,703,162	93,497,349
Investment securities	4	165,947,400	72,329,374
Information technology systems	6	11,130,071	8,975,173
Property, plant and equipment	7	20,188,599	19,705,973
Other assets	8	6,119,952	3,084,782
Total assets		**1,346,139,509**	**1,311,027,751**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	2,340,838	2,646,844
Derivative financial instruments	2	12,125,144	10,255,578
Due to customers		1,166,357,738	1,143,557,832
Other liabilities	5	16,726,975	21,981,123
Current income tax liabilities		3,205,840	3,788,670
Deferred tax liabilities, net	9	1,368,759	1,056,053
Provisions	10	4,884,057	1,176,970
Total liabilities		**1,207,009,351**	**1,184,463,070**
Equity			
Ordinary shares	12.1	2,927,674	7,319,185
Share premium		35,946,443	34,812,043
Share option reserve	12.2	1,485,992	742,379
Other reserve		(5,629,772)	(4,161,948)
Treasury shares	12.3	(24,548,517)	(13,798,287)
Retained earnings		128,948,338	101,651,309
Total equity		**139,130,158**	**126,564,681**
Total liabilities and equity		**1,346,139,509**	**1,311,027,751**

The notes on pages 14 to 70 are integral part of these financial statements

All amounts in Swiss Francs 10

Financial Report 2008
Consolidated Statement of Operations

	Notes	2008	2007
Fee and commission income	13	77,151,016	86,762,346
Fee and commission expense		(7,620,732)	(10,960,397)
Net fee and commission income		**69,530,284**	**75,801,949**
Interest income	14	38,421,768	36,108,853
Interest expense	14	(7,084,496)	(9,747,518)
Net interest income		**31,337,272**	**26,361,335**
Net trading income		10,809,467	8,718,656
Operating income		**111,677,023**	**110,881,940**
Operating expenses	15	(54,639,538)	(50,934,705)
Impairment and provisions on Investment securities	16	(15,676,084)	-
Operating profit		**41,361,401**	**59,947,235**
Income tax expense, net (except on impairment and provisions on Investment securities)	17	(12,003,389)	(12,374,687)
Tax impact of impairment and provisions on Investment securities	17	3,448,738	-
Net profit		**32,806,750**	**47,572,548**
Earning per share	*18*	*2.32*	*3.34*
Diluted earning per share	*18*	*2.30*	*3.31*

The notes on pages 14 to 70 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2008
Consolidated Changes in Shareholders' Equity

	Notes	Share capital	Share premium	Share Option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2007		**11,668,648**	**33,780,293**	**330,685**	**(22,093)**	**(9,011,338)**	**56,738,016**	**93,484,211**
Change in Investment securities		-	-	-	(5,296,690)	-	-	**(5,296,690)**
Tax impact on Investment securities		-	-	-	1,156,835	-	-	**1,156,835**
Net profit of the period		-	-	-	-	-	47,572,548	**47,572,548**
Net income directly recognised in equity 2007		-	-	-	(4,139,855)	-	47,572,548	**43,432,693**
Capital increase resulting from the exercise of options	12.2	42,048	171,372	-	-	-	-	**213,420**
Dividend		-	-	-	-	-	(2,855,046)	**(2,855,046)**
Capital reduction	12.1	(4,391,511)	119,883	-	-	-	-	**(4,271,628)**
Employee stock option plan:								
Value of services provided	12.2	-	-	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	12.3	-	-	-	-	(6,953,901)	-	**(6,953,901)**
Sale of treasury shares	12.3	-	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**
Balance at 1 January 2008		**7,319,185**	**34,812,043**	**742,379**	**(4,161,948)**	**(13,798,287)**	**101,651,309**	**126,564,681**
Change in Investment securities		-	-	-	(1,881,825)	-	-	**(1,881,825)**
Tax impact on Investment securities		-	-	-	414,001	-	-	**414,001**
Net profit of the period		-	-	-	-	-	32,806,750	**32,806,750**
Net income directly recognised in equity 2008		-	-	-	(1,467,824)	-	32,806,750	**31,338,926**
Dividend	12.4	-	-	-	-	-	(5,691,562)	**(5,691,562)**
Capital reduction	12.1	(4,391,511)	130,413	-	-	-	-	**(4,261,098)**
Employee stock option plan:								
Value of services provided	12.2	-	-	925,454	-	-	-	**925,454**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period		-	-	(181,841)	-	-	181,841	-
Purchase of treasury shares	12.3	-	-	-	-	(13,411,294)	-	**(13,411,294)**
Sale of treasury shares	12.3	-	1,003,987	-	-	2,661,064	-	**3,665,051**
Balance at 31 December 2008		**2,927,674**	**35,946,443**	**1,485,992**	**(5,629,772)**	**(24,548,517)**	**128,948,338**	**139,130,158**

The notes on pages 14 to 70 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2008
Consolidated Cash Flow Statement

	Notes	2008	2007
Cash flow from / (used in) operating activities			
Fees and commission receipts		77,470,718	86,729,052
Fees and commission paid		(9,393,503)	(9,934,022)
Interest receipts		35,358,232	36,420,204
Interest paid		(7,082,916)	(9,639,330)
Net trading income		10,809,467	8,718,656
Cash payments to employees and suppliers		(42,644,226)	(46,248,080)
Income taxes paid		(8,410,774)	-
Cash flow from operating profit before changes in operating assets and liabilities		**56,106,998**	**66,046,480**
Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities			
Loans and advances to customers		21,794,187	(29,583,606)
Deposits from banks		(400,000)	18,000,000
Due to customers		22,799,906	233,152,632
Other liabilities		(1,641,583)	3,699,514
Net cash from operating activities		**98,659,508**	**291,315,020**
Cash flow from / (used in) investing activities			
Purchase of property, plant and equipment and Information technology systems	6/7	(8,201,022)	(8,312,875)
Purchase of new office	7	-	(9,714,803)
Redemption of investment securities	4	-	249,625
Purchase of investment securities	4	(115,107,918)	(34,520,770)
Net cash used in investing activities		**(123,308,940)**	**(52,298,823)**
Cash flow from / (used in) financing activities			
Net proceeds of issue of ordinary shares		-	213,420
Purchase of treasury shares		(13,411,294)	(6,953,901)
Sale of treasury shares		3,665,051	3,596,753
Capital reduction		(4,261,098)	(4,271,628)
Dividend		(5,691,562)	(2,855,046)
Net cash used in financing activities		**(19,698,903)**	**(10,270,402)**
INCREASE IN CASH AND CASH EQUIVALENTS		**(44,348,335)**	**228,745,795**
Movements in cash and cash equivalents			
Balance at beginning of year		1,100,532,678	871,786,883
Increase / (Decrease)		(44,348,335)	228,745,795
Balance at 31 December	1	**1,056,184,343**	**1,100,532,678**

Non-cash transactions:

The principal non-cash transaction was the issue of shares as consideration for services provided by employees as reported in Note 12.2

The notes on pages 14 to 70 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2008
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 it's financial web portal swissquote.ch.

The Group's headquarters are located in Gland (Canton de Vaud) in Switzerland. The operations are located in Switzerland (Gland and Zurich). The Group employed 236 employees (full time equivalent) at the end of December 2008 (31 December 2007: 213). 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 2008 consists of 14,638,370 ordinary shares of CHF 0.20 nominal value (2007: 14,638,370 ordinary shares of CHF 0.50 nominal value). There is also a conditional share capital and an authorised share capital. Details are stated in Note 12.

The main shareholders at 31 December are:

	2008	2007
Mr. Marc Bürki	14.50%	14.50%
Mr. Paolo Buzzi	14.48%	14.48%
Mr. Jean Pfau	5.57%	5.79%
Alken Fund European Opportunities R ACC	5.79%	6.50%
Mr. Mario Fontana	5.53%	5.53%
PEC Global Equity Fund	5.09%	5.12%

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. SIX Swiss Exchange regulations provide that individual shareholdings exceeding 5% (save as may apply to investment funds) who are member of the Board of Director or member of the Executive Management are deemed to be permanent investment and are to be excluded from the free float. In accordance with SIX Swiss Exchange regulations the free float at 31 December 2008 is 59.92% (2007: 59.7%).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 11 February 2009.

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 (interbanking market and corporate bonds) 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 net currency 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;
  - Swiss regulated custodian Bank function for investment funds;
  - since the beginning of the second quarter 2008, the Bank has started offering a new service to its clients: e-forex. This new service provides the possibility to perform on-line spot rate trading;
  - since mid-May 2008, the Company has started offering Saving Accounts to its clients;
- selling advertising space and providing financial information against subscription on the Group's financial portal.

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

- provide commercial lending, mortgages, retail borrowings, credit related commitments such as guarantees and standby letters of credit;
- provide trustee, corporate administration, investment management and / or advisory services to third parties;
- trade in financial instruments (excluding corporate bonds as part of treasury management) 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 2008. These are:

- IAS 39 (amended) Financial instruments: Recognition and measurement;
- IFRIC 11, IFRS 2 – Group Treasury Share Transactions;
- IFRIC 12, Service Concession Arrangements;
- IFRIC 13, Customer loyalty programmes;
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction;
- IFRIC 16, Hedges of a net investment in a foreign operation.

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 2008, the Group has elected not to early adopt any of the new / revised standards not yet mandatory for its 2008 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 statements (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);
- IAS 32 and IAS 1 (amended) (effective from 1 January 2009);
- IAS 39 (amended), 'Eligible hedged items' (effective from 1 July 2009);
- IFRS 1 (amended) and IAS 27 (revised) (effective from 1 January 2009;
- Improvements to IFRS (mostly effective 1 January 2009);
- IFRIC 15, 'Agreements for the construction of real estate' (effective from 1 January 2009).

Except as stated below, 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, the Company has carried out a 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, additional disclosures will be provided in 2009.

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.

(B2) List of consolidated subsidiaries

		Interest at 31 December	
Subsidiaries	**Headquarters / Country**	**2008**	**2007**
Swissquote Bank	Gland / Switzerland	100.0%	100.0%
Swissquote Trade Ltd	Gland / Switzerland	100.0%	100.0%

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (IAS 14)

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.

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.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 realise 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.

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 non-collectable, 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 2008 had ratings established by external rating agencies corresponding to investment grade (except Lehman Brothers Holding Inc). The Company's risk management for the lending activity 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), Collateralised 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 building comprise mainly offices. Land and building are shown at fair value, based on periodic valuations carried-out by independent valuers at least once every five years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the 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 derecognised. 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 building 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 re-valued 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 re-valued 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. Deferred income tax is determined using tax rate (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 2007 comparative figures have been adjusted to conform to changes in presentation in the current year.

- Depreciation and amortisation : Depreciation and amortisation charges are now included in the operating expenses caption. The detail is included under the Operating Expenses note. In 2007, both expenses were displayed in a separate section in the Statement of Operations.

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 2008 there are no such circumstances and related judgments to be reported (31 December 2007: 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 2008

Market value valuation with the non current market circumstances

The disorders in the financial markets that have occurred since the second half of 2008 have led to distortions in the ordinary pricing and the liquidity of financial instruments, in particular - and in the context of the balance sheet of the Company - of the bond market in which the company is invested as a result of its treasury / collateral & credit diversification policies.

Assessment of impairment on available-for-sale investment securities

The Company has carefully reviewed its bond portfolio to assess impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement or provision shall be recognised, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an investment. In carrying out its examination, the Company considered inter alia the latest credit ratings, the access by counterparties to funding (in particular support from sovereign entities) , as well as the level and evolution of credit default swaps associated to the issuers.

Lehman Brothers Holding Inc impairment

In one single case – a Euro 10m bond issued by Lehman Brothers Holding Inc that entered into administration in September 2008 – the Company considered that the source for the formation of the price available on the market was not adequate to support the year-end valuation, because the Administration of Lehman Brothers Holding Inc did not provide any insight on the extent of the estimated liquidation proceeds. In these circumstances, the Company decided to reduce the risk associated to this position to nil through the recognition of an impairment charge representing 75% of the position and through a provision covering the remaining 25%. Based on the above information, at year end, the Company estimates that it is very difficult to obtain a reliable value for the investment in Lehman Brothers Holding Inc and has decided to create a provision to cover the remaining carrying value. Details are provided in Notes 4, 16 and 17.

31 December 2007

None material.

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.

Further 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.

B. Credit risk

The Group takes on exposure to credit risk, which is the risk that a 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 remeasured 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.

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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	
	2008	2007
Credit risk exposure relating to on balance sheet assets are as follows:		
Loans and advances to banks	765,749,630	1,066,267,114
Loans and advances to customers	71,703,162	93,497,349
Investment securities	165,947,400	72,329,374
Others (Derivatives and Other assets)	18,245,096	13,340,360
Credit risk exposure relating to off balance sheet assets are as follows:		
Financial guarantees	3,703,527	3,489,025
Loan commitments and other credit related liabilities	12,638,000	6,894,000
At 31 December	**1,037,986,815**	**1,255,817,222**
Collateral at fair value tu support Loans and advances to customers	245,086,315	417,401,904

B5. Loans and advances

Loans and advances are summarised as follows:

	31 December 2008		31 December 2007	
	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	71,612,506	765,749,630	93,480,990	1,066,267,114
Past due but not impaired	90,656	-	16,359	-
Impaired	130,000	-	130,000	-
Gross	**71,833,162**	**765,749,630**	**93,627,349**	**1,066,267,114**
Less: allowance for impairment	(130,000)	-	(130,000)	-
Net	**71,703,162**	**765,749,630**	**93,497,349**	**1,066,267,114**

Loans and advances to customers are spread over 13,732 (2007: 10,672) distinct customers, 88% of them are based in Switzerland. The largest balance at 31 December 2008 is CHF 2,121,739 (2007: CHF 3,240,698).

Loans and advances to banks are spread over 25 (2007: 42) distinct counterparties. The largest balance at 31 December 2008 is CHF 88,448,049 (2007 : CHF 52,823,691).

Historically, the Bank has not been impacted by any material default on loans and advances to customers.

All amounts in Swiss Francs 30

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Loans and advances to banks are further analysed as follows (based on contractual maturity):

	External Rating	Sight	0-3 months	3-12 months	Gross amount
Investment Grade	from AAA to AA-	198,114,863	281,478,050	-	479,592,913
	from A+ to A-	45,303,717	240,453,000	400,000	286,156,717
	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 2008		**243,418,580**	**521,931,050**	**400,000**	**765,749,630**

	External Rating	Sight	0-3 months	3-12 months	Gross amount
Investment Grade	from AAA to AA-	230,126,735	381,328,300	-	611,455,035
	from A+ to A-	3,044,379	451,767,700	-	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**

No credit limits were exceeded during the reporting period.

At year-end, Loans and advances to Banks are pledged up to CHF 52.0m (2007: CHF 21.9m) in favour of third parties mainly in order to secure the settlement of client transactions. In 2007, investment securities totalling CHF 72.3m was pledged in favour of third parties for the same purpose.

All amounts in Swiss Francs

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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	Less than 1 year	1-2 years	2-5 years	Over 5 years	Gross amount
Investment Grade	from AAA to AA-	995,183	4,841,763	18,749,394	70,629,369	95,215,709
	from A+ to A-	13,618,253	-	50,751,374	2,668,766	67,038,393
	from BBB+ to BBB-	-	-	-	-	-
Speculative Grade	from BB+ to BB-	-	-	-	-	-
	from B+ to B-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-
	D	-	-	*3,693,298	-	3,693,298
Total at 31 December 2008		**14,613,436**	**4,841,763**	**73,194,066**	**73,298,135**	**165,947,400**

* The residual value of CHF 3,693,298 relates to a Lehman Brothers Holding Inc Bond and is fully covered by a provision (See Notes 10 and 16).

Except for Lehman Brothers Holding Inc, none of the above receivables are past due or impaired.

	S&P	Less than 1 year	1-2 years	2-5 years	Over 5 years	Gross amount
Investment Grade	from AAA to AA-	-	-	32,096,540	15,965,832	48,062,372
	from A+ to A-	-	-	15,829,502	-	15,829,502
	from BBB+ to BBB-	-	8,437,500	-	-	8,437,500
Speculative Grade	from BB+ to BB-	-	-	-	-	-
	from B+ toB-	-	-	-	-	-
	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**

All amounts in Swiss Francs 32

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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	USA	Others	Total
Loans and advances to banks	149,101,518	531,068,217	64,299,895	21,280,000	765,749,630
Loans and advances to customers	52,199,612	10,499,624	1,632,679	7,371,247	71,703,162
Investment securities	38,702,206	56,289,662	66,113,769	4,841,763	165,947,400
Others (Derivatives and Other assets)	15,224,177	2,601,873	7,926	411,120	18,245,096
Total at 31 December 2008	**255,227,513**	**600,459,376**	**132,054,269**	**33,904,130**	**1,021,645,288**
Total at 31 December 2007	**338,581,366**	**752,866,774**	**145,835,444**	**8,150,613**	**1,245,434,197**

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

SECTION VI : FINANCIAL RISK MANAGEMENT

C2. Non-derivative cash flows

At 31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	2,340,838	-	-	-	-	2,340,838
Due to customers	1,154,162,600	7,996,048	4,199,090	-	-	1,166,357,738
Other liabilities	18,095,734	-	-	-	-	18,095,734
Total liabilities (contractual maturity dates)	**1,174,599,172**	**7,996,048**	**4,199,090**	**-**	**-**	**1,186,794,310**
Total assets (expected maturity dates)	**881,717,745**	**305,635,959**	**400,000**	**36,099,583**	**75,149,110**	**1,299,002,397**

At 31 December 2007						
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**

C3. Derivatives cash flows

Derivatives held for trading and settled on a net basis.

At 31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 o 5 years	Over 5 years	Total
Liabilities						
Derivative financial instruments						
Security Options	8,606,195	662,222	2,035,410	770,002	14,432	12,088,261
Assets						
Derivative financial instruments						
Security Options	8,606,195	662,222	2,035,410	770,002	14,432	12,088,261

At 31 December 2007						
Liabilities						
Derivative financial instruments						
Security Options	7,843,581	776,601	923,328	712,068	-	10,255,578
Assets						
Derivative financial instruments						
Security Options	7,843,581	776,601	923,328	712,068	-	10,255,578

All amounts in Swiss Francs 34

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C4. Off balance sheet items

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

At 31 December 2008	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	12,638,000	-	-	12,638,000
Operating lease commitments	890,528	2,812,999	-	3,703,527
Capital commitments	-	-	-	-
Total	**13,528,528**	**2,812,999**	-	**16,341,527**
At 31 December 2007				
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**

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.

All amounts in Swiss Francs

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At 31 December 2008	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	293,000,822	9,846	153,979	10,904	293,175,551
Loans and advances to banks	466,058,714	94,965,423	186,124,464	18,601,029	765,749,630
Loans and advances to customers	37,673,513	18,891,497	14,133,979	1,004,173	71,703,162
Investment securities	91,604,110	-	74,343,290	-	165,947,400
Others (Derivatives and Other assets)	8,096,375	1,427,491	8,670,698	50,532	18,245,096
Total financial assets	896,433,534	115,294,257	283,426,410	19,666,638	1,314,820,839
Liabilities					
Deposits from banks	1,545,064	609,249	1,164	185,361	2,340,838
Due to customers	750,911,665	112,462,674	283,591,331	19,392,068	1,166,357,738
Others (Derivatives and Other payables)	23,919,996	1,162,908	5,130,999	6,975	30,220,878
Total financial liabilities	776,376,725	114,234,831	288,723,494	19,584,404	1,198,919,454
Net on balance sheet financial position	**120,056,809**	**1,059,426**	**(5,297,084)**	**82,234**	**115,901,385**
Off balance sheet notional position	-	-	-	-	-
Credit commitments	-	-	-	-	-

At 31 December 2007					
Total financial assets	812,751,316	133,212,387	315,820,637	20,562,265	1,282,346,605
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	-	-	-	-	-

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 quarterly.

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At 31 December 2008	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest Bearing	Total
Assets						
Cash and balances with central bank	293,175,551	-	-	-	-	293,175,551
Loans and advances to banks	765,349,630	400,000	-	-	-	765,749,630
Loans and advances to customers	71,703,162	-	-	-	-	71,703,162
Investment securities	51,005,409	-	36,099,583	75,149,110	3,693,298	165,947,400
Others (Derivatives and Other assets)	3,852,252	5,814,849	2,443,611	14,432	6,119,952	18,245,096
Total financial assets	1,185,086,004	6,214,849	38,543,194	75,163,542	9,813,250	1,314,820,839
Liabilities						
Deposits from banks	2,340,838	-	-	-	-	2,340,838
Due to customers	1,162,158,648	4,199,090	-	-	-	1,166,357,738
Others (Derivatives and Other payables)	3,852,252	5,814,849	2,443,611	14,432	18,095,734	30,220,878
Total financial liabilities	1,168,351,738	10,013,939	2,443,611	14,432	18,095,734	1,198,919,454
Net on balance sheet interest sensitivity gap	**16,734,266**	**(3,799,090)**	**36,099,583**	**75,149,110**	**(8,282484)**	**115,901,385**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**16,734,266**	**(3,799,090)**	**36,099,583**	**75,149,110**	**(8,282484)**	**115,901,385**

At 31 December 2007	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest Bearing	Total
Assets						
Cash and balances with central bank	36,912,408	-	-	-	-	36,912,408
Loans and advances to banks	1,066,267,114	-	-	-	-	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)	4,111,094	3,560,526	2,583,958	-	3,084,782	13,340,360
Total financial assets	1,273,117,339	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	1,142,478,494	1,079,338	-	-	-	1,143,557,832
Others (Derivatives and Other payables)	21,384,760	3,560,526	2,583,958	-	5,763,510	33,292,754
Total financial liabilities	1,166,510,098	4,639,864	2,583,958	-	5,763,510	1,179,497,430
Net on balance sheet interest sensitivity gap	**106,607,241**	**(1,079,338)**	-	-	**(2,678,728)**	**102,849,175**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**106,607,241**	**(1,079,338)**	-	-	**(2,678,728)**	**102,849,175**

The table above 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

D3. Sensitivity analysis on Foreign exchange Rate Risk and Interest Rate Risk

Sensitivity Foreign exchange Rate Risk analysis

	Foreign exchange Rate Risk				
		+ 7% EUR + 10% USD		- 7% EUR - 10% USD	
	Carrying amount CHF'000	Profit CHF'000	Other movements in equity CHF'000	Profit CHF'000	Other movements in equity CHF'000
Financial Assets					
Cash and cash equivalents	293,176	12	-	(12)	-
Loans and advances to Banks	765,750	22,525	-	(22,525)	-
Loans and advances to Customers	71,703	2,879	-	(2,879)	-
Investment securities	165,947	5,204	-	(5,204)	-
Other (Derivatives and Other assets)	18,245	750	-	(750)	-
Impact on financial assets before tax		31,370	-	(31,370)	-
Tax charges of 22%		(6,901)	-	6,901	-
Impact on financial assets after tax		**24,469**	-	**(24,469)**	-
Financial Liabilities					
Deposits from Banks	2,341	(61)	-	61	-
Due to Customers	1,166,358	(31,098)	-	31,098	-
Other (Derivatives and Other payables)	30,221	(475)	-	475	-
Impact on financial liabilities before tax		(31,634)	-	31,634	-
Tax charges of 22%		6,959	-	(6,959)	-
Impact on financial liabilities after tax		**(24,675)**	-	**24,675**	-
Total Increase / (Decrease)		**(206)**	-	**206**	-

There were no mismatch and no material impact on net balance sheet at 31 December 2007.

SECTION VI : FINANCIAL RISK MANAGEMENT

Sensitivity Interest Rate Risk analysis

		Interest Rate (-IR-) Risk			
		+100bp of CHF IR +100 bp of EUR IR		-100 bp of CHF IR -100 bp of EUR IR	
	Carrying amount CHF'000	Profit CHF'000	Other movements in equity CHF'000	Profit CHF'000	Other movements in equity CHF'000
Financial Assets					
Cash and cash equivalents	293,176	1,824	-	(1,824)	-
Loans and advances to Banks	765,750	4,764	-	(4,764)	-
Loans and advances to Customers	71,703	689	-	(689)	-
Investment securities AFS	77,666	401	3,177	(401)	(2,747)
Investment securities HTM	88,281	-	-	-	-
Impact on financial assets before tax		7,678	3,177	(7,678)	(2,747)
Tax charges of 22%		(1,689)	(699)	1,689	604
Impact on financial assets after tax		**5,989**	**2,478**	**(5,989)**	**(2,143)**
Financial Liabilities					
Deposits from Banks	2,341	-	-	-	-
Due to Customers	1,166,358	(1,450)	-	1,339	-
Impact on financial liabilities before tax		(1,450)	-	1,339	-
Tax charges of 22%		319	-	(295)	-
Impact on financial liabilities after tax		**(1,131)**	**-**	**1,044**	**-**
Total Increase / (Decrease)		**3,435**	**2,478**	**(3,522)**	**(2,143)**

There were no material impact on interest rate risk in 2007 which required a sensitivity analysis.

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	-	765,749,630	-	-	765,749,630	765,749,630
Loans and advances to customers	-	71,703,162	-	-	71,703,162	71,703,162
Investment securities	-	-	88,281,275	77,666,125	165,947,400	163,056,560
Other assets amortised at cost - CHF	-	2,161,238	-	-	2,161,238	2,161,238
Derivatives at fair value - CHF	5,935,137	-	-	-	5,935,137	5,935,137
Other assets amortised at cost - FX	-	3,958,714	-	-	3,958,714	3,958,714
Derivatives at fair value - FX	6,190,007	-	-	-	6,190,007	6,190,007
Total at 31 December 2008	**12,125,144**	**843,572,744**	**88,281,275**	**77,666,125**	**1,021,645,288**	**1,018,754,448**

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	1,066,267,114
Loans and advances to customers	-	93,497,349	-	-	93,497,349	93,497,349
Investment securities	-	-	-	72,329,374	72,329,374	72,329,374
Other assets amortised at cost - CHF	-	2,301,724	-	-	2,301,724	2,301,724
Derivatives at fair value - CHF	4,569,500	-	-	-	4,569,500	4,569,500
Other assets amortised at cost - FX	-	783,058	-	-	783,058	783,058
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**	**1,245,434,197**	**1,245,434,197**

Classes of financial liabilities	Carrying value 2008	Carrying value 2007	Fair value 2008	Fair value 2007
Deposits from banks	2,340,838	2,646,844	2,340,838	2,646,844
Due to customers	1,166,357,738	1,143,557,832	1,166,357,738	1,143,557,832
Other liabilities amortised at cost - CHF	17,984,859	22,888,697	17,984,859	22,888,697
Derivatives at fair value - CHF	5,935,137	4,569,500	5,935,137	4,569,500
Other liabilities amortised at cost - FX	3,316,715	3,937,149	3,316,715	3,937,149
Derivatives at fair value - FX	6,190,007	5,686,078	6,190,007	5,686,078
Total at 31 December	**1,202,125,294**	**1,183,286,100**	**1,202,125,294**	**1,183,286,100**

All amounts in Swiss Francs

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 Financial Market Supervisory Authority FINMA) 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%. Further the coverage ratio shall not fall below 120%. The Company adopted Basel II 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:

	2008	2007
Tier 1 capital		
Ordinary shares	2,927,674	7,319,185
Share premium	35,946,443	34,812,043
Share option reserve	1,485,992	742,379
Revaluation reserve - available-for-sale investments	(5,629,772)	(4,161,948)
Treasury shares	(24,548,517)	(13,798,287)
Retained earnings	128,948,338	101,651,309
Total qualifying Tier 1 capital	139,130,158	126,564,681
Tier 2 capital : None		
Total regulatory capital	**139,130,158**	**126,564,681**
Needed capital		
Needed capital per credit risk	24,150,000	30,964,000
Needed capital per risk without counterparties	10,527,000	9,126,000
Needed capital per market risk		
- Currencies	54,000	43,000
Needed capital per operational risk	14,865,000	11,613,000
Total needed capital	**49,596,000**	**51,746,000**
Surplus of capital	**89,534,158**	**74,818,681**
Coverage ratio	**281%**	**245%**

The Company complies with the minimum capital requirement at 31 December 2008 and has done at all times during 2008 and 2007.

Surplus capital at 31 December does not account for the impact of dividends and capital reduction (if any) to be proposed for approval at the General Meeting of Shareholders.

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

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 3.4 bn (2007: CHF 4.7 bn).

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SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2008	2007
Cash and balances with central bank	293,175,551	36,912,408
Loans and advances to banks	765,749,630	1,066,267,114
Deposits from banks	(2,340,838)	(2,646,844)
Total net	**1,056,584,343**	**1,100,532,678**
Less Due from other banks above 3 months	(400,000)	-
Cash and cash equivalents	**1,056,184,343**	**1,100,532,678**

Loans and advances to banks are pledged (2008 CHF 52.0m - 2007 CHF 21.9m) in favour of third parties mainly in order to secure the settlement of client transactions.
Section VI "Financial Risk Management" provides further details on Loans and advances to banks.

2. Derivative financial instruments

	31 December 2008			31 December 2007		
	Positive Fair Value	Negative Fair Value	Contract Amount	Positive Fair Value	Negative Fair Value	Contract Amount
Futures	36,883	36,883	71,432,061	-	-	23,499,529
Options	12,088,261	12,088,261	237,079,291	10,255,578	10,255,578	1,368,473,448
Total	**12,125,144**	**12,125,144**	**308,511,352**	**10,255,578**	**10,255,578**	**1,391,972,977**

The Group does not enter into derivative instrument transactions for own accounts.

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

All amounts in Swiss Francs 46

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.

	2008	2007
Loans and advances		
Covered loans	71,612,506	93,480,990
Overdrafts	220,656	146,359
Total	**71,833,162**	**93,627,349**
Impairment allowance	(130,000)	(130,000)
Total net	**71,703,162**	**93,497,349**
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.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Investment securities

Investment securities consist exclusively of listed bonds.

	2008	2007
Securities available-for-sale		
Debt securities - at fair value:		
- Listed	77,666,125	72,329,374
Total securities available-for-sale	**77,666,125**	**72,329,374**
Securities held-to-maturity		
Debt securities - at amortised cost:		
- Listed	88,281,275	-
Allowance for impairment	-	-
Total securities held-to-maturity	**88,281,275**	**-**
Total Investment securities	**165,947,400**	**72,329,374**
Current	14,613,436	-
Non-current	151,333,964	72,329,374

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Available-for-sale	Held-to-maturity	Total
At 1 January 2008	**72,329,374**	**-**	**72,329,374**
Exchange difference on monetary assets	(5,837,589)	(1,166,024)	(7,003,613)
Additions	25,660,619	89,447,299	115,107,918
Disposals (sale and redemption)	-	-	-
Gains / (losses) from changes in fair value	(2,596,706)	-	(2,596,706)
Impairment losses	(11,889,573)	-	(11,889,573)
At December 2008	**77,666,125**	**88,281,275**	**165,947,400**

	Available-for-sale	Held-to-maturity	Total
At 1 January 2007	**43,354,919**	**-**	**43,354,919**
Exchange difference on monetary assets	1,877,614	-	1,877,614
Additions	32,643,156	-	32,643,156
Disposals (sale and redemption)	(249,625)	-	(249,625)
Gains / (losses) from changes in fair value	(5,296,690)	-	(5,296,690)
Impairment losses	-	-	-
At December 2007	**72,329,374**	**-**	**72,329,374**

The impairment losses recognised in 2008 are in connection with the entering into administration of Lehman Brothers Holding Inc (See Note 16).

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Other liabilities

	2008	2007
Accrued expenses	7,642,428	12,551,636
Account payables	6,025,624	7,667,207
Social security and other taxes	2,298,273	1,098,123
Deferred revenues	760,650	664,157
Total	**16,726,975**	**21,981,123**

6. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware and Telecom Systems	Total
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**
Year ended 31 December 2008				
Opening net book amount	1,411,522	4,328,126	3,235,525	8,975,173
Addition	740,570	3,545,493	2,367,675	6,653,738
Amortisation / depreciation	(814,436)	(1,831,299)	(1,853,105)	(4,498,840)
Closing net book amount	**1,337,656**	**6,042,320**	**3,750,095**	**11,130,071**
At 31 December 2008				
Cost	6,981,376	15,029,439	14,530,364	36,541,179
Accumulated amortisation / depreciation	(5,643,720)	(8,987,119)	(10,780,269)	(25,411,108)
Net book amount	**1,337,656**	**6,042,320**	**3,750,095**	**11,130,071**

Additions to Information technology systems include an amount of CHF 2.8m (2007: CHF 1.8m) representing own costs capitalised in connection with the development of the systems of the Bank.

All amounts in Swiss Francs 50

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Property, plant and equipment

	Land & Building	Leasehold Improvements	Equipment	Total
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**
Year ended 31 December 2008				
Opening net book amount	17,381,490	499,253	1,825,230	19,705,973
Addition	266,569	752,373	528,342	1,547,284
Amortisation / depreciation	(541,175)	(211,178)	(312,305)	(1,064,658)
Closing net book amount	**17,106,884**	**1,040,448**	**2,041,267**	**20,188,599**
At 31 December 2008				
Cost	17,848,649	4,294,324	4,078,868	26,221,841
Accumulated amortisation / depreciation	(741,765)	(3,253,876)	(2,037,601)	(6,033,242)
Net book amount	**17,106,844**	**1,040,448**	**2,041,267**	**20,188,599**

Additions to Property, Plant and equipment include an amount of CHF 0.3m (2007: CHF 0.2m) representing own costs capitalised in connection with development of property.

Land and Building mainly consist of an office building located in Gland, Canton de Vaud, Switzerland that was completed in mid 2007. The Company did not observe significant changes in the local real estate market prices. As a result, the Company estimates that the fair value of its Land and Building has not significantly changed compared to July 2007.

8. Other assets

	2008	2007
Accrued income	5,465,570	2,585,351
Account receivables and prepayment	654,382	499,431
Total	**6,119,952**	**3,084,782**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Deferred tax assets (liabilities), net

a) Movements

	Sources of deferred taxes			
	Tax losses carried forward	Permanent differences	Temporary differences	Total Deferred tax assets (liabilities), net
Balance 1 January 2008	**285,000**	**-**	**(1,341,053)**	**(1,056,053)**
Movements with counterpart in Income tax expense				
In connection with the utilisation of tax losses carried forward	(285,000)	-	-	(285,000)
In connection with fair value of treasury shares	-	-	(268,489)	(268,489)
In connection with the write-back / (creation) of a general provision in the books of Swissquote Bank	-	-	287,683	287,683
In connection with differences in the capitalisation and depreciations policies in the books of Swissquote Bank	-	-	(46,900)	(46,900)
Balance 31 December 2008	**-**	**-**	**(1,368,759)**	**(1,368,759)**

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 write-back / (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)**

All amounts in Swiss Francs 52

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Deferred tax liabilities breakdown

	2008	2007
General provision in the books of Swissquote Bank	(932,457)	(1,220,140)
Difference in valuation of treasury shares and gain on treasury shares sold	(268,489)	-
Tax losses balance carried forward	-	285,000
Different capitalisation and depreciation method in accounting policies of Swissquote Bank	(167,813)	(120,913)
Total	**(1,368,759)**	**(1,056,053)**

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% (2007: 21.75%).

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.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Provisions

	Balance 1 January	Increase (decrease)	Used	Balance 31 December
Year 2008	1,176,970	4,113,304	(406,217)	4,884,057
Year 2007	759,619	756,990	(339,639)	1,176,970

The increase in provisions in 2008 includes an amount of CHF 3,693,298 relating to a Lehman Brothers Holding Inc Bond (see Note 16 for further details).

11. 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 2008, the rate was 2.0% per annum (2007: 2.5% per annum).

All amounts in Swiss Francs 54

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:

	2008	2007
Discount Rate	3.50%	3.50%
Rate of future increase in compensations	2.00%	2.00%
Rate of future increase in current pensions	0.50%	0.50%
Interest rate credited on savings accounts	3.50%	3.50%
Expected long-term rate of return on plan assets	4.50%	4.50%
Retirement age	65 (male) / 64 (female)	65 (male) / 64 (female)
Turnover	20% on average	20% on average

According to IAS 19, pension 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)	2008	2007	2006	2005
Fair value of plan assets	8,283.4	7,206.1	7,167.0	6,861.5
Defined benefit obligation	(8,513.8)	(6,973.4)	(6,892.6)	(7,582.5)
Funded status	**(230.4)**	**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)	2008	2007
Service cost	(1,269.5)	(1,124.0)
Interest cost	(244.1)	(189.5)
Expected return on plans assets	324.3	304.6
Employees contribution	654.8	481.1
Impact of §58 and 58A limit	(130.8)	36.0
Company's pension cost	**(665.3)**	**(491.8)**

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)	2008	2007
Company pension cost (actuarial)	(665.3)	(491.8)
Company's pension contribution (financial)	665.3	491.8
Difference : movement in prepaid pension cost	-	-

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

(all amounts in thousands CHF)	2008	2007
Beginning of year	-	-
Change	130.8	(36.0)
Impact of §58 and 58A	(130.8)	36.0
End of year	-	-

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

(all amounts in thousands CHF)	2008	2007
Funded status	(230.4)	232.7
Unrecognised (gain) / loss	361.2	(268.7)
Limit on balance sheet (para 58 & 58A of IAS19)	(130.8)	36.0
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)	2008	2007
Defined benefit obligation at beginning of the year	(6,973.4)	(6,892.6)
Service cost	(1,269.6)	(1,124.0)
Interest cost	(244.1)	(189.5)
Actuarial gains / (losses)	(133.4)	665.8
Benefit payments	106.7	566.9
Defined benefit obligation at end of the year	**(8,513.8)**	**(6,973.4)**

(all amounts in thousands CHF)	2008	2007
Fair value of plan assets at beginning of the year	7,206.1	7,167.0
Expected return on plan assets	324.3	304.6
Employees' contributions	654.8	481.1
Company contribution	665.3	491.8
Plan assets gains / (losses)	(460.4)	(671.5)
Benefit payments	(106.7)	(566.9)
Fair value of plan assets at end of the year	**8,283.4**	**7,206.1**

(all amounts in thousands CHF)	2008	2007
Unrecognised gains / (losses) at beginning of the year	232.7	274.4
Amortisation due to impact of §58 and 58A limit	130.8	-
Net liabilities	-	(36.0)
Actuarial gains / (losses)	(133.4)	665.8
Plan assets gains / (losses)	(460.5)	(671.5)
Unrecognised gains / (losses) at end of the year	**(230.4)**	**232.7**

The actual return on plan assets is as follows:

(all amounts in thousands CHF)	2008	2007
Actual return on plan assets	(136.1)	(367.0)

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The categories of plan assets and their expected return are as follows:

Categories of plan assets	2008 proportion in %	2008 expected return	2007 proportion in %	2007 expected return
Cash	51.5%	3.0%	38.2%	3.0%
Swiss bonds	40.4%	4.0%	29.8%	4.0%
Foreign bonds	0.0%	5.0%	11.5%	5.0%
Swiss shares	7.6%	10.0%	18.5%	10.0%
Foreign shares	0.5%	12.0%	2.0%	12.0%
Total	**100.0%**	**4.0%**	**100.0%**	**5.0%**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Equity

12.1 Share capital

a) Numbers of Shares in 2008

	1 January	Authorised capital lapsed	Capital Reduction	31 December
Issued shares				
Ordinary share capital				
Number of shares	14,638,370	-	-	14,638,370
Nominal value per share (CHF)	0.50	-	(0.30)	0.20
Total nominal value (CHF)	7,319,185	-	(4,391,511)	2,927,674
Unissued shares				
Conditional capital				
Number of conditional shares	211,060	-	-	211,060
Nominal value per share (CHF)	0.50	-	(0.30)	0.20
Total nominal value (CHF)	105,530	-	(63,318)	42,212
Authorised capital				
Amount authorised (CHF)	1,000,000	(1,000,000)	800,000	800,000
Nominal value per share (CHF)	0.50	0.50	0.20	0.20
Number of authorised shares	2,000,000	(2,000,000)	4,000,000	4,000,000

b) Numbers of Shares in 2007

	1 January	Exercise before split	Total at split	Total after split 1:10	Capital reduction	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

12.2 Share options reserve

	31 December 2008	31 December 2007
Value of services to be reclassified to Accumulated profits when outstanding options will lapse, expire or be exercised	2,562,675	1,703,756
Value of services to be amortised through profit and losses over the residual vesting periods of options	(1,076,683)	(961,377)
Share options reserve	**1,485,992**	**742,379**

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 ten 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 2008 are summarised below. In connection with the share split carried out in 2008, the original terms have been adapted accordingly. Optionees whose work contract is terminated loose 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.

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- 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 options granted under the tenth allocation in July 2008 are made under the following terms:
  - one option grants the right to acquire one share;
  - the strike price is equal to CHF 47.00;
  - 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 3% and 1% for the 2007 allocation). One option grants the right to acquire one share.

Date of Grant	24.07.2008
Strike price [CHF]	47
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 (*)	147,840
Of which granted to Board	11,000
Of which granted to Executive Management	24,000
Of which granted to Others employees	112,840
Spot price at grant [CHF]	40.00
Volatility [CHF]	39.31%
Fair value per option (average of all tranches) [CHF]	7.04

(*) 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

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

	Allocation									Conditional shares available	
	3rd	4th	5th	6th	7th	8th	9th	10th	Total	for exercise	
Balance at 1 January 2007	**1,950**	**45,000**	-	**29,590**	**200,840**	**84,570**	-	-	**361,950**	**263,620**	
Grants	-	-	-	-	-	-	115,550	-	115,550		
Exercised											
Covered by:											
the issue of new shares	(1,950)	(45,000)	-	(2,860)	(2,750)	-	-	-	(52,560)	(52,560)	
treasury shares	-	-	-	(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**	
Balance at 1 January 2008	-	-	-	**7,250**	**168,110**	**70,828**	**115,550**	-	**361,738**	**211,060**	
Grants	-	-	-	-	-	-	-	147,840	147,840		
Exercised											
Covered by:											
the issue of new shares	-	-	-	-	-	-	-	-	-		
treasury shares	-	-	-	(1,550)	(36,970)	(4,300)	-	-	(42,820)		
Lapsed	-	-	-	-	(340)	(2,500)	(9,260)	(2,360)	(14,460)		
Balance at 31 December 2008	-	-	-	**5,700**	**130,800**	**64,028**	**106,290**	**145,480**	**452,298**	**211,060**	
Less options outstanding										*(452,298)*	
Shortfall										*(241,238)*	*(241,238)*
Number of treasury shares available at 31 December 2008											*623,503*
Balance shares available for future grants											*382,265*

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

	Allocation								
	3rd	4th	5th	6th	7th	8th	9th	10th	Total
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**
Balance at 1 January 2008	-	-	-	**18,269**	**136,155**	**520,061**	**1,029,271**	-	**1,703,756**
Grants	-	-	-	-	-	-	-	1,040,759	1,040,759
Exercise : new shares	-	-	-	-	-	-	-	-	-
Exercise : treasury shares	-	-	-	(3,906)	(29,712)	(30,546)	-	-	(64,164)
Lapsed	-	-	-	-	(278)	(18,282)	(82,497)	(16,619)	(117,676)
Balance at 31 December 2008	-	-	-	**14,363**	**106,165**	**471,233**	**946,774**	**1,024,140**	**2,562,675**

All amounts in Swiss Francs 62

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Strike value of stock options outstanding and movements

	Allocation								
	3rd	4th	5th	6th	7th	8th	9th	10th	Total
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**
Balance at 1 January 2008	**-**	**-**	**-**	**82,578**	**2,857,870**	**2,408,152**	**8,666,250**	**-**	**14,014,850**
Grants	-	-	-	-	-	-	-	6,948,480	6,948,480
Exercise : new shares	-	-	-	-	-	-	-	-	-
Exercise : treasury shares	-	-	-	(17,655)	(628,490)	(146,200)	-	-	(792,345)
Lapsed	-	-	-	-	(5,780)	(85,000)	(694,500)	(110,920)	(896,200)
Balance at 31 December 2008	**-**	**-**	**-**	**64,923**	**2,223,600**	**2,176,952**	**7,971,750**	**6,837,560**	**19,274,785**

b) Maturity of stock options outstanding

Allocation #	Strike Price	Number Options	Exercise Period Start	End
6	11.39	5,700	May-07	April-09
7	17.00	12,200	August-07	July-09
		118,600	August-08	July-10
8	34.00	12,528	August-07	July-09
		24,700	August-08	July-10
		26,800	August-09	July-11
9	75.00	35,392	August-08	July-10
		35,435	August-09	July-11
		35,463	August-10	July-12
10	47.00	48,430	August-09	July-11
		48,506	August-10	July-12
		48,544	August-11	July-13
	Total	**452,298**		

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.3 Treasury Shares

The Company owned 623,503 treasury shares (4.26% of the issued shares) at 31 December 2008 (2007: 378,915 shares representing 2.59%) for a total cost of CHF 24,548,517 (2007 : CHF 13,798,287). with an average cost: CHF 39.37 (2007 : CHF 36.42). During 2008, the Company acquired 244,588 shares net (2007: 12,825 shares) resulting from:

- the acquisition of 343,960 shares at a unit price ranging from CHF 24.68 to CHF 55.96 (average cost of CHF 38.99 per share);
- the disposal of 56,552 shares at unit prices ranging from CHF 36.23 to CHF 54.79 (average per share of CHF 50.80); and
- the remittance of 42,820 treasury shares to optionees exercising options in exchange for the exercise prices ranging from CHF 11.39 to CHF 34.00 (average per share of CHF 18.50).

12.4 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 11 February 2009, a dividend in respect of 2008 of CHF 0.40 per share (2007: CHF 0.40 per share) amounting to a total of CHF 5,855,348 (2007: CHF 5,855,348) is to be proposed. The financial statements for the year ended 31 December 2008 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 2009.

13. Fee and commission income

	2008	2007
Brokerage and related	66,098,345	76,374,666
Custody and others	8,340,416	7,665,321
Advertising and subscription fees	2,712,255	2,722,359
Total	**77,151,016**	**86,762,346**

14. Interest income, net

	2008	2007
Interest income		
Cash and short-term funds	30,153,529	29,471,932
Investment securities - Available-for-sale	3,407,164	2,648,612
Investment securities - Held-to-maturity	311,793	-
Loans to customers	4,549,282	3,988,309
	38,421,768	**36,108,853**
Interest expense		
Banks	(8,401)	(34,207)
Due to customers	(7,076,095)	(9,713,311)
Total net	**31,337,272**	**26,361,335**

All amounts in Swiss Francs 64

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Operating expenses

	2008	2007
Payroll & related expenses	24,617,286	24,419,429
Other operating expenses	14,516,507	12,687,793
Depreciation and amortisation	5,563,498	3,633,503
Provisions	420,006	756,990
	45,117,297	41,497,715
Marketing expenses	9,522,241	9,436,990
Total	**54,639,538**	**50,934,705**

Payroll and related expenses consist of:

	2008	2007
Wages and salaries	24,221,333	23,247,369
Social security costs	3,406,209	3,299,631
	27,627,542	**26,547,000**
Less capitalised costs	(3,010,256)	(2,127,571)
Total	**24,617,286**	**24,419,429**
Average headcount	233	194

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

16. Impairement and provision on Investment securities

	2008	2007
Impairment on Investment securities	11,982,786	-
Provision on Investment securities	3,693,298	-
Total	**15,676,084**	-

The impairment and provision charges are relating to a Euro 10m bond issued by Lehman Brothers Holding Inc that entered into administration in September 2008. The aggregate amount of CHF 15,676,084 fully covers the carrying value of the bond.

17. Income tax income / (expense)

	2008	2007
Current tax, except impairment and provision on Investment securities	(11,690,683)	(5,256,807)
Deferred tax assets		
Amortisation	(285,000)	(5,776,827)
Recognition	-	-
Deferred tax liabilities	(27,706)	(1,341,053)
	(12,003,389)	**(12,374,687)**
Current tax on impairment and provision on Investment securities	**3,448,738**	-
Total	**(8,554,651)**	**(12,374,687)**

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 4).

18. Earning per share

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.

	2008	2007
Net Profit	32,806,750	47,572,548
Weighted average number of ordinary shares in issue	14,137,161	14,239,588
Basic earning per share	2.32	3.34

All amounts in Swiss Francs 66

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.

	2008	2007
Net Profit	32,806,750	47,572,548
Weighted average number of ordinary shares in issue	14,137,161	14,239,588
Adjustments for share options	99,053	151,805
Weighted average number of ordinary shares for diluted earnings per share options	**14,236,214**	**14,391,393**
Diluted earning per share	2.30	3.31

19. 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%.

	2008	2007
Key Management compensation		
Short term employee benefits	2,490,650	2,422,747
Post-employment benefits	251,124	227,378
Share based payment	246,400	231,580
Loans and advances to customers	35,707	2,773,152
Due to customers	4,160,806	4,155,070
Interest income	19,465	67,523
Interest expenses	3,152	22,787

20. Commitments

<u>Operating leases:</u> Operating lease commitments consist of office space leases.

Payable	2008	2007
Not later than 1 year	890,528	1,011,825
Later than 1 year and not later than 5 years	2,812,999	2,477,200
Later than 5 years	-	-

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. 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 2008

All amounts in CHF	Base compensation		Variable compensation		Other Compensation (*3)	Total	Number of share options granted (*2)
	Cash	Shares (fair value)	Cash bonus (*1)	Share option (fair value) (*2)			
Board of Directors							
Mario Fontana, Chairman of the Board	120,000	-	-	21,120	2,000	143,120	3,000
Paul E. Otth, member	75,000	-	-	14,080	2,000	91,080	2,000
Markus Dennler, member	75,000	-	-	14,080	2,000	91,080	2,000
Martin M. Naville, member	75,000	-	-	14,080	2,000	91,080	2,000
Adrian Bult, member (*4)	65,000	-	-	14,080	1,500	80,580	2,000
Total Board of Directors	**410,000**	**-**	**-**	**77,440**	**9,500**	**496,940**	**11,000**
Executive Management							
Marc Bürki, CEO	355,000	-	230,750	56,320	25,300	667,370	8,000
Paolo Buzzi, CTO	355,000	-	230,750	56,320	25,300	667,370	8,000
Michael Ploog, CFO	355,000	-	230,750	56,320	16,900	658,970	8,000
Total Executive Management	**1,065,000**	**-**	**692,250**	**168,960**	**67,500**	**1,993,710**	**24,000**

Total compensation is reported based on the base compensation paid in 2008, the value of the options granted in 2008 (value at grant date) and the accrual in 2008 of the bonus payable in 2009, based on the 2008 results.

(*1) Cash bonus consists of the bonus payable in 2009 based on the performance of the 2008 financial year.

(*2) The fair value of the options has been determined based on the valuation method and the parameters used for the 10th allocation (see Note 12.2). The number of options granted in 2008 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 2008, Mr. A. Bult was elected at the Board for a first term on the same date.

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SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Compensations 2007

All amounts in CHF	Base compensation		Variable compensation		Other Compensation (*3)	Total	Number of share options granted (*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 M. 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 12.2). 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

c) Loans and credits

As per 31 December 2008, 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	2008	2007
Mario Fontana, Chairman of the Board	-	
Paul E. Otth, member	-	
Markus Dennler, member	-	
Martin M. Naville, member	-	
Adrian Bult, member	-	
Marc Bürki, CEO	-	
Paolo Buzzi, CTO	-	
Michael Ploog, CFO	-	
Closely related persons	-	
Former members	35,707	2,773,152

d) Participations

	Number of shares 2008	Number of shares 2007	Number of share options expiring				
			2009	2010	2011	2012	2013
Mario Fontana, Chairman of the Board	809,050	809,050		39,000	1,000	1,000	1,000
Paul E. Otth, member	55,200	55,200		26,000	666	667	667
Markus Dennler, member	-	-		26,000	666	667	667
Martin M. Naville, member	5,722	3,689		666	1,333	1,334	667
Adrian Bult, member	-	-			666	667	667
Marc Bürki, CEO	2,123,000	2,122,500	2,660	5,336	8,003	5,334	2,667
Paolo Buzzi, CTO	2,119,500	2,119,000	2,660	5,336	8,003	5,334	2,667
Michael Ploog, CFO	72,150	73,000		5,336	8,003	5,334	2,667
Closely related persons (*1)	165,130	157,440					
Former members (*2)	987,630	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. P. Brogle (2002 to 2004), Mr. Tito Tettamanti (2000 to 2001), Mr. E. Gounod (2000 to 2004) and Mr. O. Nägeli (2003 to 2007).

All amounts in Swiss Francs 70

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

Report of the statutory auditors on the consolidated financial statements

As statutory auditors, we have audited the consolidated financial statements of Swissquote Group Holding Ltd, which comprise the balance sheet, statement of operations, statement of changes in shareholders' equity, cash flow statement and notes (pages 10 to 70), for the year ended 31 December 2008.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 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.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA

Philippe Bochud	Nicolas Colledge
Audit expert	Audit expert
Auditor in charge	

Geneva, 11 February 2009

Financial Report 2008
Statutory Financial Statements

STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 OF SWISSQUOTE GROUP HOLDING LTD

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Financial Report 2008
Statutory Financial Statements

BALANCE SHEET AT 31 DECEMBER 2008

	Notes	2008	2007
ASSETS			
Current assets			
Cash and banks		77,192	76,960
Receivables and prepayments		183,661	183,661
Securities (treasury shares)	3	20,115,550	13,798,286
Total current assets		**20,376,403**	**14,058,907**
Non-current assets			
Investments in subsidiaries	4	40,698,952	40,698,952
Receivables from subsidiaries	5	36,041,714	9,467,516
Intellectual property rights, net	6	3,119	673,250
Total non current assets		**76,743,785**	**50,839,718**
TOTAL		**97,120,188**	**64,898,625**
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		192,695	183,350
Income tax payable		212,346	-
Total current liabilities		**405,041**	**183,350**
Equity			
Share capital	7	2,927,674	7,319,185
Share premium	8	2,826,784	7,603,243
Reserve for own shares	8	24,548,517	13,798,286
Retained earnings	8	66,412,172	35,994,561
Total equity		**96,715,147**	**64,715,275**
TOTAL		**97,120,188**	**64,898,625**

The notes on pages 76 to 79 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2008
Statutory Financial Statements

STATEMENT OF OPERATIONS FOR THE YEAR 2008

	Notes	2008	2007
Income			
Revenues from investments		870,334	680,616
Realised gain on treasury shares	3	1,134,399	1,549,684
Interest income		808,609	354,570
Royalties		6,253,982	3,673,869
Reversal of provision on investment and receivable from subsidiaries	4	-	16,238,794
Dividend received from subsidiaries		39,583,337	-
Total		**48,650,661**	**22,497,533**
Expenses			
Fair value adjustment of treasury shares	3	4,432,967	5,540,740
Operating expenses		1,252,272	618,670
Amortisation		670,131	748,118
Tax expense		212,346	-
Total		**6,567,716**	**6,907,528**
Net profit before tax	8	**42,082,945**	**15,590,005**

The notes on pages 76 to 79 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2008
Statutory Financial Statements

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:

	2008	2007
Mr. Marc Bürki	14.50%	14.50%
Mr. Paolo Buzzi	14.48%	14.48%
Mr. Jean Pfau	5.57%	5.79%
Alken Fund European Opportunities R ACC	5.79%	6.50%
Mr. Mario Fontana	5.53%	5.53%
PEC Global Equity Fund	5.09%	5.12%

The statutory financial statements were approved for issue by the Board of Directors of the Company on 11 February 2009.

2. Corporate governance, risk assessment and disclosure of compensation in accordance with art 663b bis and 663c CO

The detailed Corporate Governance Report established in compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance is included in Section 3 of the 2008 Annual Report of Swissquote Group Holding Ltd and subsidiaries. The Board is composed of MM Mario Fontana (Chairman of the Board and Chairman of the Nomination and Remuneration Committee), Paul E. Otth (Chairman of the Audit Committee), Markus Dennler (member of the Nomination & Remuneration Committee), Martin Naville (member of the Audit Committee), and since April 2008, Adrian Bult (member of the Audit Committee). Executive Management is composed by MM Marc Bürki (CEO), Paolo Buzzi (CTO) and Michael Ploog (CFO).

The Board met 6 times in 2008, of which once for a conference dedicated to an in-depth review of risks and of risk management processes that was attended by the full Board, the Executive Management, the heads of department of Swissquote Bank who are involved in specific risk management functions, Internal Audit and External Audit. Each body / person submitted to the Board its own independent assessment and, based thereon and on its own assessment the Board concluded on the adequacy of risk management and, when required, resolved on enhancements to the risk assessment process and to internal control.

The compensation of the Board of Directors and of Executive Management (art. 663b bis and 663c CO) is disclosed in Note 21 (Section VII) of the 2008 Consolidated Financial Statements of Swissquote Group Holding Ltd and subsidiaries.

All amounts in Swiss Francs 76

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. Securities (Treasury shares)

The Company owned 623,503 treasury shares (4.26% of the issued shares) at 31 December 2008 (2007: 378,915 shares representing 2.59%) for a total cost of CHF 24,548,517 (2007: CHF 13,798,287). with an average cost: CHF 39.37 (2007: CHF 36.42). During 2008, the Company acquired 244,588 shares net (2007: 12,825 shares) resulting from:

- the acquisition of 343,960 shares at a unit price ranging from CHF 24.68 to CHF 55.96 (average cost of CHF 38.99 per share);
- the disposal of 56,552 shares at unit prices ranging from CHF 36.23 to CHF 54.79 (average per share of CHF 50.80); and
- the remittance of 42,820 treasury shares to optionees exercising options in exchange for the exercise prices ranging from CHF 11.39 to CHF 34.00 (average per share of CHF 18.50).

Treasury shares are valued at 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.

Treasury shares in excess of share option to be covered are valued at the lowest of the cost or market.

The fair value of the treasury shares at 31 December 2008 in accordance with the above method is CHF 20.1m (2007: CHF 13.8m). The fair value adjustment resulted in a loss of a CHF 4.4m in 2008 (2007: loss of CHF 5.5m).

4. Investments in subsidiaries

Investments in subsidiaries consist of:

	2008		2007	
	%	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 CHF 32.6m 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 of the write back in 2007 is CHF 16.2m.

All amounts in Swiss Francs

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

5. Receivables from subsidiaries

Receivables from subsidiaries consist of:

	2008	2007
Subordinated loan	23,600,000	7,000,000
Current account	12,441,714	2,467,516
Total	**36,041,714**	**9,467,516**

As part of the meeting of the actual and foreseeable capital requirements of Swissquote Bank, Swissquote Group Holding Ltd entered on 22 April 2008 into a CHF 23.6m subordinated loan agreement with Swissquote Bank, in compliance with Art. 16 and 27 of the Swiss Federal Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers of 29 September 2006. The subordinated loan agreement is renewed annually as long as no party terminates it as per 31 December of the relevant year. When the termination is notified by one party to the other, the agreement terminates five years after the first day of the year following the 31 December as per which the termination is notified. The 22 April 2008 Agreement replaces a former agreement between the parties that was in force since December 2004. The interest rate is set annually and is based on the standards issued by the Swiss Tax Authorities.

6. Intellectual property rights

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

7. Share capital

	2008	2007
Ordinary issued share capital		
Number of shares in issue	14,638,370	14,638,370
Nominal value of each share (Registered shares)	0.20	0.50
Ordinary share capital	2,927,674	7,319,185
Unissued share capital		
Conditional share capital	42,212	105,530
Authorised share capital	800,000	1,000,000

At the 25 April 2008 Shareholders Meeting, the shareholders inter alia resolved: to reduce the share capital by an amount of CHF 0.30 per share through a reduction of the nominal value of each share from CHF 0.50 to CHF 0.20 (total reduction of nominal value: CHF 4,391,511). The capital reduction was paid on 28 July 2008.

Authorised Share capital
The provision ruling the utilisation of the Authorised share capital provides that the Board of Directors is authorised until 25 April 2010 to increase the share capital of the Company by a maximum of CHF 800,000 by issuing no more than 4,000,000 new registered shares with a nominal value of CHF 0.20. The provision further provides details on the capital increase process and exercise of preferential subscription rights.

All amounts in Swiss Francs 78

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

8. Share premium, Reserve for own shares and Retained earnings

	2008	2007
Share premium		
At beginning of year	7,603,243	12,218,818
Allocation to Reserve for own shares	(4,776,459)	(4,786,947)
Share premium on new shares issued	-	171,372
At end of year	**2,826,784**	**7,603,243**
Reserve for own shares		
At beginning of year	13,798,286	9,011,339
Allocation from Retained earnings	5,973,772	-
Allocation from Share premium	4,776,459	4,786,947
At end of year	**24,548,517**	**13,798,286**
Retained earnings		
At beginning of year	35,994,561	23,259,602
Dividend paid	(5,691,562)	(2,855,046)
Allocation for own shares	(5,973,772)	-
Net profit of the year	42,082,945	15,590,005
Available retained earnings, end of year	**66,412,172**	**35,994,561**

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

In 2007 and in previous years, the Reserve for own shares was debited against Share premium. In 2008 CHF 4,776,459 out of the CHF 10,750,231 increase of the Reserve for own shares was debited against Share premium and the remaining balance of CHF 5,973,772 against Retained earnings. Future increases, if any, of the Reserve for own shares will be debited against Retained earnings because Share Premium has now reached 20% of the original paid-in capital before the capital reductions that took place in 2005, 2006 and 2007.

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

See note 21 of the Consolidated Financial Statements in section VII "Other Notes to the Consolidated Financial Statement".

All amounts in Swiss Francs

PROPOSAL OF THE BOARD OF DIRECTORS REGARDING AVAILABLE EARNINGS AT 31 DECEMBER 2008

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

Available earnings		
Available retained earnings at 31 December 2008		66,412,172
Proposed dividend *(1)*	CHF 0.40 per share	(5,855,348)
Retained earnings to be carried forward at 1 January 2009		**60,556,824**

(1) Amounts based on the number of shares issued at 31 December 2008.

All amounts in Swiss Francs

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

Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Swissquote Group Holding Ltd, which comprise the balance sheet, statement of operations and notes (pages 74 to 80), for the year ended 31 December 2008.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Philippe Bochud	Nicolas Colledge
Audit expert	Audit expert
Auditor in charge	

Geneva, 11 February 2009

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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 "SIX Swiss Exchange Directive on Information Relating to Corporate Governance" and the "Swiss Code of Best Practice for Corporate Governance", both effective since 2002.

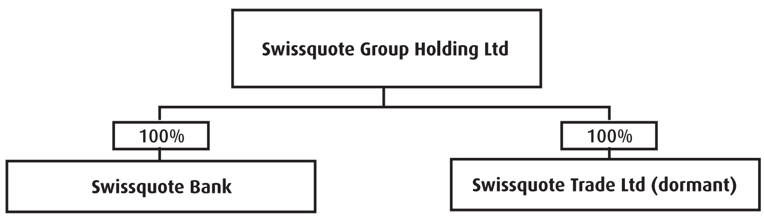
1. Group structure and shareholders

1.1 Group structure

The structure of Swissquote Group Holding Ltd ("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 SIX 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 Financial Market Supervisory Authority FINMA. 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.

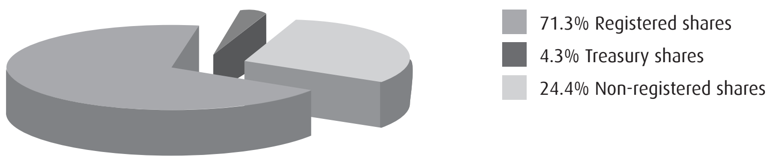
According to the information received by the Company, the Shareholders with an interest in the Company above 3% at 31 December 2008 were:

	2008	2007
Mr. Marc Bürki	14.50%	14.50%
Mr. Paolo Buzzi	14.48%	14.48%
Mr. Jean Pfau	5.57%	5.79%
Alken Fund European Opportunities R ACC	5.79%	6.50%
Mr. Mario Fontana	5.53%	5.53%
PEC Global Equity Fund	5.09%	5.12%

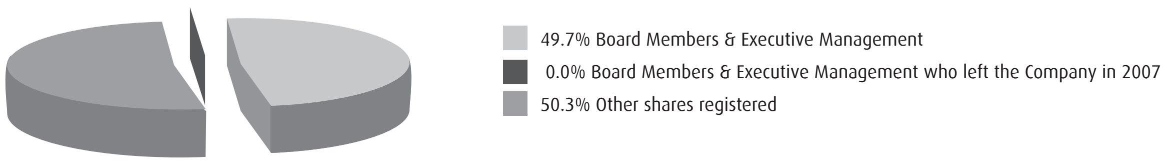
At year-end the Company's holding in its own shares amounted to 4.26%.

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

At 31 December 2008 the issued share capital consisted of 14,638,370 ordinary registered shares of CHF 0.20 nominal value each. The shareholders registered in the share register held 10,440,786 shares and the Company owned 623,503 treasury shares. The distribution of the shareholdings in the Company was the following:



Further the registered shareholders at 31 December 2008 are analysed as follows:



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 General Meeting of Shareholders 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 2008 the issued share capital consisted of 14,638,370 ordinary registered shares of CHF 0.20 nominal value each. The Company owned 623,503 treasury shares. Further a conditional share capital of CHF 42,212 consisting of 211,060 ordinary conditional shares of CHF 0.20 nominal value and an authorised capital of CHF 800,000 consisting of 4,000,000 authorised shares of CHF 0.20 nominal value each were outstanding at 31 December 2008.

All issued shares at 31 December 2008 were freely tradable (i.e. there is no lock-up in place). SIX Swiss Exchange 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 SIX Swiss Exchange Regulations, the free float at 31 December 2008 was 59.92% (2007: 59.70%).

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 42,212 by issuing no more than 211,060 new registered shares with a nominal value of CHF 0.20 each.

Art. 4ter of the Articles of Association ruling the utilisation of the authorised capital provides that the Board of Directors is authorised until 25 April 2010 to increase the share capital of the Company by a maximum of CHF 800,000 by issuing no more than 4,000,000 new registered shares with a nominal value of CHF 0.20 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 of Shareholders 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 of Shareholders 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 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**
At January 2008	**14,638,370**	**211,060**	**2,000,000**	**16,849,430**
Lapsed authorised capital	-	-	(2,000,000)	(2,000,000)
New authorised capital	-	-	4,000,000	4,000,000
Exercise of employees' Stock Options	-	-	-	-
At 31 December 2008	**14,638,370**	**211,060**	**4,000,000**	**18,849,430**

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 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**
Balance at 1 January 2008	**7,319,185**	**34,812,043**	**742,379**	**(4,161,948)**	**(13,798,287)**	**101,651,309**	**126,564,681**
Net profit	-	-	-	-	-	32,806,750	32,806,750
Pay-out							
Dividend	-	-	-	-	-	(5,691,562)	(5,691,562)
Capital reduction	(4,391,511)	130,413	-	-	-	-	(4,261,098)
Other movements (*1)	-	1,003,987	743,613	(1,467,824)	(10,750,230)	181,841	(10,288,613)
Balance at 31 December 2008	**2,927,674**	**35,946,443**	**1,485,992**	**(5,629,772)**	**(24,548,517)**	**128,948,338**	**139,130,158**

(*1) See Consolidated Changes in Shareholder' Equity for the years ended 2008 and 2007 for further details.

2.4 Shares and participation certificates

Each Company's registered share (par value CHF 0.20) carries one voting right at the General Meeting of Shareholders. 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 with voting rights.

Decisions related to the restriction of the transferability of registered shares can only be taken by the General Meeting of Shareholders 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.

Corporate Governance Report

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 2008 the Board of Directors consisted of five 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 2008, all Board members seeking their re-election were re-elected and Adrian Bult who sought his election for the first time was elected.

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

Educational Background

1966 – 1969	ETH Zurich, Studies in Mechanical Engineering
1969 – 1970	Georgia Tech, USA, Master of Science Degree in Aerospace Engineering

Executive Experience

1970 – 1977	IBM Switzerland, Sales Representative and International Account Manager
1977 – 1980	Brown Boveri Brazil, Chief of Staff and CIO. Is today part of ABB
1981 – 1983	Storage Technology Switzerland, Country General Manager
1984 – 1993	Hewlett-Packard Switzerland, Country General Manager
1993 – 1995	Hewlett-Packard Germany, General Manager Computer Business
1995 – 1997	Hewlett-Packard Europe, General Manager Computer Business
1997 – 1999	Hewlett-Packard USA, General Manager Financial Services worldwide

Previous Board Mandates

1993 – 2006	Büro Fürrer, Member of the Board. Company acquired by Lyreco, France
1998 – 2008	SBB, Swiss Railways, Member of the Board
1999 – 2004	Bon appétit Group, Chairman. Company acquired by REWE, Germany
2000 – 2005	Leica Geosystems, Chairman. Company acquired by Hexagon, Sweden
2000 – 2003	AC Services, Germany, Member of the Board
2002 – 2006	Sulzer, Member of the Board
2004 – 2006	Amazys, Chairman. Company acquired by X-Rite, USA
2006 – 2008	X-Rite, USA, Member of the Board

Current Board Mandates

Since 2001	Swissquote, Chairman
Since 2003	Inficon, Member of the Board
Since 2005	Dufry, Member of the Board
Since 2006	Hexagon, Sweden, Member of the Board

Mario Fontana has not held official functions and political posts in 2008.

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

Educational Background

1972 Swiss Certified Public Accountant

Executive Experience

1962–1965	Elektrodenfabrik Oerlikon Bührle, Financial and Cost Accounting
1965–1967	Zürcher Kantonalbank, Traditional Banking and Internal Audit
1968–1974	Neutra Treuhand, Consulting and Auditing
1974-1988	Corange Group (Boehringer Mannheim):
	1974-1977 and 1980-1982 International Division, Head of Organisation, Consulting, Internal Audit
	1978-1979 Boehringer Mannheim France, Co-General Manager, Finance and Administration
	1982-1988 Corange Group, Head of Corporate Controlling and Holding Treasurer
1988-1989	Budliger Treuhand, Partner
1989-1996	Landis & Gyr
	1989-1994 Division Building Control, Head of Finance and Controlling
	1994 Landis&Gyr Europe, Head of Finance and Controlling and Informatics
	1994-1996 CFO and member of the Group Executive Board
1996-1998	Elektrowatt Group, CFO and member of the Group Executive Board
1998-2000	Siemens Building Technologies, CFO and member of the Group Executive Board
2000-2002	Unaxis, CFO and member of the Group Executive Board

Previous Board Mandates

1998-2008	SBB, Swiss Railways, Member of the Board and Chairman of the audit committee
2000-2001	Elma, Member of the Board
2000-2004	Esec, Member of the Board

Current Board Mandates

Since 1999	EAO, Chairman
Since 2000	Inficon, Vice-chairman
Since 2002	Ascom, Vice-chairman and Chairman of the audit committee
Since 2002	Swissquote, Member of the Board

Paul E. Otth has not held official functions and political posts in 2008.

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

Educational Background

1982	Licentiate in Law, University of Zurich
1984	Doctorate in Law, University of Zurich
1986	Attorney at Law, admitted to the Bar
1989	International Bankers School, New York
1997	Harvard Business School, Boston (AMP)

Executive Experience

1986 - 1994	Credit Suisse, Various assignments
1994 - 1996	CS Columna, Delegate to the Board of Directors
1997 - 1998	Winterthur Columna, CEO
1998 - 2000	Winterthur Insurance, Member of the Corporate Executive Board and Head of Individual and Group Life Division
2000 - 2003	Credit Suisse, Member of the Executive Board of CSFS and responsible for the operational global Life & Pensions business

Current Activity

Attorney at Law with office in Zürich

Previous Board Mandates

2005 - 2006	Batigroup, Chairman
2005 - 2007	Converium, Chairman

Current Board Mandates

Since 2003	British Swiss Chamber of Commerce, Councillor
Since 2005	Swissquote, Member of the Board
Since 2006	Allianz Suisse, Vice-Chairman
Since 2006	Implenia, Vice-Chairman
Since 2006	Petroplus, Member of the Board
Since 2007	Jelmoli, Member of the Board

Markus Dennler has not held official functions and political posts in 2008.

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

Educational Background

1979 – 1984	University Zurich, Master of the Laws

Executive Experience

1985 – 1988	J.P. Morgan Bank, Assistant Treasurer in Zurich and New York
1988 - 1990	The Boston Consulting Group, Consultant in Munich
1990 – 1992	The Boston Consulting Group, Project Leader in Zurich
1992 – 1995	The Boston Consulting Group, Manager in New York
1995 – 2004	The Boston Consulting Group, Partner and Director in Zurich
Since 2004	Swiss-American Chamber of Commerce, CEO, Zurich

Current Board Mandates

Since 2002	Zoo Zürich Inc., Member of the Board (Chairman since 2004)
Since 2006	Lombard International, Luxemburg, Member of the Board
Since 2007	Swissquote, Member of the Board

Martin M. Naville has not held official functions and political posts in 2008.

Adrian Bult (1959 / Swiss national, domiciled in Switzerland) Member of the Board of Swissquote Group Holding Ltd since April 2008 Member of the Board of Swissquote Bank since April 2008 Member of the Audit Committee

<u>Educational Background</u>

1978 – 1983	University St. Gallen, MBA in Economics and Marketing

<u>Executive Experience</u>

1984 – 1987	IBM (Schweiz) Zürich, Marketing Assistant, Sales Representative
1988 – 1989	IBM United Kingdom, Industry Specialist
1989 – 1994	IBM (Switzerland) Zürich, Head of Market Development Banking, Head of Profit Center Banking
1995 – 1996	IBM (Switzerland), IBM (Austria), Head of Profit Center Switzerland, Austria and Eastern Europe and member of the management board IBM (Switzerland)
1997	IBM (Switzerland), Head of Region Switzerland, Austria, Eastern Europe, Germany
1997 - 1998	Telecom PTT (prior to the IPO), Head of IT
1998 – 2000	Swisscom AG, Chief Information Officer, member of the management board
2001 – 2006	Swisscom Fixnet AG, Bern (wire line company), CEO and member of the management board Swisscom AG
2006 – 2007	Swisscom Mobile AG, Bern, CEO and member of the management board of Swisscom AG
Since 2007	COO Avaloq Evolution AG, Zürich, Member of the management team, shareholder

<u>Current Board Mandates</u>

Since 2007	Swissgrid AG, Switzerland
Since 2008	Swissquote, Switzerland
Since 2008	Versatel Holding, Germany
Since 1998	Adag, Switzerland

<u>Other mandates</u>

Since 2006	Swiss Marketing Association, Member of the Board
Since 2006	IBM Alumni Association, President

Adrian Bult has not held official functions and political posts in 2008.

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 2008 the Board has been comprised of five 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 a proper organisation and 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 FINMA;
- the General Meeting of Shareholders;
- both the Board and the FINMA;
- the Board;
- the Executive Management; and
- the 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 2008, 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 2008 the Board met 6 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 the Executive Management, for the approval 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 General Meeting of Shareholders 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 and financial control as well as 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 General Meeting of Shareholders (invitations incl.) as well as execute decisions;
- pass resolutions in connection with a capital increase pursuant to Art. 651a, 652g, 653g CO and make 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 overindebtedness.

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, Adrian Bult.

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. It met four times in 2008. The usual length of the meeting was 2.5 hours. At each meeting held in 2008 the Executive Management, the 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 2008 it met four times. The usual length of the meeting was 1.5 hours. At each meeting held in 2008 the Executive Management was present, except for those parts of the agenda dedicated to the examination of the personal situation of the members of the 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. The 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 the Executive Management assures the maintaining and development of a corporate framework embedded in the corporate values approved by the Board. The Executive Management is accountable to the Board of Directors for the Company's results.

The 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 Regulations 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 & Client Relations
- Paolo Buzzi: Product Development, Information Technology & Security, Quantitative Asset Management
- Michael Ploog: Trading & Treasury, Back-office & Banking Applications, Human Resources, Legal & Compliance and Reporting & Controlling

The 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 the 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 the 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"). The 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.

The 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 regulation. 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 Financial Market Supervisory Authority (FINMA), 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

The 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 2008. 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 Holding Ltd and Swissquote Bank
Founding partner of Swissquote Group Holding Ltd

Educational Background

1982 - 1987	Swiss Federal Institute of Technology (EPFL), Lausanne, degree in electrical engineering

Professional Experience

1987 – 1990	European Space Agency, Nordweijk, Netherlands, telecommunication specialist
1990 – 2002	Marvel Communications Ltd, Co-Managing Director
Since 1999	Swissquote Group Holding Ltd, Chief Executive Officer
Since 2002	Swissquote Bank, Chief Executive Officer

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

Educational Background

1983 - 1988	Swiss Federal Institute of Technology (EPFL), Lausanne, degree in micro technology

Professional Experience

1988 – 1990	Rolm Systems, Santa Clara, USA, Software Engineer and New Technology Integration Engineer
1990 – 2000	Marvel Communications Ltd, Co-Managing Director
2000 – 2002	Swissquote Info, Chief Executive Officer
Since 1999	Swissquote Group Holding Ltd, Chief Executive Officer
Since 2002	Swissquote Bank, Chief Technology Officer

Michael Ploog (1960 / Swiss National, domiciled in Switzerland) Chief Financial Officer (CFO) of Swissquote Group Holding Ltd and Swissquote Bank

Educational Background

1980 - 1983	University of Lausanne, Hautes Etudes Commerciales
1986 - 1990	Swiss Institute of Certified Accountant, Lausanne, Swiss Certified Accountant

Professional Experience

1983 – 1985	University of Lausanne, Chair of Financial and Cost Accounting, Graduate Teaching Assistant
1986 – 1998	Deloitte & Touche, Senior Manager (1995) Geneva, Audit (1994) London, Corporate Finance (1994-1996) Lausanne, Management Advisory Services (1996-1998)
1998 – 1999	PricewaterhouseCoopers, Lausanne, Senior manager Transaction Services Group & Corporate Finances
Since 1999	Swissquote Group Holding Ltd and Swissquote Bank, Chief Financial Officer

Other mandates

Secretary of the Board of Directors of Swissquote Group Holding Ltd and Swissquote Bank.

4.2 Other activities and vested interests

None of the members of the Executive Management has other activities and vested interests as defined in the SIX Swiss Exchange 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 2008 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 purposes are 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 medium 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 the Executive Management is distinct and is based on the assessment by the Board of the achievement by the 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 4.4% in 2008. 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 employment 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 The 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 the Executive Management in 2008 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 the Executive Management are disclosed in Note 21 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 the Board members with compensation of the 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 the Executive Management.

As of 2008, Board members are entitled to an annual grant of stock options (whereas in the past the entitlement was every three years). This new policy was early adopted in 2007 for Martin M. Naville who was elected at the Board in 2007.

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 ten 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:

	Allocation							
	3rd to 5th	6th	7th	8th	9th	10th	Total	Conditional shares available for exercise
Year of grant	2000 to 2002	2004	2005	2006	2007	2008		
Strike (*1) [CHF per option]	2.79 to 12.50	11.39	17.00	34.00	75.00	47.00		
Number of options								
Board	486,000	-	117,000	-	2,000	11,000		
Executive Management	50,000	-	-	24,000	24,000	24,000		
Other employees	441,720	79,980	131,500	61,770	89,550	112,840		
	Number of options							
Balance at 1 January 2006	**428,100**	**67,790**	**248,500**	-	-	-	**744,390**	**715,510**
Grants	-	-	-	85,770	-	-	85,770	
Exercised								
Covered by the issue of new shares	(381,150)	(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	**46,950**	**29,590**	**200,840**	**84,570**	-	-	**361,950**	**263,620**
Balance at 1 January 2007	**46,950**	**29,590**	**200,840**	**84,570**	-	-	**361,950**	**263,620**
Grants	-	-	-	-	115,550	-	115,550	
Exercised								
Covered by the issue of new shares	(46,950)	(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**
Balance at 1 January 2008	-	**7,250**	**168,110**	**70,828**	**115,550**	-	**361,738**	**211,060**
Grants	-	-	-	-	-	147,840	147,840	
Exercised								
Covered by the issue of new shares	-	-	-	-	-	-	-	
Covered by treasury shares	-	(1,550)	(36,970)	(4,300)	-	-	(42,820)	
Lapsed	-	-	(340)	(2,500)	(9,260)	(2,360)	(14,460)	
Balance at 31 December 2008	-	**5,700**	**130,800**	**64,028**	**106,290**	**145,480**	**452,298**	**211,060**
Exercise periods of balance options at 31 December 2008								
May 2007 to April 2009	-	*5,700*	-	-	-	-	*5,700*	
August 2007 to July 2009	-	-	*12,200*	*12,528*	-	-	*24,728*	
August 2008 to July 2010	-	-	*118,600*	*24,700*	*35,392*	-	*178,692*	
August 2009 to July 2011	-	-	-	*26,800*	*35,435*	*48,430*	*110,665*	
August 2010 to July 2012	-	-	-	-	*35,463*	*48,506*	*83,969*	
August 2011 to July 2013	-	-	-	-	-	*48,544*	*48,544*	

(*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 12.2 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 (Art. 697a CO), the right to call a General Meeting of Shareholders (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 Meeting of Shareholders, 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 Meeting of Shareholders.

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 of Shareholders, 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 of Shareholders. 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 of Shareholders 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 requests 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 a registered shareholder gives the right to one vote. Registered shareholders can be represented at a General Meeting of Shareholders. The invitation to General Meeting of Shareholders 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 General Meeting of Shareholders, 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 Meeting can also be called by one or more shareholders who represent in aggregate 10% or more of the share capital.

Ordinary General Meeting 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.

General Meeting 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 General 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 of Shareholders and / or to resolve a special audit.

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 (Art. 699 par. 3 CO). 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 of Shareholders.

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 with voting rights. 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 General Meeting. Registered shareholders that dispose of their shares prior to the General Meeting of Shareholders 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 of 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 Meeting of Shareholders, 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. Philippe Bochud is responsible for the audit of the Group since 2008. Jean-Christophe Pernollet was responsible for the year ended 2001 to 2007.

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 Financial Market Supervisory Authority FINMA), 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 of Shareholders and are eligible for re-election. They shall be independent from the Board and from the shareholders. 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 2008 is analysed as follows:

	2008	2007
Auditing fees	401,500	377,000
Additional fees:		
Audit related services	8,000	44,500
Tax	11,500	4,000
Total	**421,000**	**425,500**

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 2008.

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 2008, the auditors met 4 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 SIX Swiss Exchange 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 SIX 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 SIX Swiss Exchange 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 of Shareholders 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 2009 are scheduled as follows:

Quarter 1 Interim Financial Statements at 31 March 2009:	29 April 2009
Quarter 2 Interim Financial Statements at 30 June 2009:	24 July 2009
Quarter 3 Interim Financial Statements at 30 September 2009:	27 October 2009

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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