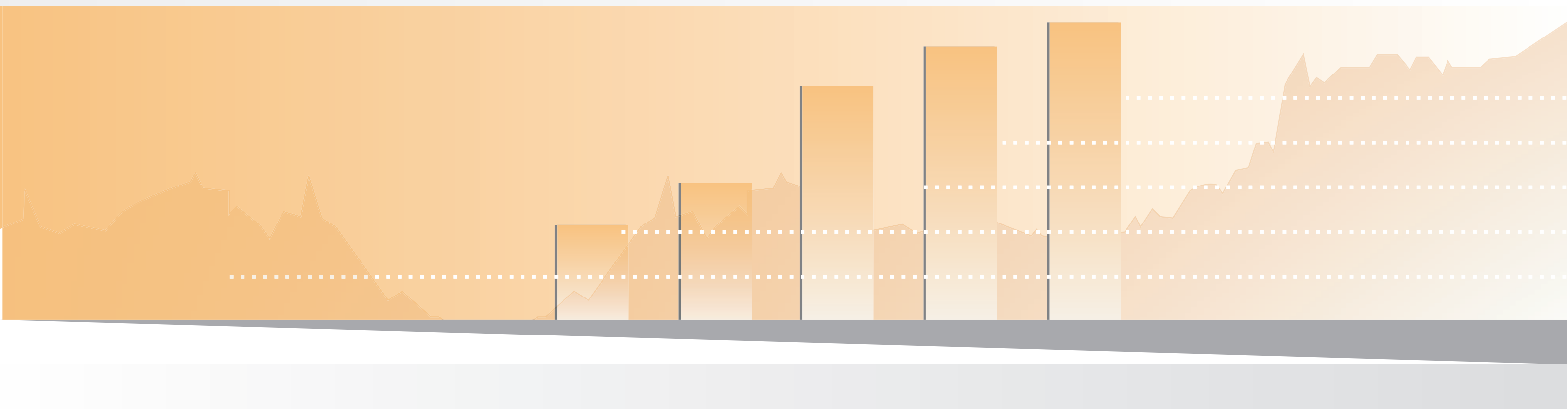
Annual Report 2009 and Corporate Governance Report



SWISSQUOTE

SWITZERLAND'S LEADING ONLINE BROKER

Annual Report 2009
Contents

Swissquote....

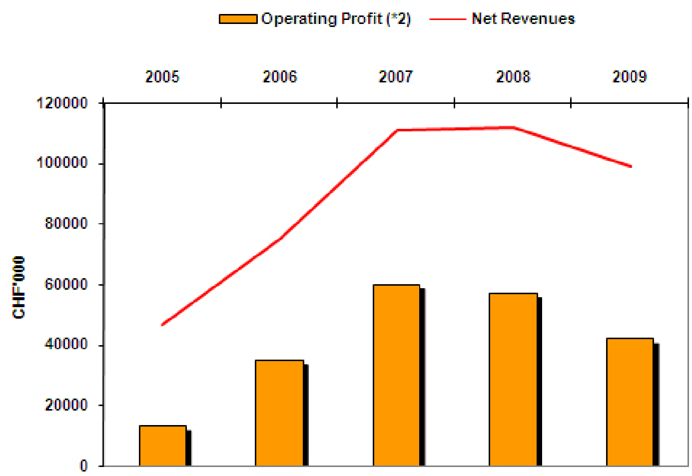
Is the leading provider of online financial and trading services in Switzerland.
Creates sustainable added value for its customers, employees and shareholders.
Is an independent Company, listed on the SIX Swiss Exchange.

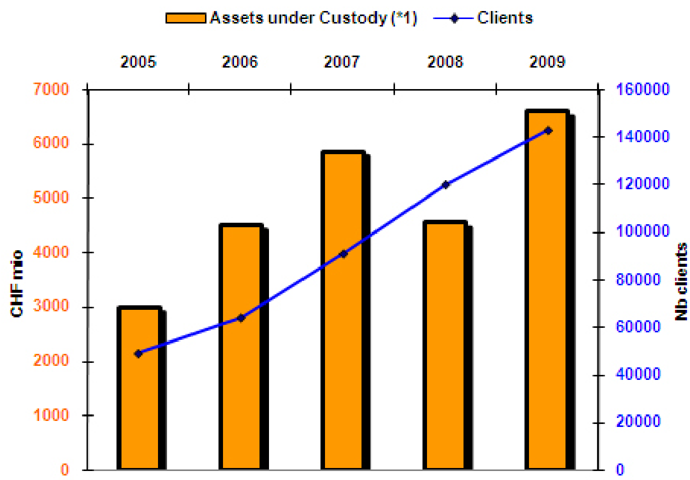
Section 1: Key Figures

	2009	2008	2007	2006	2005
Clients	142,702	119,869	90,876	64,067	49,057
% change	19.0%	31.9%	41.8%	30.6%	24.1%
Assets under Custody in CHFm (1)	6,583	4,540	5,850	4,492	2,986
% change	45.0%	-22.4%	30.2%	50.4%	48.0%
Employees	236	236	213	156	127
% change	0.0%	10.8%	36.5%	22.8%	8.5%

All amounts in CHF '000	2009	2008	2007	2006	2005
Net revenues	98,633	111,677	110,882	74,747	46,628
% change	-11.7%	0.7%	48.3%	60.3%	36.0%
Operating Expenses (2)	56,802	54,640	50,935	39,954	33,635
% change	4.0%	7.3%	27.5%	18.8%	19.2%
Operating Profit (2)	41,831	57,037	59,947	34,793	12,993
% change	-26.7%	-4.9%	72.3%	167.8%	114.5%
Operating Profit Margin [%]	42.4%	51.1%	54.1%	46.5%	27.9%
Net Profit	34,993	32,807	47,573	36,529	14,683
% change	6.7%	-31.0%	30.2%	148.8%	142.4%
Net Profit Margin [%]	35.5%	29.4%	42.9%	48.9%	31.5%
Equity	174,240	139,130	126,565	93,484	66,978
% change	25.2%	9.9%	35.4%	39.6%	33.7%
Equity ratio [%] (2)	9.2%	10.3%	9.7%	9.0%	9.7%

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





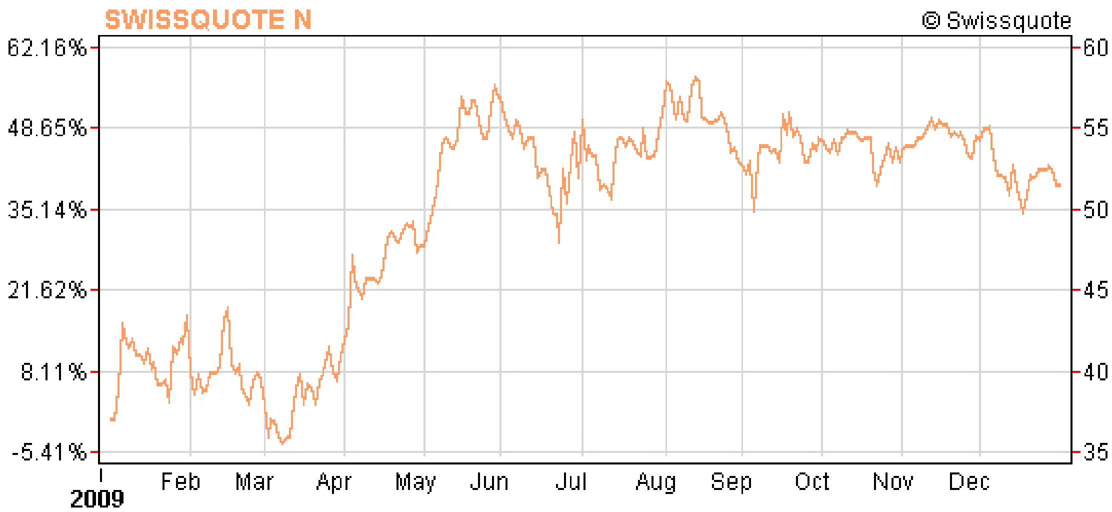
Swissquote Share

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 (2005 to 2009)

Development of stock market share price (January to December 2009)



Share price in CHF	2009	2008	2007	2006	2005
High	58.85	63.90	78.95	39.98	14.95
Low	35.00	25.40	38.80	15.04	8.95
31 December	51.50	37.00	63.65	39.75	14.95

Stock market capitalisation in CHF million	2009	2008	2007	2006	2005
High	825.9	903.4	1,124.2	583.1	211.3
Low	491.2	359.1	552.5	212.6	124.4
31 December	722.8	523.1	906.3	579.8	211.3

Per share data in CHF	2009	2008	2007	2006	2005
Net revenue per share	7.03	7.90	7.79	5.29	3.35
Net profit per share	2.49	2.32	3.34	2.58	1.06
Equity per share	11.90	9.50	8.65	6.41	4.74
Issued shares at 31 December (*1)	14,638,370	14,638,370	14,638,370	14,585,810	14,133,920
Nominal value (*1)	0.20	0.20	0.50	0.80	1.00

(*1) Number of shares and nominal value for the years 2005 to 2006 restated in order to reflect the share split 1:10 carried out on 8 May 2007.

Report to the Shareholders

Dear Shareholders,

Once again we are pleased to report another successful business year for Swissquote. Although revenues were slightly lower than in the previous year, we were able to increase net profit by 6.7 percent to CHF 35.0 million. Compared to the previous year, the inflow of new funds rose by 7.4 percent to CHF 1.38 billion, client assets expanded by 45.0 percent to CHF 6.58 billion and the number of clients increased by 19.0 percent to 142,702.

Development of revenues mixed

In 2009, the revenue trends in our three sources of revenues were very mixed. In the **commission business**, which is still the most important source, income edged up by 1.7 percent to CHF 70.7 million. Although the stock market environment improved noticeably in the course of the year – from a low of 4,235 in early March the SMI rallied by more than 50 percent to 6,616 –, trading clients' reaction to the impressive reversal was initially one of caution. Trading volumes were lower than in the previous year, particularly in the first six months; for the year as a whole the number of transactions per client averaged 16.9 versus 19.2 in the preceding 12 months.

As interest rates remained at absolute lows until shortly before the end of the year, income from the second source of revenue, the **interest business**, fell by 69.4 percent to CHF 9.6 million. Only in the fourth quarter did conditions in the money market show signs of easing, which enabled Swissquote to post pleasing quarter-on-quarter income growth of 13 percent.

The third source of revenue, **trading operations**, experienced an extremely successful year, particularly in the eForex business. In 2009, robust expansion took trading volumes to USD 77.2 billion; as a result income grew by 69.7 percent to CHF 18.3 million.

Swissquote recorded an 11.7 percent decrease in overall revenues to CHF 98.6 million (CHF 111.7 million).

Sharply higher net profit, solid balance sheet

Operating expenditure rose by CHF 2.1 million or 4.0 percent year-on-year to CHF 56.8 million. Whereas personnel expenses declined by 0.2 percent and marketing expenses by 11.6 percent, other operating expenditure increased, primarily as a result of higher direct costs of CHF 3.3 million in the eForex business. The combination of lower income and higher expenditure resulted in operating profit of CHF 41.8 million (CHF 57.0 million) and net profit of CHF 35.0 million (CHF 32.8 million) in 2009. Margins stood at 42.4 percent (51.1 percent) for operating profit and 35.5 percent (29.4 percent) for net profit. The contrary trends in operating and net profit are explained by the necessary write-off of a Lehmann Brothers bond totaling CHF 12.2 million in 2008 on the one hand and the proceeds of CHF 1.5 million realized in 2009 on this bond, which had previously been completely written-off (net of taxes). As a reflection of its solid profits, Swissquote has a strong and healthy balance sheet, with a BIS core capital ratio (tier 1) of 26.1 percent, shareholders' equity of CHF 174.2 million (CHF 139.1 million) and surplus funds of CHF 120.9 million (CHF 89.5 million).

Continuing successful growth strategy

In 2009, Swissquote by and large achieved its growth targets of at least CHF 1 billion in new funds and 25,000 new clients. Whereas the inflow of new funds of CHF 1.38 billion exceeded our target by a wide margin, client growth of 22,833 or 19.0 percent fell somewhat short of the goal. Thanks to the positive trend in stock markets and the high inflow of new funds, client assets rose by CHF 2.04 billion or 45.0 percent to CHF 6.58 billion. At the end of 2009, the number of clients totaled 142,702 (119,869); of the total of 22,833 new clients, 17,513 were trading clients (+15.0 percent) and 5,320 were saving clients (+195.0 percent). At the end of 2009, saving clients' assets amounted to CHF 253.8 million, a year-on-year increase of 317.4 percent.

Report to the Shareholders

Attractive and innovative flat rate charges

Since early 2009 Swissquote has been offering its trading clients safekeeping account charges with a ceiling of CHF 100 p.a. This adjustment in conditions appeals particularly to larger private clients.

A further change in charges is directed mainly at clients with a high volume of trading activity. Along similar lines to a subscription, they can now opt to pay a flat-rate charge for a set number of transactions within a predefined period.

And finally, Swissquote has also introduced an attractive flat-rate charge of CHF 9 for clients who invest above all in investment funds. This flat-rate charge currently applies to 2,500 funds that are tradable on the Swissquote platform.

Successful eForex business

As a consequence of the strong development of eForex business, Swissquote developed a completely new platform for its eForex platform in 2009. The platform was developed in Java to guarantee a high degree of compatibility and an exceptional performance in terms of data transfer speeds. The Analysis Tool, which is very much in demand, was integrated into the graphics.

New service for savings account holders ...

Since 24 July 2009, Swissquote has offered an additional service for its savings account holders. Savings account clients are no longer restricted to a choice of 1.75 percent interest or an investment in fixed-term deposits; now they can themselves put together an investment savings portfolio comprising SIX-listed ETFs and Swissquote Quant funds and individually determine investment amount and frequency. The system then automatically triggers investment in the products selected. The flat-rate charge for investment in a savings portfolio is CHF 9.

... and all other Swissquote clients:

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

- Further progress has also been made in recent months on expanding the Swissquote platform. Clients can benefit from a redesigned real time account and an even more efficient information platform in which clearly displayed facts and figures are readily visible, allowing fast access to the required sections.

- For iPhone users the Swissquote app remains the most used iPhone financial app in Switzerland. New features offered by Version 3 are direct bank account access and an option to trade online on iPhone.

Report to the Shareholders

Growth strategy to continue in 2009

In 2010, Swissquote will continue to pursue its successful growth strategy with a client number growth target in the region of 20 percent and an inflow of new funds target again of well above CHF 1 billion.

Distribution of profit to shareholders

In light of the successful 2009 annual result, the Board of Directors proposes that the Annual General Meeting of Swissquote Group Holding AG on 30 April 2010 raise the dividend by 50 percent to CHF 0.60 per share.

Acknowledgements

On behalf of the Board of Directors and Group Management, we would like to thank our customers, who, by actively using our platform and providing a wide range of informed feedback, 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 are also due to our shareholders for the confidence they have placed in our company and to all our 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
Chairman of the Board of Directors

Marc Bürki
Chief Executive Officer

Section 2: Financial Report 2009

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

Financial Report 2009
Consolidated Statement of Financial Positions (*1)

	Notes	31 December 2009	31 December 2008
ASSETS			
Cash and balances with central bank	1	238,968,193	293,175,551
Treasury bills and other eligible bills	1	599,997,000	-
Loans and advances to banks	1	506,866,109	765,749,630
Derivative financial instruments	2	16,242,966	12,125,144
Trading assets		595,067	-
Loans and advances to customers	3	91,759,737	71,703,162
Investment securities	4	388,438,603	165,947,400
Information technology systems	6	11,398,937	11,130,071
Property, plant and equipment	7	19,831,613	20,188,599
Other assets	5	11,351,231	6,119,952
Total assets		**1,885,449,456**	**1,346,139,509**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	749,833	2,340,838
Derivative financial instruments	2	16,005,733	12,125,144
Due to customers		1,674,796,545	1,166,357,738
Other liabilities	8	12,714,615	16,726,975
Current income tax liabilities		4,205,345	3,205,840
Deferred tax liabilities, net	9	1,393,283	1,368,759
Provisions	10	1,343,749	4,884,057
Total liabilities		**1,711,209,103**	**1,207,009,351**
Equity			
Ordinary shares	12.1	2,927,674	2,927,674
Share premium		38,314,296	35,946,443
Share option reserve	12.2	2,042,605	1,485,992
Other reserve		(1,306,820)	(5,629,772)
Treasury shares	12.3	(26,518,573)	(24,548,517)
Retained earnings		158,781,171	128,948,338
Total equity		**174,240,353**	**139,130,158**
Total liabilities and equity		**1,885,449,456**	**1,346,139,509**

*(*1) Prior to the adoption of new IAS 1 revised on 1 January 2009, this statement was called Balance Sheet*

The notes on pages 15 to 77 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2009
Consolidated Income Statement (*1)

	Notes	2009	2008
Fee and commission income	13	78,842,041	77,151,016
Fee and commission expense		(8,125,592)	(7,620,732)
Net fee and commission income		**70,716,449**	**69,530,284**
Interest income	14	13,544,919	38,421,768
Interest expense	14	(3,967,651)	(7,084,496)
Net interest income		**9,577,268**	**31,337,272**
Net trading income		16,327,428	10,809,467
Gain less losses from investment securities		2,011,953	-
Operating income		**98,633,098**	**111,677,023**
Operating expenses	15	(56,802,466)	(54,639,538)
Impairment and provisions on Investment securities	16	2,373,620	(15,676,084)
Operating profit		**44,204,252**	**41,361,401**
Income tax expense, net (except on impairment and provisions on Investment securities)	17	(8,680,271)	(12,003,389)
Tax impact of impairment and provisions on Investment securities	17	(530,980)	3,448,738
Net profit		**34,993,001**	**32,806,750**
Earning per share	*18*	*2.49*	*2.32*
Diluted earning per share	*18*	*2.48*	*2.30*

*(*1) Prior to the adoption of new IAS 1 revised on 1 January 2009, this statement was called Statement of Operations*

The notes on pages 15 to 77 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2009
Consolidated Statement of Comprehensive Income (*1)

	2009	2008
Net profit for the period	**34,993,001**	**32,806,750**
Other comprehensive income: **Gains / (losses) recognised directly in equity**		
Available-for-sale financial assets	5,556,200	(1,881,825)
Income tax relating to components of other comprehensive income (AFS assets)	(1,241,349)	414,001
Hedge reserve	10,436	-
Income tax relating to components of other comprehensive income (Hedge reserve)	(2,335)	-
Other comprehensive income for the period, net of tax	**4,322,952**	**(1,467,824)**
Total comprehensive income for the period	**39,315,953**	**31,338,926**

*(*1) The adoption of new IAS 1 revised on 1 January 2009 requires the Group to prepare a new statement called Statement of Comprehensive Income. The information disclosed in this statement was formerly included in the Statement of Changes in Shareholders' Equity.*

The notes on pages 15 to 77 form an integral part of this condensed interim financial information

All amounts in Swiss Francs

Financial Report 2009
Consolidated Statement of changes in Equity (*1)

	Notes	Share capital	Share premium	Share Option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2009		**2,927,674**	**35,946,443**	**1,485,992**	**(5,629,772)**	**(24,548,517)**	**128,948,338**	**139,130,158**
Net profit of the period		-	-	-	-	-	34,993,001	34,993,001
Other comprehensive income for the period		-	-	-	4,322,952	-	-	4,322,952
Total comprehensive income for the period		-	-	-	4,322,952	-	34,993,001	**39,315,953**
Dividend	12.4	-	-	-	-	-	(5,607,376)	**(5,607,376)**
Employee stock option plan:								
Value of services provided	12.2	-	-	1,003,821	-	-	-	**1,003,821**
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period		-	-	(447,208)	-	-	447,208	-
Purchase of treasury shares	12.3	-	-	-	-	(3,765,912)	-	**(3,765,912)**
Sale of treasury shares	12.3	-	2,367,853	-	-	1,795,856	-	**4,163,709**
Balance at 31 December 2009		**2,927,674**	**38,314,296**	**2,042,605**	**(1,306,820)**	**(26,518,573)**	**158,781,171**	**174,240,353**
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 of the period		-	-	-	-	-	32,806,750	32,806,750
Other comprehensive income for the period		-	-	-	(1,467,824)	-	-	(1,467,824)
Total comprehensive income for the period		-	-	-	(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**

*(*1) The adoption of new IAS 1 revised on 1 January 2009 requires the Group to prepare a new statement called Statement of changes in Equity. The information disclosed in this statement was formerly included in the Statement of Changes in Shareholders' Equity.*

The notes on pages 15 to 77 form an integral part of this condensed interim financial information

All amounts in Swiss Francs

Financial Report 2009
Consolidated Statement of Cash Flow

	Notes	2009	2008
Cash flow from / (used in) operating activities			
Fees and commission receipts		76,358,280	77,470,718
Fees and commission paid		(8,042,043)	(9,393,503)
Interest receipts		13,544,919	35,358,232
Interest paid		(3,819,066)	(7,082,916)
Purchase of trading assets		(595,067)	-
Net trading income		16,327,428	10,809,467
Cash payments to employees and suppliers		(50,268,852)	(42,644,226)
Income taxes paid		(8,388,229)	(8,410,774)
Cash flow from operating profit before changes in operating assets and liabilities		**35,117,370**	**56,106,998**
Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities			
Loans and advances to customers		(20,056,575)	21,794,187
Loans and advances to banks		(10,089)	(400,000)
Due to customers		508,438,807	22,799,906
Other liabilities		(2,171,046)	(1,641,583)
Net cash from operating activities		**521,318,467**	**98,659,508**
Cash flow from / (used in) investing activities			
Purchase of property, plant and equipment and Information technology systems	6/7	(6,435,317)	(8,201,022)
Proceeds from sale of investment securities	4	80,110,067	-
Purchase of investment securities	4	(301,296,601)	(115,107,918)
Net cash used in investing activities		**(227,621,851)**	**(123,308,940)**
Cash flow from / (used in) financing activities			
Purchase of treasury shares		(3,765,912)	(13,411,294)
Sale of treasury shares		4,163,709	3,665,051
Capital reduction		-	(4,261,098)
Dividend		(5,607,376)	(5,691,562)
Net cash used in financing activities		**(5,209,579)**	**(19,698,903)**
Increase in cash and cash equivalents		**288,487,037**	**(44,348,335)**
Movements in cash and cash equivalents			
Balance at beginning of year		1,056,184,343	1,100,532,678
Increase / (Decrease)		288,487,037	(44,348,335)
Balance at 31 December	1	**1,344,671,380**	**1,056,184,343**

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 15 to 77 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2009
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 Ltd ("the Bank") through its financial web portal swissquote.ch.

The Group's headquarters are located in Gland (Canton de Vaud) in Switzerland. The operations are located in Switzerland (Gland and Zurich). The Group employed 236 employees (full time equivalent) at the end of December 2009 (31 December 2008: 236). 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 2009 consists of 14,638,370 ordinary shares of CHF 0.20 nominal value (2008: 14,638,370 ordinary shares of CHF 0.20 nominal value). There is also a conditional share-capital and an authorised share-capital. Details are stated in Note 12.1.

The main shareholders at 31 December are:

	2009	2008
Mr. Marc Bürki	14.51%	14.50%
Mr. Paolo Buzzi	14.48%	14.48%
Mr. Jean Pfau	5.57%	5.57%
Mr. Mario Fontana	5.53%	5.53%
PEC Global Equity Fund	4.90%	5.06%
Alken Fund European Opportunities	4.79%	5.79%
Threadneedle Asset Management Holdings Ltd	3.10%	<3%
Treasury Shares:		
Swissquote Group Holding Ltd	3.99%	4.26%

Except the above-mentioned shareholders, no other shareholder registered in the Share Register owns 3% or more of the issued share-capital. All shares are freely tradable. SIX Swiss Exchange regulations however provide that individual shareholdings exceeding 5% (save inter alia for certain investment funds) are deemed to be permanent investments and are to be excluded from the free float. In accordance with SIX Swiss Exchange regulations the free float at 31 December 2009 is 59.92% (2008: 59.92%).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 17 February 2010.

Financial Report 2009
Notes to the Consolidated Financial Statements

SECTION II : SCOPE OF OPERATIONS OF THE GROUP & REPORTABLE SEGMENT

The current scope of the operations is the result of an historic development which key milestones are summarised as follows:

- Until 1996, service Group active in the development of banking software in the field of portfolio valuation and web design;
- 1996 : creation of the financial information web site: www.swissquote.ch;
- 1999 : addition of Introducing brokerage operations in cooperation with a third party bank;
- 2000 : listing of the Group at the SIX Swiss Exchange (previously SWX);
- 2001 : grant of a banking license by the FINMA previously named Swiss Federal Banking Commission and operation of a bank with focus on online brokerage services on the Swiss Stock Exchange and on private (retail) clients;
- 2001 as of today: Broaden the scope of markets offered online to the clients of the Group as well as the functionalities / tools of the web site and other media platforms;
- 2002-2003 : consolidation of the online brokerage market in Switzerland. In this context the Group acquired the operations of several competitors, one of which had started a special service directed towards independent asset managers and financial advisors. Stop providing web design services;
- 2007 : grant of the authorisation by the FINMA to carry out the Swiss regulated Custodian Bank function for Swiss Regulated Investment Funds as well as the authorisation to carry out quantitative asset management services;
- April 2008 : launch of an eForex platform;
- May 2008 : launch of dynamic saving accounts;
- January 2009 : launch of the Swissquote Quant Swiss Equities CHF A (ISIN : CH0044736921) investment fund (Swiss Regulated investment fund) for which Swissquote provides quantitative asset management services and Custodian Bank function.

As of 31 December 2009 the Group's operations consist of:

- operating an online bank that accepts deposits in the form of current accounts and saving accounts from its customers mainly in CHF, USD and EUR. 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 seeks to earn above-average interest margins by investing these funds in the interbanking market and in bonds while maintaining sufficient liquidity to meet all claims that might fall due. The investment activity is subject to country, counterparty, liquidity and currency limits set by the Board. The Group may have recourse to currency hedging in the form of swaps and forward transactions.
- providing primarily online stock brokerage services and custody services to:
    - self-directed private 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;
    - independent Asset Managers by mean of tools that allow to process grouped orders on behalf of their clients, and to allow such clients to have a real time read access to their account, and to institutional investors;
    - investment funds;
- providing eForex services;
- providing its clients with margin facilities, fiduciary placements and payment services;
- providing quantitative asset management services for the Swissquote Quant Funds;
- selling advertising space and providing financial information against subscription on www.swissquote.ch.

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 financial assets and traded over the counter instruments including derivatives, where it takes positions to profit from short-term market movements in equity, interest rates and commodity prices; with the exception of spot currency positions, temporary technical nostro positions, investments in the Swissquote Quant Funds and bonds.

SECTION II : SCOPE OF OPERATIONS OF THE GROUP & REPORTABLE SEGMENT

Reportable segments

Sound management requires that relevant financial information is prepared in order for decision makers to define strategies and focus actions towards exploiting opportunities and / or countering adverse trends.

Relevant financial information generally requires that business complexity be broken down in various segments. Disclosure of relevant segmental information enables users of financial statements to evaluate the nature and the financial effects of the business activities in which the Group is engaged and in the economic environment in which it operates.

IFRS 8 requires an entity to identify its operating segments and based thereon to determine its reportable segments, that may comprise one operating segment or an aggregation of operating segments, that meet certain quantitative thresholds set out in the standard. Operating segment is defined in IFRS 8 as a component of an entity that (1) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity, (2) whose operating results are regularly reviewed to take decisions about resources to be allocated and asses its performance, and (3) for which discrete financial information is available.

The management information system of the Group is designed and is constantly amended in order to reflect the development of the business model of the Group and hence to support the strategic and operating processes. The main milestones of the Group development show that the current scope of the Group operations has its origin in the www.swissquote.ch finance portal and its subsequent developments. For many years, the Group only had one reportable segment: providing of online brokerage services to self-directed private retail customers and hence only one reportable segment.

With the development of the Business to Business clients group (mainly consisting of Asset Managers and their clients, and corporations and institutional investors such as investment funds), the Group needed to design specific areas of the organisation (especially with respect to the front office) that had a focus on self directed private retail customers and other areas which were exclusively dedicated to Business to Business clients. Whereas the acquisition process of each segment of clients varies significantly, both segments substantially use the same infrastructure (information platform and back and middle office systems and organisation as well as the same premises, general services and branding activities). Beyond the consolidated results, performance measurement and trend recognition in the Group are based on direct costing for revenues and related variables and direct fixed costs. Indirect fixed costs which represent the largest portion of the operating costs are analysed in major cost centers. This approach is considered best by the Group in order to achieve transparency and accountability.

With due care to the above explanations, the Group has 3 reportable segments:

- Private Clients;
- Business to Business Clients;
- Platform and Infrastructure Operations, which are analysed in four operating segments: Technology, Operations, Marketing and G&A.

Technology, Operations, Marketing and G&A are individual operating segments but do not qualify as reporting segments and thus have been aggregated in the reporting segment “Platform and Infrastructure Operations”.

The Private Clients segment and Business to Business Clients segment offer a unique range of online services but related to two different groups of clients.

The major part of the revenues and assets of Swissquote are respectively earned and based in Switzerland.

The Private clients and Business to Business Clients segments are analysed based on revenues and direct contribution margin whereas Platform and Infrastructure Operations are analysed based on cost centers. Due to its organisation and legal structure, none of the reportable segments cross charges costs or revenues to the others. There is no difference between the accounting data and the management accounts.

SECTION II : SCOPE OF OPERATIONS OF THE GROUP & REPORTABLE SEGMENT

Based thereon, the analysis of reportable segments for 2009 and 2008 are as follows :

In CHFm	2009	2009 TOTAL	2008	2008 TOTAL
Net Revenues - Private Clients	81.2		92.6	
Direct Operating Costs - Private Clients	(6.1)		(6.3)	
Direct Marketing Costs - Private Clients	(4.5)		(4.9)	
Direct Contribution margin - Private Clients	**70.6**	**70.6**	**81.4**	**81.4**
Net Revenues - B2B Clients	17.4		19.1	
Direct Operating Costs - B2B Clients	(3.4)		(3.8)	
Direct Marketing Costs - B2B Clients	(0.5)		(2.4)	
Direct Contribution margin - B2B Clients	**13.5**	**84.1**	**12.9**	**94.3**
Operating Cost - Technology	(12.6)		(11.0)	
Operating Cost - Operations	(18.1)		(16.5)	
Operating Cost - Marketing	(3.4)		(2.2)	
Operating Cost - G&A	(8.2)		(7.6)	
Operating Cost - Writedown	-		(15.7)	
Total Platform and Infrastructure Operations Costs	**(42.3)**		**(53.0)**	
Impairment and provisions on investment securities	**2.4**			
EBT		**44.2**		**41.3**
Taxes		(9.2)		(8.5)
Net profit		**35.0**		**32.8**

	31 December 2009	31 December 2008
Assets - Private Clients	1,497.1	1,089.9
Liabilities - Private Clients	(1,424.5)	(989.5)
Assets - B2B Clients	354.0	223.2
Liabilities - B2B Clients	(270.2)	(195.5)
Assets - Platform and Infrastructure	34.3	33.0
Liabilities - Platform and Infrastructure	(16.5)	(22.0)
Net Balance - Equity	**174.2**	**139.1**

The Bank does not have any client representing more than 10% of its revenues

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

The Group's consolidated financial statements for the year 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

(a) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 2	Share-based payment – Vesting conditions and cancellations	1 January 2009
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

- **IFRS 2, "Share-based payment" – Vesting conditions and cancellations**
  The IASB published an amendment to IFRS 2, "Share-based payment", in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the financial statements by applying the amendment of IFRS 2 at the date of the consolidated statement of financial position.

- **Amendments to IFRS 7, "Financial instruments: Disclosures"**
  The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the group.

- **IFRS 8, "Operating segments"**
  IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Group's accounting period beginning on 1 January 2009. The standard replaces IAS 14, "Segment reporting", with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Group's external segment reporting will be based on the internal reporting to the group executive board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments.
  Please refer to Section II – Reportable segments.

- **IAS 1 (revised), "Presentation of financial statements"**
  A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

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

The following interpretations became effective in 2009, but were not relevant for the Group's operations:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IAS 23	Borrowing costs	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	

(b) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

- **IAS 39, "Financial instruments: Recognition and measurement – Eligible hedged items"**
  The amendment "Eligible hedged items" was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

- **IFRS 9, "Financial instruments part 1: Classification and measurement"**
  IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
  - While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

(c) Early adoption of standards
The Group did not early-adopt new or amended standards in 2009.

Financial Report 2009
Notes to the Consolidated Financial Statements

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**	**2009**	**2008**
Swissquote Bank Ltd	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 or valuation where items are remeasured. 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

D. Segment reporting (IFRS 8)

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. 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 three business segments:

- Private Clients;
- Business to Business Clients;
- Platform and Infrastructure Operations, which are analysed in four operating segments: Technology, Operations, Marketing and G&A.

E. Offsetting financial instruments

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

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. 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.

(F1) 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.

Trading assets are such assets that the Group acquires principally for the purpose of selling them in the near future or holding them as part of a portfolio that is managed together for short-term profits or position taking. All changes in fair value are recognised as part of Net trading income in the Income Statement.

(F2) 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.

(F3) 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.

(F4) 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 the statement of comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be recognised in income statement. 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.

G. Impairment of financial assets

(G1) 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.

(G2) 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 the statement of the comprehensive income 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 2009 had ratings established by external rating agencies corresponding to investment grade. 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

H. Derivative financial instruments and hedging activities
The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in "net interest income – net gains / losses on hedging instruments". Effective changes in fair value of currency futures are reflected in "net trading income – foreign exchange – transaction gains less losses". Any ineffectiveness is recorded in "net trading income".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement – ''net trading income – transaction gains less losses''.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of currency swaps and options are recorded in line with the hedged item in the income statement - interest income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 are 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.

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.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

SECTION IV : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 2009 comparative figures have not required to be adjusted to conform to changes in presentation in the current year, except as required by IAS 1.

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 IV, circumstances may lead Management to make judgments that have most significant effect on the amounts recognised in the financial statements. At 31 December 2009 there are no such circumstances and related judgments to be reported (31 December 2008: 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 2009

Pension Fund

A number of factors and assumptions are used in order to determine :

- the cost of the benefits and the present value of the pension funds obligations determined on an actuarial basis;
- the expected return on pension plan assets considering the long term historical returns and asset allocation;
- the expected salary and pension payable in the future.

These factors and assumptions are stated in Note 11. Any changes in these factors and assumptions will impact the charge to profit or loss the following year and may affect planned funding of the pension plan.

31 December 2008

The key source of estimation uncertainty at 31 December 2008 related to the valuation of investment securities, in particular with respect to a Euro 10 m bond issued by Lehman Brothers Holding Inc. These uncertainties have been progressively lifted in the course of 2009 and the Lehman position was disposed of at a recovery rate of 15.3%.

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 risks, 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 customer are principally in the form of covered loans and are principally used by customers 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 customer'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.

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 a monthly or more frequent review.

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

SECTION VI : FINANCIAL RISK MANAGEMENT

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

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

	Maximum exposure	
	2009	2008
Credit risk exposure relating to on balance sheet assets are as follows:		
Treasury bills and other eligible bills	599,997,000	-
Loans and advances to banks	506,866,109	765,749,630
Loans and advances to customers	91,759,737	71,703,162
Investment securities	388,438,603	165,947,400
Others (Derivatives, Trading assets and Other assets)	28,189,264	18,245,096
Credit risk exposure relating to off balance sheet assets are as follows:		
Financial guarantees	2,861,023	3,703,527
Loan commitments and other credit related liabilities	14,150,000	12,638,000
At 31 December	**1,632,261,736**	**1,037,986,815**
Collateral at fair value to support Loans and advances to customers	412,955,871	245,086,315

B5. Loans and advances

Loans and advances are summarised as follows:

	31 December 2009		31 December 2008	
	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	91,562,008	506,866,109	71,612,506	765,749,630
Past due but not impaired	197,729	-	90,656	-
Impaired	130,000	-	130,000	-
Gross	**91,889,737**	**506,866,109**	**71,833,162**	**765,749,630**
Less: allowance for impairment	(130,000)	-	(130,000)	-
Net	**91,759,737**	**506,866,109**	**71,703,162**	**765,749,630**

Loans and advances to customers are spread over 16,392 (2008: 13,732) distinct customers, 88% of them are domiciled in Switzerland. The largest balance at 31 December 2009 is CHF 9,271,543 (2008: CHF 2,121,739).

Loans and advances to banks are spread over 22 (2008: 25) distinct counterparties. The largest balance at 31 December 2009 is CHF 57,742,214 (2008: CHF 88,448,049). CHF 92,892,630 out of the CHF 506,866,109 is secured by collateral (reverse repo).

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

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

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-	167,444,306	132,115,806	410,089	299,970,201
	from A+ to A-	92,678,654	114,217,254	-	206,895,908
	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 2009		**260,122,960**	**246,333,060**	**410,089**	**506,866,109**

	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**

No credit limits were exceeded during the reporting period.

At year-end, Loans and advances to banks are pledged up to CHF 73.9m (2008: CHF 52.0m) in favour of third parties mainly in order to secure the settlement of client transactions.

All amounts in Swiss Francs 36

SECTION VI : FINANCIAL RISK MANAGEMENT

B6. Debt securities, treasury bills and other eligible bills

Debt securities, treasury bills and other eligible bills 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-	638,116,163	5,965,334	68,347,349	79,018,344	791,447,190
	from A+ to A-	34,265,809	38,279,173	95,390,074	19,796,355	187,731,411
	from BBB+ to BBB-	2,759,011	1,576,585	4,847,848	73,558	9,257,002
Speculative Grade	from BB+ to BB-	-	-	-	-	-
	from B+ to B-	-	-	-	-	-
	from CCC+ to CCC-	-	-	-	-	-
	from CC+ to C-	-	-	-	-	-
	D	-	-	-	-	-
Total at 31 December 2009		**675,140,983**	**45,821,092**	**168,585,271**	**98,888,257**	**988,435,603**

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-	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 was fully covered by a provision at 31 December 2008 (See Notes 10 and 16).

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

B7. Geographical concentration of assets, liabilities and off-balance sheet items

The Group has credit exposure outside Switzerland mainly through its credit risk with financial institutions domiciled outside Switzerland and to a lesser extent with 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
Treasury bills and other eligible bills	599,997,000	-	-	-	599,997,000
Loans and advances to banks	123,767,292	356,864,084	26,234,733	-	506,866,109
Loans and advances to customers	79,450,103	8,552,591	1,222,029	2,535,014	91,759,737
Investment securities	50,494,706	153,726,100	145,623,638	38,594,159	388,438,603
Others (Derivatives, Trading assets and Other assets)	18,447,487	7,488,282	1,380,739	872,756	28,189,264
Total at 31 December 2009	**872,156,588**	**526,631,057**	**174,461,139**	**42,001,929**	**1,615,250,713**
Total at 31 December 2008	**255,227,513**	**600,459,376**	**132,054,269**	**33,904,130**	**1,021,645,288**

B8. Concentration of risks of financial assets with credit risk exposure by industry sectors

The following table breaks down the Group's main credit exposure of financial assets at their carrying amounts, as categorised by the industry sectors of our counterparties:

	Treasury bills and other eligible bills	Derivatives financial instruments	Loan and advances to banks and customers	Investment securities	Total at 31 December 2009	Total at 31 December 2008
Automobiles & Parts	-	-	-	1,780,827	**1,780,827**	-
Banks	-	408,295	506,866,109	211,547,265	**718,821,669**	**857,402,027**
Basic Resources	-	-	-	1,555,552	**1,555,552**	-
Chemicals	-	-	-	1,924,078	**1,924,078**	-
Constructions & Materials	-	-	-	474,266	**474,266**	-
Financial Services	-	-	-	1,823,881	**1,823,881**	-
Food & Beverage	-	-	-	11,792,536	**11,792,536**	-
Health Care	-	-	-	8,616,460	**8,616,460**	**5,280,121**
Individuals	-	15,834,671	91,759,737	-	**107,594,408**	**83,828,306**
Industrials Goods & Serv.	-	-	-	2,614,857	**2,614,857**	-
Insurance	-	-	-	2,866,564	**2,866,564**	-
Oil & Gas	-	-	-	6,967,842	**6,967,842**	-
Personal & Household Goods	-	-	-	5,702,634	**5,702,634**	**1,514,415**
Retail	-	-	-	5,636,205	**5,636,205**	-
Technology	-	-	-	893,653	**893,653**	-
Telecommunications	-	-	-	5,341,064	**5,341,064**	-
Utilities	-	-	-	25,569,532	**25,569,532**	**5,505,190**
Sovereign	599,997,000	-	-	71,245,803	**671,242,803**	**49,404,290**
Supranational	-	-	-	22,085,584	**22,085,584**	**12,590,987**
Total	**599,997,000**	**16,242,966**	**598,625,846**	**388,438,603**	**1,603,304,415**	**1,015,525,336**

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

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 comply with regulatory requirements and that take into account inter alia the statistical distribution of client deposits by size and maturities and the access to repo facilities. Monitoring and reporting takes the form of cash flow measurement and projections for the next days, weeks and months, quarter and year.

C2. Non-derivative cash flows

The table below presents the cash flow payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2009	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	749,833	-	-	-	-	749,833
Due to customers	1,674,695,545	-	101,000	-	-	1,674,796,545
Others liabilities and deferred tax liabilities	14,107,898	-	-	-	-	14,107,898
Total liabilities (contractual maturity dates)	**1,689,553,276**	**-**	**101,000**	**-**	**-**	**1,689,654,276**
Total assets (expected maturity dates)	**1,449,127,248**	**37,833,998**	**37,720,073**	**214,406,362**	**98,888,259**	**1,837,975,940**

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
Others liabilities and deferred tax 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**

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

C3. Derivative cash flows

Derivatives held are settled on a net basis.

At 31 December 2009	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Derivatives held for trading						
- Security Options	2,522,473	3,818,114	6,898,224	2,139,142	2,195	15,380,148
- Futures	139,674	-	-	-	-	139,674
- Currency forwards	119,379	23,082	172,388	-	-	314,849
Derivatives held for hedging						
- Currency swaps	222,122	106,131	78,101	-	-	406,354
- Currency forwards	740	282	919	-	-	1,941
Total	**3,004,388**	**3,947,609**	**7,149,632**	**2,139,142**	**2,195**	**16,242,966**
Liabilities						
Derivatives held for trading						
- Security Options	2,522,473	3,818,114	6,898,224	2,139,142	2,195	15,380,148
- Futures	139,674	-	-	-	-	139,674
- Currency forwards	115,697	19,835	163,277	-	-	298,809
Derivatives held for hedging						
- Currency swaps	102,341	57,838	25,146	-	-	185,325
- Currency forwards	857	690	230	-	-	1,777
Total	**2,881,042**	**3,896,477**	**7,086,877**	**2,139,142**	**2,195**	**16,005,733**

At 31 December 2008	Up to 1 month	1 to 3 months	3 to 13 months	1 to 5 years	Over 5 years	Total
Assets						
Derivatives held for trading						
- Security Options	8,606,195	662,222	2,035,410	770,002	14,432	12,088,261
- Futures	36,883	-	-	-	-	36,883
- Currency forwards	-	-	-	-	-	-
Derivatives held for hedging						
- Currency swaps	-	-	-	-	-	-
- Currency forwards	-	-	-	-	-	-
Total	**8,643,078**	**662,222**	**2,035,410**	**770,002**	**14,432**	**12,125,144**
Liabilities						
Derivatives held for trading						
- Security Options	8,606,195	662,222	2,035,410	770,002	14,432	12,088,261
- Futures	36,883	-	-	-	-	36,883
- Currency forwards	-	-	-	-	-	-
Derivatives held for hedging						
- Currency swaps	-	-	-	-	-	-
- Currency forwards	-	-	-	-	-	-
Total	**8,643,078**	**662,222**	**2,035,410**	**770,002**	**14,432**	**12,125,144**

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

C4. Off balance sheet items

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

At 31 December 2009	No later than 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	14,150,000	-	-	14,150,000
Operating lease commitments	900,764	1,960,259	-	2,861,023
Capital commitments	-	-	-	-
Total	**15,050,764**	**1,960,259**	**-**	**17,011,023**

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**

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.

The group treasury's risk management policy is to hedge 100% of anticipated cash flows (mainly accrued interests on bonds and term deposits) in each major foreign currency for the subsequent 12 months. 100% (2008: 0%) of projected interests in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

All amounts in Swiss Francs

SECTION VI : FINANCIAL RISK MANAGEMENT

At 31 December 2009	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	238,582,916	29,769	351,300	4,208	238,968,193
Treasury bills and other eligible bills	599,997,000	-	-	-	599,997,000
Loans and advances to banks	138,855,677	111,829,130	205,092,213	51,089,089	506,866,109
Loans and advances to customers	44,914,255	18,687,313	27,100,345	1,057,824	91,759,737
Investment securities	159,555,944	37,884,907	180,630,685	10,367,067	388,438,603
Others (Derivatives, Trading assets and Other assets)	12,625,172	3,753,641	10,959,991	850,460	28,189,264
Total financial assets	**1,194,530,964**	**172,184,760**	**424,134,534**	**63,368,648**	**1,854,218,906**
Liabilities					
Deposits from banks	59,689	-	680,812	9,332	749,833
Due to customers	1,067,439,199	167,350,956	401,652,669	38,353,721	1,674,796,545
Others (Derivatives and Other payables)	19,010,080	2,130,856	7,537,254	42,158	28,720,348
Total financial liabilities	**1,086,508,968**	**169,481,812**	**409,870,735**	**38,405,211**	**1,704,266,726**
Net on balance sheet financial position	**108,021,996**	**2,702,948**	**14,263,799**	**24,963,437**	**149,952,180**
Off balance sheet notional position	**36,058,793**	**(1,918,449)**	**(9,305,472)**	**(24,834,872)**	**-**
Credit commitments	-	-	-	-	-
Net exposure	**144,080,789**	**784,499**	**4,958,327**	**128,565**	**149,952,180**

At 31 December 2008	CHF	USD	EUR	Others	Total
Total financial assets	896,433,534	115,294,257	283,426,410	19,666,638	1,314,820,839
Total financial liabilities	775,007,966	114,234,831	288,723,494	19,584,404	1,197,550,695
Net on balance sheet financial position	**121,425,568**	**1,059,426**	**(5,297,084)**	**82,234**	**117,270,144**
Off balance sheet notional position	**(124,062)**	**(25,073)**	**147,965**	**1,170**	**-**
Credit commitments	-	-	-	-	-
Net exposure	**121,301,506**	**1,034,353**	**(5,149,119)**	**83,404**	**117,270,144**

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.

The following tables summarise 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 42

SECTION VI : FINANCIAL RISK MANAGEMENT

At 31 December 2009	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	238,968,193	-	-	-	-	238,968,193
Treasury bills and other eligible bills	599,997,000	-	-	-	-	599,997,000
Loans and advances to banks	506,456,020	410,089	-	-	-	506,866,109
Loans and advances to customers	91,759,737	-	-	-	-	91,759,737
Investment securities	85,934,882	38,796,286	166,305,478	97,401,957	-	388,438,603
Others (Derivat., Trading assets and Other assets)	471,736	251,408	-	-	27,466,120	28,189,264
Total financial assets	**1,523,587,568**	**39,457,783**	**166,305,478**	**97,401,957**	**27,466,120**	**1,854,218,906**
Liabilities						
Deposits from banks	749,833	-	-	-	-	749,833
Due to customers	1,674,695,545	101,000	-	-	-	1,674,796,545
Others (Derivatives and Other payables)	297,258	188,653	-	-	28,234,437	28,720,348
Total financial liabilities	**1,675,742,636**	**289,653**	**-**	**-**	**28,234,437**	**1,704,266,726**
Net on balance sheet interest sensitivity gap	**(152,155,068)**	**39,168,130**	**166,305,478**	**97,401,957**	**(768,317)**	**149,952,180**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**(152,155,068)**	**39,168,130**	**166,305,478**	**97,401,957**	**(768,317)**	**149,952,180**

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	16,726,975	28,852,119
Total financial liabilities	**1,168,351,738**	**10,013,939**	**2,443,611**	**14,432**	**16,726,975**	**1,197,550,695**
Net on balance sheet interest sensitivity gap	**16,734,266**	**(3,799,090)**	**36,099,583**	**75,149,110**	**(6,913,725)**	**117,270,144**
Off balance sheet interest sensitivity gap	-	-	-	-	-	-
Total interest sensitivity gap	**16,734,266**	**(3,799,090)**	**36,099,583**	**75,149,110**	**(6,913,725)**	**117,270,144**

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			
		+ 5% EUR + 5% USD		- 5% EUR - 5% 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	238,968	19	-	(19)	-
Treasury bills and other eligible bills	599,997	-	-	-	-
Loans and advances to Banks	506,866	15,846	-	(15,846)	-
Loans and advances to Customers	91,760	2,289	-	(2,289)	-
Investment securities	388,439	10,926	-	(10,926)	-
Others (Derivatives, Trading assets and Other assets)	28,189	736	-	(736)	-
Impact on financial assets before tax		29,816	-	(29,816)	-
Tax charges of 22.37%		(6,670)	-	6,670	-
Impact on financial assets after tax		**23,146**	-	**(23,146)**	-
Financial Liabilities					
Deposits from Banks	750	(34)	-	34	-
Due to Customers	1,674,797	(28,450)	-	28,450	-
Others (Derivatives and Other payables)	28,720	(483)	-	483	-
Impact on financial liabilities before tax		(28,967)	-	28,967	-
Tax charges of 22.37%		6,480	-	(6,480)	-
Impact on financial liabilities after tax		**(22,487)**	-	**22,487**	-
Total Increase / (Decrease)		**659**	-	**(659)**	-

The assumptions are based on historical volatility over the past 12 months.

SECTION VI : FINANCIAL RISK MANAGEMENT

Sensitivity Interest Rate Risk analysis

		Interest Rate (-IR-) Risk			
		+100 bp 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	238,968	1,195	-	(119)	-
Treasury bills and other eligible bills	599,997	3,000	-	(180)	-
Loans and advances to Banks	506,866	2,363	-	(591)	-
Loans and advances to Customers	91,760	881	-	(88)	-
Investment securities AFS	86,184	378	(268)	(227)	275
Investment securities HTM	302,254	-	-	-	-
Impact on financial assets before tax		7,817	(268)	(1,205)	275
Tax charges of 22.37%		(1,749)	60	270	(62)
Impact on financial assets after tax		**6,068**	**(208)**	**(935)**	**213**
Financial Liabilities					
Deposits from Banks	750	-	-	-	-
Due to Customers	1,674,797	(3,941)	-	3,323	-
Impact on financial liabilities before tax		(3,941)	-	3,323	-
Tax charges of 22.37%		882	-	(743)	-
Impact on financial liabilities after tax		**(3,059)**	**-**	**2,580**	**-**
Total Increase / (Decrease)		**3,009**	**(208)**	**1,645**	**213**

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 debs.

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.

Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500).

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

SECTION VI : FINANCIAL RISK MANAGEMENT

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December:

At 31 December 2009	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Derivatives held for trading	-	15,834,671	-	15,834,671
- Trading assets	-	595,067	-	595,067
Derivatives used for hedging	-	408,295	-	408,295
Available-for-sale financial assets	86,184,300	-	-	86,184,300
Total assets	**86,184,300**	**16,838,033**	-	**103,022,333**
Liabilities				
Financial assets at fair value through profit or loss				
- Derivatives held for trading	-	15,818,631	-	15,818,631
Derivatives used for hedging	-	187,102	-	187,102
Total liabilities	-	**16,005,733**	-	**16,005,733**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All amounts in Swiss Francs

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 follows:

Classes of financial assets	Fair Value through profit & loss	Loans and advances	Held-to-maturity	Available-for-sale	Total	Fair value
Treasury bills and other eligible bills	-	-	599,997,000	-	599,997,000	599,997,000
Loans and advances to banks	-	506,866,109	-	-	506,866,109	506,866,109
Loans and advances to customers	-	91,759,737	-	-	91,759,737	91,759,737
Trading assets	595,067	-	-	-	595,067	595,067
Investment securities	-	-	302,254,303	86,184,300	388,438,603	396,141,418
Derivatives used for hedging	408,295	-	-	-	408,295	408,295
Other assets amortised at cost - CHF	-	5,309,894	-	-	5,309,894	5,309,894
Derivatives at fair value - CHF	6,311,916	-	-	-	6,311,916	6,311,916
Other assets amortised at cost - FX	-	6,041,337	-	-	6,041,337	6,041,337
Derivatives at fair value - FX	9,522,755	-	-	-	9,522,755	9,522,755
Total at 31 December 2009	**16,838,033**	**609,977,077**	**902,251,303**	**86,184,300**	**1,615,250,713**	**1,622,953,528**

Classes of financial assets	Fair Value through profit & loss	Loans and advances	Held-to-maturity	Available-for-sale	Total	Fair value
Treasury bills and other eligible bills	-	-	-	-	-	-
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
Trading assets	-	-	-	-	-	-
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 liabilities	Carrying value 2009	Carrying value 2008	Fair value 2009	Fair value 2008
Deposits from banks	749,833	2,340,838	749,833	2,340,838
Due to customers	1,674,796,545	1,166,357,738	1,674,796,545	1,166,357,738
Other liabilities amortised at cost - CHF	12,212,253	13,410,260	12,212,253	13,410,260
Derivatives used for hedging	187,102	-	187,102	-
Derivatives at fair value - CHF	6,610,725	5,935,137	6,610,725	5,935,137
Other liabilities amortised at cost - FX	502,362	3,316,715	502,362	3,316,715
Derivatives at fair value - FX	9,207,906	6,190,007	9,207,906	6,190,007
Total at 31 December	**1,704,266,726**	**1,197,550,695**	**1,704,266,726**	**1,197,550,695**

All amounts in Swiss Francs 48

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%. Under Basel II, the Company applies the Swiss Standard Approach for credit risk, the De Minimis Approach for market risks and the Basis Indicator Approach for operational risks.

SECTION VI : FINANCIAL RISK MANAGEMENT

The table below summarises the capital analysis, the risk weighted assets and the resulting surplus of capital:

	2009	2008
Tier 1 capital		
Ordinary shares	2,927,674	2,927,674
Share premium	38,314,296	35,946,443
Share option reserve	2,042,605	1,485,992
Revaluation reserve - available-for-sale investments	(1,306,820)	(5,629,772)
Treasury shares	(26,518,573)	(24,548,517)
Retained earnings	158,781,171	128,948,338
Total qualifying Tier 1 capital	**174,240,353**	**139,130,158**
Tier 2 capital : None		
Total regulatory capital	**174,240,353**	**139,130,158**
Required capital		
Required capital per credit risk	26,605,631	24,150,000
Required capital per risk without counterparties	10,617,411	10,527,000
Required capital per market risk		
- Currencies	79,440	54,000
Required capital per operational risk	16,059,603	14,865,000
Total required capital	**53,362,085**	**49,596,000**
Surplus of capital	**120,878,268**	**89,534,158**
Coverage ratio	**327%**	**281%**

The Company complies with the minimum capital requirement at 31 December 2009 and has done so at all times during 2009 and 2008.

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 4.9 bn (2008: CHF 3.4 bn).

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2009	2008
Cash and balances with central bank	238,968,193	293,175,551
Treasury bills and other eligible bills	599,997,000	-
Loans and advances to banks	506,866,109	765,749,630
Deposits from banks	(749,833)	(2,340,838)
Total net	**1,345,081,469**	**1,056,584,343**
Less Due from other banks above 3 months	(410,089)	(400,000)
Cash and cash equivalents	**1,344,671,380**	**1,056,184,343**

Loans and advances to banks are pledged (2009 CHF 73.9m - 2008 CHF 52.0m) 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.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Derivative financial instruments

31 December 2009	Fair value Assets	Fair value Liabilities	Contract Notional amount
Derivatives held for trading			
- Security options	15,380,148	(15,380,148)	887,088,685
- Futures	139,674	(139,674)	173,815,858
- Currency forwards	314,849	(298,809)	37,572,777
Total derivatives assets / (liabilities) held for trading (a)	**15,834,671**	**(15,818,631)**	**1,098,477,320**
Derivatives held for hedging			
Derivatives designated as cash flow hedge:			
- Currency swaps	406,354	(185,325)	33,792,398
- Currency forwards	1,941	(1,777)	193,067
Total derivatives assets / (liabilities) held for hedging (b)	**408,295**	**(187,102)**	**33,985,465**
Total recognised derivatives assets / (liabilities)	**16,242,966**	**(16,005,733)**	**1,132,462,785**
Current	14,101,629	(13,864,396)	
Non-current	2,141,337	(2,141,337)	

31 December 2008	Fair value Assets	Fair value Liabilities	Contract Notional amount
Derivatives held for trading			
- Security options	12,088,261	(12,088,261)	237,079,291
- Futures	36,883	(36,883)	71,432,061
- Currency forwards	-	-	-
Total derivatives assets / (liabilities) held for trading (a)	**12,125,144**	**(12,125,144)**	**308,511,352**
Derivatives held for hedging			
Derivatives designated as cash flow hedge:			
- Currency swaps	-	-	-
- Currency forwards	-	-	-
Total derivatives assets / (liabilities) held for hedging (b)	-	-	-
Total recognised derivatives assets / (liabilities)	**12,125,144**	**(12,125,144)**	**308,511,352**
Current	11,340,710	(11,340,710)	
Non-current	784,434	(784,434)	

(a) These derivatives are linked to clients' transactions and hence the amounts are back to back on assets and liabilities.
(b) These derivatives are linked to the Group's own transactions.

All amounts in Swiss Francs 54

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.

	2009	2008
Loans and advances		
Covered loans	91,562,008	71,612,506
Overdrafts	327,729	220,656
Total	**91,889,737**	**71,833,162**
Impairment allowance	(130,000)	(130,000)
Total net	**91,759,737**	**71,703,162**
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.

	2009	2008
Securities available-for-sale		
Debt securities - at fair value:		
- Listed	86,184,300	77,666,125
Total securities available-for-sale	**86,184,300**	**77,666,125**
Securities held-to-maturity		
Debt securities - at amortised cost:		
- Listed	302,254,303	88,281,275
Allowance for impairment	-	-
Total securities held-to-maturity	**302,254,303**	**88,281,275**
Total Investment securities	**388,438,603**	**165,947,400**
Current	75,143,984	14,613,436
Non-current	313,294,619	151,333,964

	Available-for-sale	Held-to-maturity	Total
At 1 January 2009	**77,666,125**	**88,281,275**	**165,947,400**
Exchange difference on monetary assets	480,986	(3,197,886)	(2,716,900)
Additions	74,900,638	226,395,963	301,296,601
Premium / (Discount)	(209,736)	(528,203)	(737,939)
Disposals (sale and redemption)	(71,413,221)	(8,696,846)	(80,110,067)
Gains / (losses) from changes in fair value	4,759,508	-	4,759,508
Impairment losses	-	-	-
At 31 December 2009	**86,184,300**	**302,254,303**	**388,438,603**

	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
Premium / (Discount)	-	-	-
Disposals (sale and redemption)	(2,596,706)	-	(2,596,706)
Gains / (losses) from changes in fair value	-	-	-
Impairment losses	(11,889,573)	-	(11,889,573)
At 31 December 2008	**77,666,125**	**88,281,275**	**165,947,400**

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

All amounts in Swiss Francs 56

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Other assets

	2009	2008
Accrued income	10,013,341	5,465,570
Account receivables and prepayment	1,337,890	654,382
Total	**11,351,231**	**6,119,952**

6. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware & Telecom Systems	Total
Year ended 31 December 2009				
Opening net book amount	1,337,656	6,042,320	3,750,095	11,130,071
Addition	981,709	3,671,433	983,239	5,636,381
Amortisation / depreciation	(837,541)	(2,440,088)	(2,089,886)	(5,367,515)
Closing net book amount	**1,481,824**	**7,273,665**	**2,643,448**	**11,398,937**
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**

Additions to Information technology systems include an amount of CHF 3.3m (2008: CHF 2.8m) representing own costs capitalised in connection with the development of the systems of the Bank and in particular with the new saving accounts and eForex plateform.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Property, plant and equipment

	Land & Building	Leasehold Improvements	Equipments	Total
Year ended 31 December 2009				
Opening net book amount	17,106,884	1,040,448	2,041,267	20,188,599
Addition	101,178	610,064	87,694	798,936
Amortisation / depreciation	(548,513)	(289,973)	(317,436)	(1,155,922)
Closing net book amount	**16,659,549**	**1,360,539**	**1,811,525**	**19,831,613**
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**

Additions to Property, Plant and equipment include an amount of CHF 0.14m (2008: CHF 0.17m) 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.

8. Other liabilities

	2009	2008
Accrued expenses	6,582,288	7,642,428
Account payables	4,897,255	6,025,624
Social security and other taxes	195,245	2,298,273
Deferred revenues	1,039,827	760,650
Total	**12,714,615**	**16,726,975**

All amounts in Swiss Francs 58

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Deferred tax liabilities, net

a) Movements

	Sources of deferred taxes			
	Tax losses carried forward	Permanent differences	Temporary differences	Total Deferred tax assets (liabilities), net
Balance at 1 January 2009	-	-	**(1,368,759)**	**(1,368,759)**
Movements with counterpart in Income tax expense				
In connection with the utilisation of tax losses carried forward	-	-	-	-
In connection with fair value of treasury shares	-	-	280,145	280,145
In connection with the write-back / (creation) of a general provision in the books of Swissquote Bank Ltd	-	-	(269,200)	(269,200)
In connection with differences in the capitalisation and depreciations policies in the books of Swissquote Bank Ltd	-	-	(35,469)	(35,469)
Balance at 31 December 2009	-	-	**(1,393,283)**	**(1,393,283)**

	Tax losses carried forward	Permanent differences	Temporary differences	Total Deferred tax assets (liabilities), net
Balance at 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 Ltd	-	-	287,683	287,683
In connection with differences in the capitalisation and depreciations policies in the books of Swissquote Bank Ltd	-	-	(46,900)	(46,900)
Balance at 31 December 2008	-	-	**(1,368,759)**	**(1,368,759)**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Deferred tax liabilities breakdown

	2009	2008
General provision in the books of Swissquote Bank Ltd	(1,201,657)	(932,457)
Difference in valuation of treasury shares and gain on treasury shares sold	11,656	(268,489)
Different capitalisation and depreciation methods in accounting policies of Swissquote Bank Ltd	(203,282)	(167,813)
Total	**(1,393,283)**	**(1,368,759)**

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 22.37% (2008: 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 60

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Provisions

	2009	2008
Balance at 1 January	**4,884,057**	**1,176,970**
Increase :		
- Lehman Brothers Holding Inc related	-	3,693,298
- Others	200,000	420,006
Used :		
- Lehman Brothers Holding Inc related	(1,319,678)	-
- Others	(47,010)	(406,217)
Reversed	(2,373,620)	-
Balance at 31 December	**1,343,749**	**4,884,057**

In connection with the bankruptcy of Lehman Brothers Holding Inc in September 2008, the Company recognised an impairment of 75% of a Euro 10 m bond position in Q3-2008 and further created a provision fully covering the remaining 25% in Q4-2008. As a result the Group had no residual exposure to Lehman Brothers Holding Inc at 31 December 2008. During H2-2009, the Company successfully sold the full position it had in the bond. The Company used part of the provision created in 2008 to cover the difference between the book value at 25% and sale price of 15% and reversed the excess representing CHF 2.4m (see Note 16).

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 2009, the rate was 2.0% per annum (2008: 2.75% per annum).

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

	2009	2008
Discount Rate	3.00%	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

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)	2009	2008	2007	2006	2005
Fair value of plan assets	9,985.8	8,283.4	7,206.1	7,167.0	6,861.5
Defined benefit obligation	(9,639.6)	(8,513.8)	(6,973.4)	(6,892.6)	(7,582.5)
Funded status	**346.2**	**(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)	2009	2008
Services cost	(1,451.5)	(1,269.5)
Interest cost	(246.0)	(244.1)
Expected return on plans assets	372.8	324.3
Employees contribution	702.0	654.8
Impact of §58 and 58A limit	(89.9)	(130.8)
Company's pension cost	**(712.6)**	**(665.3)**

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

(all amounts in thousands CHF)	2009	2008
Company's pension cost (actuarial)	(712.6)	(665.3)
Company's pension contribution (financial)	712.6	665.3
Difference : movement in prepaid pension cost	-	-

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

(all amounts in thousands CHF)	2009	2008
Beginning of year	-	-
Change	89.9	130.8
Impact of §58 and 58A	(89.9)	(130.8)
End of year	-	-

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(all amounts in thousands CHF)	2009	2008
Funded status	346.2	(230.4)
Unrecognised (gain) / loss	(256.3)	361.2
Limit on balance sheet (para 58 & 58A of IAS19)	(89.9)	(130.8)
Reported prepaid pension cost	-	-

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

(all amounts in thousands CHF)	2009	2008
Defined benefit obligation at beginning of the year	(8,513.8)	(6,973.4)
Service cost	(1,451.5)	(1,269.6)
Interest cost	(246.0)	(244.1)
Actuarial gains / (losses)	97.0	(133.4)
Benefit payments	474.7	106.7
Defined benefit obligation at end of the year	**(9,639.6)**	**(8,513.8)**

(all amounts in thousands CHF)	2009	2008
Fair value of plan assets at beginning of the year	8,283.4	7,206.1
Expected return on plan assets	372.8	324.3
Employees' contributions	702.0	654.8
Company contribution	712.6	665.3
Plan assets gains / (losses)	389.7	(460.4)
Benefit payments	(474.7)	(106.7)
Fair value of plan assets at end of the year	**9,985.8**	**8,283.4**

(all amounts in thousands CHF)	2009	2008
Unrecognised gains / (losses) at beginning of the year	(230.4)	232.7
Amortisation due to impact of §58 and 58A limit	89.9	130.8
Net liabilities	-	-
Actuarial gains / (losses)	97.0	(133.4)
Plan assets gains / (losses)	389.7	(460.5)
Unrecognised gains / (losses) at end of the year	**346.2**	**(230.4)**

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The actual return on plan assets is as follows:

(all amounts in thousands CHF)	2009	2008
Actual return on plan assets	762.5	(136.1)

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

	2009 proportion in %	2009 expected return	2008 proportion in %	2008 expected return
Cash	46.7%	3.0%	51.5%	3.0%
Swiss bonds	47.2%	4.0%	40.4%	4.0%
Foreign bonds	0.0%	5.0%	0.0%	5.0%
Swiss shares	4.9%	10.0%	7.6%	10.0%
Foreign shares	1.2%	12.0%	0.5%	12.0%
Total	**100.0%**	**3.9%**	**100.0%**	**4.0%**

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Equity

12.1 Share capital

a) Numbers of Shares in 2009

	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)	0.20	-	-	**0.20**
Total nominal value (CHF)	2,927,674	-	-	**2,927,674**
Unissued shares				
Conditional capital				
Number of conditional shares	211,060	-	-	**211,060**
Nominal value per share (CHF)	0.20	-	-	**0.20**
Total nominal value (CHF)	42,212	-	-	**42,212**
Authorised capital				
Amount authorised (CHF)	800,000	-	-	**800,000**
Nominal value per share (CHF)	0.20	-	-	**0.20**
Number of authorised shares	4,000,000	-	-	**4,000,000**

b) 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**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.2 Share options reserve

	31 December	
	2009	2008
Value of services to be reclassified to Accumulated profits when outstanding options will lapse, expire or be exercised	3,186,037	2,562,675
Value of services to be amortised through profit and losses over the residual vesting periods of options	(1,143,432)	(1,076,683)
Share options reserve	**2,042,605**	**1,485,992**

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 eleven 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 2009 are summarised below. In connection with the share split carried out in 2009, 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.

All amounts in Swiss Francs 66

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- The 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 options granted under the eleventh allocation in July 2009 are made under the following terms:
  - one option grants the right to acquire one share;
  - the strike price is equal to CHF 63.24;
  - 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.

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the options is determined based on Black-Scholes valuation model. The table below summarises the most significant inputs into the model that are the spot price at grant, the strike price, the expected life of the options and the volatility. The volatility is measured over a period of 3 years. Other inputs into the model are the risk free interest rate and the dividend yield (respectively 2.8% and 1% for the 2009 allocation). One option grants the right to acquire one share.

Date of Grant	30.07.2009
Strike price [CHF]	63.24
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 (*)	85,152
Of which granted to Board	6,600
Of which granted to Executive Management	14,400
Of which granted to Others employees	64,152
Spot price at grant [CHF]	53.82
Volatility [CHF]	44.98%
Fair value per option (average of all tranches) [CHF]	12.57

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

Options are conditional on the employee completing at least one year's service after the grant date (vesting period).

All amounts in Swiss Francs 68

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Allocation							Conditional shares available
	6th	7th	8th	9th	10th	11th	Total	for exercise
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**
Balance at 1 January 2009	**5,700**	**130,800**	**64,028**	**106,290**	**145,480**	**-**	**452,298**	**211,060**
Grants	-	-	-	-	-	85,152	85,152	
Exercised								
Covered by:								
the issue of new shares	-	-	-	-	-	-	-	
treasury shares	(5,700)	(29,930)	(32,776)	-	(14,238)	-	(82,644)	
Lapsed	-	-	(200)	(4,290)	(5,958)	(120)	(10,568)	
Balance at 31 December 2009	**-**	**100,870**	**31,052**	**102,000**	**125,284**	**85,032**	**444,238**	**211,060**

Less options outstanding	*(444,238)*	
Shortfall	*(233,178)*	
Number of treasury shares available at 31 December 2009		*(233,178)*
Balance shares available for future grants		*583,692*
		350,514

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

	Allocation						
	6th	7th	8th	9th	10th	11th	Total
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**
Balance at 1 January 2009	**14,363**	**106,165**	**471,233**	**946,774**	**1,024,140**	**-**	**2,562,675**
Grants	-	-	-	-	-	1,070,565	1,070,565
Exercise : new shares	-	-	-	-	-	-	-
Exercise : treasury shares	(14,363)	(23,653)	(236,955)	-	(86,368)	-	(361,339)
Lapsed	-	-	(1,525)	(39,301)	(43,529)	(1,509)	(85,864)
Balance at 31 December 2009	**-**	**82,512**	**232,753**	**907,473**	**894,243**	**1,069,056**	**3,186,037**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Strike value of stock options outstanding and movements

	Allocation						
	6th	7th	8th	9th	10th	11th	Total
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**
Balance at 1 January 2009	**64,923**	**2,223,600**	**2,176,952**	**7,971,750**	**6,837,560**	**-**	**19,274,785**
Grants	-	-	-	-	-	5,385,013	5,385,013
Exercise : new shares	-	-	-	-	-	-	-
Exercise : treasury shares	(64,923)	(508,810)	(1,114,384)	-	(669,186)	-	(2,357,303)
Lapsed	-	-	(6,800)	(321,750)	(280,026)	(7,589)	(616,165)
Balance at 31 December 2009	**-**	**1,714,790**	**1,055,768**	**7,650,000**	**5,888,348**	**5,377,424**	**21,686,330**

b) Maturity of stock options outstanding

	Strike	Number	Exercise Period	
Allocation #	Price	Options	Start	End
7	17.00	100,870	August-08	July-10
8	34.00	13,930	August-08	July-10
		17,122	August-09	July-11
9	75.00	34,299	August-08	July-10
		34,338	August-09	July-11
		33,363	August-10	July-12
10	47.00	33,295	August-09	July-11
		45,977	August-10	July-12
		46,012	August-11	July-13
11	63.24	28,344	August-10	July-12
		28,344	August-11	July-13
		28,344	August-12	July-14
	Total	**444,238**		

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.3 Treasury Shares

	2009	2008
Beginning of the year (shares)	**623,503**	**378,915**
Acquisition - shares	**80,839**	**343,960**
unit price ranging from CHF	36.03 to 58.85	24.68 to 55.96
average price in CHF	46.59	38.99
Disposal - shares	**(38,006)**	**(56,552)**
unit price ranging from CHF	39.55 to 53.71	36.23 to 54.79
average price in CHF	47.53	50.80
Remittance to optionees - shares	**(82,644)**	**(42,820)**
unit price ranging from CHF	11.39 to 47.00	11.39 to 34.00
average price in CHF	28.52	18.50
End of the period - 31 December (shares)	**583,692**	**623,503**
Total cost in CHF	**26,518,573**	**24,548,517**
Average cost per share in CHF	**45.43**	**39.37**
% of the issued shares	**3.99%**	**4.26%**

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 4 February 2010, the Board of Directors resolved to propose to the shareholders to pay a dividend of CHF 0.60 per share for 2009 (2008: CHF 0.40 per share) amounting to a total of CHF 8,783,022 (2008: CHF 5,855,348). The 2009 financial statements 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 2010.

13. Fee and commission income

	2009	2008
Brokerage and related	69,106,703	66,098,345
Custody and others	7,009,955	8,340,416
Advertising and subscription fees	2,725,383	2,712,255
Total	**78,842,041**	**77,151,016**

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Interest income, net

	2009	2008
Interest income		
Cash and short-term funds	2,718,444	30,153,529
Investment securities	8,266,647	3,718,957
Currency derivatives revaluation	26,021	-
Loans to customers	2,533,807	4,549,282
	13,544,919	**38,421,768**
Interest expense		
Banks	(2,273)	(8,401)
Due to customers	(3,965,378)	(7,076,095)
	(3,967,651)	**(7,084,496)**
Total net	**9,577,268**	**31,337,272**

15. Operating expenses

	2009	2008
Payroll & related expenses	24,572,019	24,617,286
Other operating expenses	17,090,007	14,516,507
Depreciation and amortisation	6,523,437	5,563,498
Provisions	200,000	420,006
	48,385,463	**45,117,297**
Marketing expenses	8,417,003	9,522,241
Total	**56,802,466**	**54,639,538**

Payroll and related expenses consist of:

	2009	2008
Wages and salaries	24,673,247	24,221,333
Social security costs	3,330,434	3,406,209
	28,003,681	**27,627,542**
Less capitalised costs	(3,431,662)	(3,010,256)
Total	**24,572,019**	**24,617,286**
Average headcount	231	233

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

All amounts in Swiss Francs 72

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Impairment and provision on Investment securities

	2009	2008
Impairment on Investment securities	-	11,982,786
Provision on Investment securities	(2,373,620)	3,693,298
Total	**(2,373,620)**	**15,676,084**

(See Note 10)

17. Income tax

	2009	2008
Current tax, except impairment and provision on Investment securities	8,655,747	11,690,683
Deferred tax assets		
Amortisation	-	285,000
Deferred tax liabilities	24,524	27,706
	8,680,271	**12,003,389**
Current tax on impairment and provision on Investment securities	**530,980**	**(3,448,738)**
Total	**9,211,251**	**8,554,651**

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.

	2009	2008
Net Profit	34,993,001	32,806,750
Weighted average number of ordinary shares in issue	14,034,773	14,137,161
Basic earning per share	2.49	2.32

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Diluted

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

	2009	2008
Net Profit	34,993,001	32,806,750
Weighted average number of ordinary shares in issue	14,034,773	14,137,161
Adjustments for share options	78,912	99,053
Weighted average number of ordinary shares for diluted earnings per share options	**14,113,685**	**14,236,214**
Diluted earning per share	2.48	2.30

19. Related party transactions

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

	2009	2008
Key Management compensation		
Short term employee benefits	2,160,870	2,490,650
Post-employment benefits	248,045	251,124
Share based payment	263,970	246,400
Loans and advances to customers	3,993,066	35,707
Due to customers	4,092,067	4,160,806
Interest income	23,560	19,465
Interest expenses	4,399	3,152

20. Commitments

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

Payable	2009	2008
Not later than 1 year	900,764	890,528
Later than 1 year and not later than 5 years	1,960,259	2,812,999
Later than 5 years	-	-

All amounts in Swiss Francs 74

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Disclosure of compensation of the Board of Directors and Executive Management 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 compensations, loans granted and participations held by each member of the Board of Directors and of the Executive Management.

a) Compensations 2009

All amounts in CHF	Base compensation		Variable compensation		Other Compensation	Total	Number of share options granted
	Cash	Shares (fair value)	Cash bonus (*1)	Share option (fair value) (*2)			
Board of Directors					(*3)		
Mario Fontana, Chairman of the Board	120,000	-	-	22,626	2,000	144,626	1,800
Paul E. Otth, member	80,000	-	-	15,084	2,000	97,084	1,200
Markus Dennler, member	80,000	-	-	15,084	2,000	97,084	1,200
Martin M. Naville, member	80,000	-	-	15,084	2,000	97,084	1,200
Adrian Bult, member	80,000	-	-	15,084	2,000	97,084	1,200
Total Board of Directors	**440,000**	**-**	**-**	**82,962**	**10,000**	**532,962**	**6,600**
Executive Management					(*4)		
Marc Bürki, CEO	355,000	-	105,000	60,336	25,100	545,436	4,800
Paolo Buzzi, CTO	355,000	-	105,000	60,336	25,100	545,436	4,800
Michael Ploog, CFO	355,000	-	105,000	60,336	16,700	537,036	4,800
Total Executive Management	**1,065,000**	**-**	**315,000**	**181,008**	**66,900**	**1,627,908**	**14,400**

Total compensation is reported based on the base compensation paid in 2009, the value of the options granted in 2009 (value at grant date) and the accrual in 2009 of the bonus payable in 2010, based on the 2009 results.

(*1) Cash bonus consists of the bonus payable in 2010 based on the performance of the 2009 financial year.
(*2) The fair value of the options has been determined based on the valuation method and the parameters used for the 11th allocation (see Note 12.2). The number of options granted in 2009 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.
(*4) Other compensation consists of Bel-étage funding contributions.

All amounts in Swiss Francs

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Compensations 2008

All amounts in CHF	Base compensation		Variable compensation		Other Compensation	Total	Number of share options granted
	Cash	Shares (fair value)	Cash bonus (*1)	Share option (fair value) (*2)			
Board of Directors					(*3)		
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(*5)	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					(*4)		
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.

(*4) Other compensation consists of Bel-étage funding contributions.

(*5) At the AGM on 25 April 2008, Mr. A. Bult was elected at the Board for a first term on the same date.

All amounts in Swiss Francs 76

SECTION VII : OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c) Loans and credits

As per 31 December 2009, 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	2009	2008
Mario Fontana, Chairman of the Board	940,478	-
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	3,052,588	35,707

d) Participations

	Number of shares 2009	Number of shares 2008	Number of share options expiring				
			2010	2011	2012	2013	2014
Mario Fontana, Chairman of the Board	809,050	809,050	39,000	1,000	1,600	1,600	600
Paul E. Otth, member	55,200	55,200	26,000	666	1,067	1,067	400
Markus Dennler, member	-	-	26,000	666	1,067	1,067	400
Martin M. Naville, member	5,722	5,722	666	1,333	1,734	1,067	400
Adrian Bult, member	-	-	-	-	1,067	1,067	400
Marc Bürki, CEO	2,124,000	2,123,000	5,336	8,003	6,934	4,267	1,600
Paolo Buzzi, CTO	2,119,805	2,119,500	5,336	8,003	6,934	4,267	1,600
Michael Ploog, CFO	72,150	72,150	2,666	5,775	6,934	4,267	1,600
Closely related persons (*1)	165,331	165,130	-	-	-	-	-
Former members (*2)	985,780	987,630	-	-	-	-	-

(*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

PricewaterhouseCoopers SA
avenue Giuseppe-Motta 50
Case postale
1211 Genève 2
Phone +41 58 792 91 00
Fax +41 58 792 91 10
www.pwc.ch

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Swissquote Group Holding Ltd, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes (pages 15 to 77), for the year ended 31 December 2009.

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.

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2009 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, 17 February 2010

Financial Report 2009
Statutory Financial Statements

STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 OF SWISSQUOTE GROUP HOLDING LTD

Financial Report 2009
Statutory Financial Statements

BALANCE SHEET AT 31 DECEMBER 2009

	Notes	2009	2008
ASSETS			
Current assets			
Cash and banks		77,192	77,192
Receivables and prepayments		186,780	186,780
Securities (treasury shares)	3	23,295,588	20,115,550
Total current assets		**23,559,560**	**20,379,522**
Non-current assets			
Investments in subsidiaries	4	40,698,952	40,698,952
Receivables from subsidiaries	5	50,108,368	36,041,714
Total non current assets		**90,807,320**	**76,740,666**
TOTAL		**114,366,880**	**97,120,188**
LIABILITIES AND EQUITY			
Current liabilities			
Creditors and accrued liabilities		192,780	192,695
Income tax payable		762,013	212,346
Total current liabilities		**954,793**	**405,041**
Equity			
Share capital	6	2,927,674	2,927,674
Share premium	7	2,826,784	2,826,784
Reserve for own shares	3/7	26,518,573	24,548,517
Retained earnings	7	81,139,056	66,412,172
Total equity		**113,412,087**	**96,715,147**
TOTAL		**114,366,880**	**97,120,188**

The notes on pages 83 to 87 are integral part of these financial statements

All amounts in Swiss Francs

Financial Report 2009
Statutory Financial Statements

STATEMENT OF OPERATIONS FOR THE YEAR 2009

	Notes	2009	2008
Income			
Revenues from investments		939,238	870,334
Realised gain on treasury shares		2,367,853	1,134,399
Fair value adjustment of treasury shares		1,209,982	-
Interest income		1,061,162	808,609
Royalties		5,050,378	6,253,982
Dividend received from subsidiaries		13,541,668	39,583,337
Total		**24,170,281**	**48,650,661**
Expenses			
Fair value adjustment of treasury shares		-	4,432,967
Operating expenses		1,121,563	1,252,272
Amortisation		-	670,131
Tax expense		744,402	212,346
Total		**1,865,965**	**6,567,716**
Net profit of the year	7	**22,304,316**	**42,082,945**

The notes on pages 83 to 87 are integral part of these financial statements

All amounts in Swiss Francs

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. Introduction

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

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

The main shareholders are:

	2009	2008
Mr. Marc Bürki	14.51%	14.50%
Mr. Paolo Buzzi	14.48%	14.48%
Mr. Jean Pfau	5.57%	5.57%
Mr. Mario Fontana	5.53%	5.53%
PEC Global Equity Fund	4.90%	5.06%
Alken Fund European Opportunities	4.79%	5.79%
Threadneedle Asset Management Holdings Ltd	3.10%	<3%
Treasury Shares:		
Swissquote Group Holding Ltd	3.99%	4.26%

The statutory financial statements were approved for issue by the Board of Directors of the Company on 17 February 2010.

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 2009 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 of MM Marc Bürki (CEO), Paolo Buzzi (CTO) and Michael Ploog (CFO).

The Board met seven times in 2009, 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 Ltd 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.

All amounts in Swiss Francs

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. Securities (Treasury shares)

	2009	2008
Beginning of the year (shares)	**623,503**	**378,915**
Acquisition - shares	**80,839**	**343,960**
unit price ranging from CHF	36.03 to 58.85	24.68 to 55.96
average price in CHF	46.59	38.99
Disposal - shares	**(38,006)**	**(56,552)**
unit price ranging from CHF	39.55 to 53.71	36.23 to 54.79
average price in CHF	47.53	50.80
Remittance to optionees - shares	**(82,644)**	**(42,820)**
unit price ranging from CHF	11.39 to 47.00	11.39 to 34.00
average price in CHF	28.52	18.50
End of the period - 31 December (shares)	**583,692**	**623,503**
Total cost in CHF	**26,518,573**	**24,548,517**
Average cost per share in CHF	**45.43**	**39.37**
% of the issued shares	**3.99%**	**4.26%**

The Treasury shares are primarily acquired for the purpose of covering the employee stock option plan.

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 2009 in accordance with the above method is CHF 23.3m (2008: CHF 20.1m). The fair value adjustment resulted in a profit of a CHF 1.2m in 2009 (2008: loss of CHF 4.4m).

4. Investments in subsidiaries

Investments in subsidiaries consist of:

	2009		2008	
	%	**CHF**	%	**CHF**
Swissquote Bank Ltd	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**

All amounts in Swiss Francs 84

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

5. Receivables from subsidiaries

Receivables from subsidiaries consist of:

	2009	2008
Subordinated loan	34,600,000	23,600,000
Current account	15,508,368	12,441,714
Total	**50,108,368**	**36,041,714**

As part of the meeting of the actual and foreseeable capital requirements of Swissquote Bank Ltd, Swissquote Group Holding Ltd originally entered on 22 April 2008 into a CHF 23.6m subordinated loan agreement with Swissquote Bank Ltd and subsequently increased to CHF 34.6m on 31 December 2009, 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 interest rate is set annually and is based on the standards issued by the Swiss Tax Authorities

6. Share capital

	2009	2008
Ordinary issued share capital		
Number of shares in issue	14,638,370	14,638,370
Nominal value of each share (Registered shares)	0.20	0.20
Ordinary share capital	**2,927,674**	**2,927,674**
Unissued share capital		
Conditional share capital	42,212	42,212
Authorised share capital	-	800,000

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

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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

	2009	2008
Share premium		
At beginning of year	2,826,784	7,603,243
Allocation to Reserve for own shares	-	(4,776,459)
Share premium on new shares issued	-	-
At end of year	**2,826,784**	**2,826,784**
Reserve for own shares		
At beginning of year	24,548,517	13,798,286
Allocation from Retained earnings	1,970,056	5,973,772
Allocation from Share premium	-	4,776,459
At end of year	**26,518,573**	**24,548,517**
Retained earnings		
At beginning of year	66,412,172	35,994,561
Dividend paid	(5,607,376)	(5,691,562)
Allocation for own shares	(1,970,056)	(5,973,772)
Net profit of the year	22,304,316	42,082,945
Available retained earnings, end of year	**81,139,056**	**66,412,172**

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

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. Since 2009, of the Reserve for own shares are debited against Retained earnings as the Share Premium has reached 20% of the original paid-in capital before the capital reductions that took place in 2005, 2006 and 2007.

8. Disclosure of compensation of the Board of Directores and Management Board in accordance with art. 663b 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 86

PROPOSAL OF THE BOARD OF DIRECTORS REGARDING AVAILABLE EARNINGS AT 31 DECEMBER 2009

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

Scenario 1		**CHF**
Available retained earnings at 31 December 2009		81,139,056
Proposed dividend *(1)*	CHF 0.60 per share	(8,783,022)
Retained earnings to be carried forward at 1 January 2010		**72,356,034**

(1) Amounts based on the number of shares issued at 31 December 2009.

All amounts in Swiss Francs

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SA
avenue Giuseppe-Motta 50
Case postale
1211 Genève 2
Phone +41 58 792 91 00
Fax +41 58 792 91 10
www.pwc.ch

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swissquote Group Holding Ltd, which comprise the balance sheet, income statement and notes (pages 83 to 87), for the year ended 31 December 2009.

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.

Opinion
In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

PRICEWATERHOUSECOOPERS

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, 17 February 2010

Section 3: Corporate Governance Report
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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. At 31 December 2009 Swissquote Group Holding Ltd's market capitalisation amounted to CHF 722,790,809.50. The Company is located in Gland, Canton de Vaud / Switzerland.

Swissquote Bank Ltd, 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 Ltd's main office is in Gland, Canton de Vaud / Switzerland with a branch in Zürich. Swissquote Bank Ltd's share capital amounts to CHF 25,000,002 (4,166,667 shares with par value of CHF 6.-). Swissquote Trade Ltd is a dormant company fully owned by Swissquote Group Holding Ltd; its share capital amounts to CHF 100,000.- (10,000 shares with par value of CHF 10.-). All Group operations are carried out within Swissquote Bank Ltd.

Corporate Governance Report

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 2009 were:

	2009	2008
Mr. Marc Bürki	14.51%	14.50%
Mr. Paolo Buzzi	14.48%	14.48%
Mr. Jean Pfau	5.57%	5.57%
Mr. Mario Fontana	5.53%	5.53%
PEC Global Equity Fund	4.90%	5.06%
Alken Fund European Opportunities	4.79%	5.79%
Threadneedle Asset Management Holdings Ltd	3.10%	<3%
Treasury Shares:		
Swissquote Group Holding Ltd	3.99%	4.26%

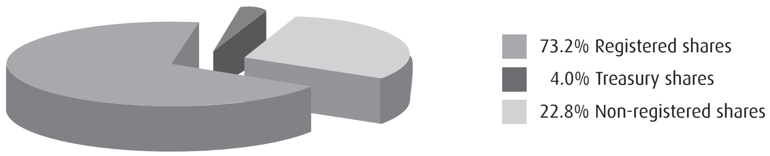
The following table reports the disclosures of shareholdings made in accordance with Art. 20 SESTA in 2009:

Date	Shareholder / Group	Indirect holder	Action	New total amount of shares held	New percentage of voting rights
16.01.2009	Alken Fund European Opportunities	Virmont Sàrl	Communication on change of indirect holder	N/A	N/A
19.03.2009	Alken Fund European Opportunities	Virmont Sàrl	Sale	701,820	4.79%
30.07.2009	Threadneedle Asset Management Holdings Ltd	-	Acquisition	454,474	3.10%
28.11.2009	PEC Global Equity Fund	LB (Swiss) Investment AG	Sale	716,751	4.90%

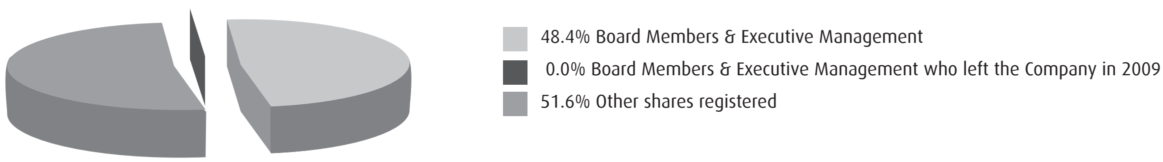
The Company is not aware of any shareholder's agreements.

Corporate Governance Report

At 31 December 2009 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 10,722,901 shares and the Company owned 583,692 treasury shares. The distribution of the shareholdings in the Company was the following:



Further the registered shareholders at 31 December 2009 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 2009 the share capital amounted to CHF 2,927,674 (14,638,370 shares with par value of CHF 0.20). The Company owned 583,692 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 2009.

All issued shares at 31 December 2009 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 2009 was 59.92% (2008: 59.92%).

2.2 Conditional and authorised 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 into 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 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 1 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**
At 1 January 2009	**14,638,370**	**211,060**	**4,000,000**	**18,849,430**
Exercise of employees' Stock Options	-	-	-	-
At 31 December 2009	**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 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**
Balance at 1 January 2009	**2,927,674**	**35,946,443**	**1,485,992**	**(5,629,772)**	**(24,548,517)**	**128,948,338**	**139,130,158**
Net profit	-	-	-	-	-	34,993,001	34,993,001
Pay-out							
Dividend	-	-	-	-	-	(5,607,376)	(5,607,376)
Other movements (*1)	-	2,367,853	556,613	4,322,952	(1,970,056)	447,208	5,724,570
Balance at 31 December 2009	**2,927,674**	**38,314,296**	**2,042,605**	**(1,306,820)**	**(26,518,573)**	**158,781,171**	**174,240,353**

(*1) See Consolidated Changes in Shareholder' Equity for the years ended 2009, 2008 and 2007 for further details.

2.4 Shares and participation certificates

At 31 December 2009 the share capital consisted of 14,638,370 registered shares. 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. More information is provided in section 6.

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.

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 2009 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 30 April 2009, all Board members seeking their re-election were re-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 Ltd 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 or political posts in 2009. To the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Corporate Governance Report

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 Ltd 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 or political posts in 2009. To the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

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 Ltd 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
2007 - 2010	Jelmoli, Member of the Board

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

Markus Dennler has not held official functions or political posts in 2009. To the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

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 Ltd 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 or political posts in 2009. To the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

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 Ltd since April 2008 Member of the Audit Committee

Educational Background

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

Executive Experience

1984 – 1987	IBM (Switzerland) 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

Current Board Mandates

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

Other Mandates

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

Adrian Bult has not held official functions or political posts in 2009. To the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

3.2 Other activities and vested interests

None of the Board members has activities or vested interests other than the ones described under 3.1.

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 Ltd.

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 2009, 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's attention and thus ensures that the Board's activity is compliant with applicable laws and regulations.

In 2009 the Board met seven 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 the 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 approve resolutions regarding the implementation or ceasing of business activities;
- establish the overall 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 duty of the Audit Committee is 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 2009. The usual length of the meeting was 2.5 hours. At each meeting held in 2009 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 2009 it met four times. The usual length of the meeting was 1.5 hours. At each meeting held in 2009 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 ensures the maintenance 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 its decisions and instructions;
- 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 the Bank's clients.

The delegation process to General Management is documented in the Internal Regulations approved by the FINMA 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: Treasury & Trading, Back-office & Banking Applications, Legal & Compliance, Reporting & Controlling and Asset & Liability Management
- Executive Management: Human Resources

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 Executive Management with all data required to monitor and control the business and to report relevant information to the Board.

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

- monthly reports typically focus on the development of the operations and on the list of counterparties that exceed 10% of the capital, if any;
- quarterly reporting includes a full set of Interim Condensed 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 reporting 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 Ltd is outsourced to BDO Visura, Lausanne. The duties of the Internal Auditor are governed by the Federal Law on Banks and Saving Banks and the Bank's Internal Regulations. The Internal Auditor screens the compliance of business activities with legal and regulatory requirements and with applicable internal regulation. The Internal Auditor 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. The Internal Auditor 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 the Internal Auditor in past reports and includes all relevant information with respect to the execution of the audit plan.The Internal Auditor 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 takes note of the reports of the Internal Auditor and reviews the conclusions and comments made by the Audit Committee, which examined the report in detail.

In terms of risk management, the Company fully complies with the requirements of the FINMA Circular 2008/24 on supervision and internal control. In particular the Company operates an integrated risk management system called "Core Manual". This system is permanently evolving based on the experiences made. The Core Manual inter alia addresses the following matters:

- objectives of the document, organisation of the Company as well as duties and responsibilities pertaining to the various organisation levels and the functioning of the committees;
- risk identification process;
- key procedures to control and / or mitigate risks.

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 2009. 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 Ltd since 2002.

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

Paolo Buzzi (1961 / Swiss national, domiciled in Switzerland)
Chief Technology Officer (CTO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd
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 Ltd, Chief Executive Officer
Since 1999	Swissquote Group Holding Ltd, Chief Executive Officer
Since 2002	Swissquote Bank Ltd, Chief Technology Officer

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

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 Ltd, Chief Financial Officer

Other Mandates

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

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 2009 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. The Nomination & Remuneration Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

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)

5.2.1 Generalities
Swissquote's compensation policy is one of the components of the corporate framework and has the ultimate purpose 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's compensation policy is designed to contribute in attracting and retaining employees, and to reward merit and medium and long term performance, with due care to the Company's success and its stage of development as well as in alignment with the interest of shareholders. With due care to labour market constraints, the Company seeks to keep multiples between lowest and highest paid employees within sensible ranges.

Swissquote's compensation policy is in line with the FINMA Circular 10/1 on remuneration systems in the banking and insurance industries, which sets out mandatory rules for institutions that have equity capital requirements of at least CHF 2 billion.

5.2.2 Components
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.

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

Variable compensation
The level of variable compensation in the form of an 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 with the exception of the Executive Management and employees 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.

Stock option plans

The Group operates two stock option plans: one for the employees (including management) and one for the Board. The difference between the two plans mainly consist in the fact that the Board's Plan provides that all options granted are vested at the date of grant whereas the Employees' Plan provides that options are vested at the date of exercise. As a result, employees holding options that leave the Company before their options become exercisable lose their right to exercise their options. 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's practice has converged to an annual grant to all eligible employees and Board members. Since 1999, a total of eleven allocation schemes have been made. The terms of the options in the ordinary course of business generally provide that options offered are divided in three equal tranches, each tranche becoming exercisable respectively one, two and three years after the date of grant. The exercise period is generally 2 years.

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 3.3% in 2009 (4.4% in 2008). In ordinary circumstances of the business, the allocation of options to individual employees is made based on the level of an employee in 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 employees, individual members of the Executive Management and individual Board members.

Data on the stock options plan are provided in section 5.5.

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, all of these items being 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 of the labour contract is 6 months and there is no provision in it that would entitle the Executive Management to a "golden parachute". Members of the Executive Management do not attend the part of the Board 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. Base salaries were last increased in 2006.

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 coming 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 levels of achievements are "missed", "achieved", "overachieved" and "largely overachieved". The performance review is carried out by the Nomination & Remuneration Committee, shortly before Auditors 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 largely overachieved. The Board resolves on the level of the bonus in response to the recommendation of the Nomination & Remuneration Committee.

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

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 at its own discretion 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 the trends in compensation of Board members in Switzerland and / or in companies that are comparable (industry / size) according to publicly available information. Further the Board seeks to keep a sensible relation between the cash compensation of Board members and the base salary of the Executive Management.

Board members are elected for one year terms, which are renewable. There are no "golden parachutes".

As of 2008, Board members are entitled to an annual grant of stock options (whereas in the past the entitlement was every three years). Terms provide that Board stock options granted are vested at grant.

The audited details of the compensation of the members of the Board 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.

5.5 Stock option plan

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

	Allocation								
	3rd to 5th	6th	7th	8th	9th	10th	11th	Total	Conditional shares available for exercise
Year of grant	2000 to 2002	2004	2005	2006	2007	2008	2009		
Strike (*1) [CHF per option]	2.79 to 12.50	11.39	17.00	34.00	75.00	47.00	63.00		
Number of options									
Board	486,000	-	117,000	-	2,000	11,000	6,600		
Executive Management	50,000	-	-	24,000	24,000	24,000	14,400		
Other employees	441,720	79,980	131,500	61,770	89,550	112,840	64,152		
	Number of options								
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)	
At 31 December 2007	-	**7,250**	**168,110**	**70,828**	**115,550**	-	-	**361,738**	**211,060**
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)	
At 31 December 2008	-	**5,700**	**130,800**	**64,028**	**106,290**	**145,480**	-	**452,298**	**211,060**
At 1 January 2009	-	**5,700**	**130,800**	**64,028**	**106,290**	**145,480**	-	**452,298**	**211,060**
Grants	-	-	-	-	-	-	85,152	85,152	
Exercised									
Covered by the issue of new shares	-	-	-	-	-	-	-	-	
Covered by treasury shares	-	(5,700)	(29,930)	(32,776)	-	(14,238)	-	(82,644)	
Lapsed	-	-	-	(200)	(4,290)	(5,958)	(120)	(10,568)	
At 31 December 2009	-	-	**100,870**	**31,052**	**102,000**	**125,284**	**85,032**	**444,238**	**211,060**
Exercise periods of balance options at 31 December 2009									
August 2008 to July 2010	*-*	*-*	*100,870*	*13,930*	*34,299*	*-*	*-*	*149,099*	
August 2009 to July 2011	*-*	*-*	*-*	*17,122*	*34,338*	*33,295*	*-*	*84,755*	
August 2010 to July 2012	*-*	*-*	*-*	*-*	*33,363*	*45,977*	*28,344*	*107,684*	
August 2011 to July 2013	*-*	*-*	*-*	*-*	*-*	*46,012*	*28,344*	*74,356*	
August 2012 to July 2014	*-*	*-*	*-*	*-*	*-*	*-*	*28,344*	*28,344*	

(*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;
- the election 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. In principle, ballots are made via electronic systems. In case of system failure, they are made via open ballot, unless one or more shareholders representing an aggregate of at least 5% of the voting rights request a secret ballot.

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 registered share gives the right to one vote. The Articles of Association do not include any percentage clause or group limitation clause.

Registered shareholders can be represented at a General Meeting of Shareholders. Art. 11 of the Articles of Association sets out no restriction. 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.

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 represented 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 conditional and / or 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 the 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 or the Liquidator. The General Meeting can also be called by one or more shareholders who represent in aggregate 10% or more of the share capital. Further details are provided in the Articles of Association.

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 in aggregate 5% or more of the share capital 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. Further details are provided in the Articles of Association.

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 sell 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 a target 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 target 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 results comply 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 the 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.

The Auditors shall be independent from the Board and from the shareholders. 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 were re-elected on 30 April 2009. 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 2009 is analysed as follows:

	2009	2008
Auditing fees	401,200	401,500
Additional fees:		
Audit related services	66,163	8,000
Tax	52,300	11,500
Total	**528,663**	**421,000**

The amount of the auditing fees is based on fees agreed upon for the audits of the Consolidated and Statutory Financial Statements of the Group companies, including the regulatory audit of the bank, for the year ended 31 December 2009. Audit-related services consist in reports related to the Group's compliance with provisions of agreements.

8.4 Informational instruments pertaining to the external audit

The Auditors are requested to meet at least twice a year with the Audit Committee. In 2009, the Auditors met four times with the Audit Committee.

Year-round the Auditors inter alia provide the Audit Committee and / or the Board with the following reports:

- each quarter: review report on the Condensed Consolidated Interim Financial Statements (balance sheet, statement of operations, statement of changes in shareholders' equity, cash flow statement and notes);
- each year:
    - Audit Report on Group Consolidated Financial Statement as well as on Swissquote Group Holding Ltd and Swissquote Bank Ltd Statutory Financial Statements;
    - Audit Plan to the Audit Committee;
    - Regulatory Audit Report;
    - Report on the Financial Audit.

The Regulatory Audit Report and the Report on the Financial Audit are part of the ordinary reporting to the Swiss Financial Market Supervisory Authority (FINMA) and are commented by the Auditors within the Audit Committee. The Board of Directors takes note of them. The Regulatory Audit 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 Auditor and the adequacy and quality of the planning, execution and reporting of internal audit. The Report on the Financial Audit inter alia examines the financial strength of the Company, its compliance with minimal financial ratios set by law and the adequacy of capital.

The Audit Committee also receives copy of the various reports issued by the Auditors within the framework of audit-related services, e.g. reports related to the Group's compliance with provisions of agreements. This allows the Audit Committee to assess the work of the Auditors performed outside the standard audit services, in particular in terms of admissibility and conflict of interests.

At each Audit Committee the Auditors provide a written report on their findings, if any, and comment on the development of the regulatory and accounting frameworks. Further the Auditors participate to the Annual Conference on Risks, where they provide the Board with the Audit Plan for the coming year. The Audit Plan in particular includes an audit fees analysis (including audit-related services) as well as an assessment of specific and mandatory audit risks based on Auditor's report "Risk Analysis / Audit Strategy" (report based on FINMA standards). The Audit Plan is discussed in depth at the Annual Conference on Risks and is updated from time to time over the year depending on the circumstances.

Once a year the Audit Committee reviews the qualification and performance of the Auditors and inter alia assesses the level of expertise available, the adequacy of resources and the quality of the planning (in particular the coordination with the Internal Auditor). The Audit Committee also assesses whether the amount and trend in audit fees appears reasonable. In this respect changes in audit fees must be justified by the Auditors in terms of marginal changes in volumes to be audited and / or complexity of the audit items.
Based on its assessment the Audit Committee recommends to the Board to either propose the Auditors in place to the General Meeting of Shareholders or to start a process for the selection of other Auditors.

The Auditors confirm their independence to the Audit Committee at least once a year. The Audit Committee assesses the Auditors' independence on the basis of their confirmation and also based on its own assessment of the various reports addressed to its attention or of which it received a copy (incl. reports related to additional services).

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 SIX Exchange Regulations and / or any other SIX department 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 as soon as new facts that make a previous disclosure false or misleading come to light.

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 2010 are scheduled as follows:

Quarter 1 Interim Financial Statements at 31 March 2010:	29 April 2010
Quarter 2 Interim Financial Statements at 30 June 2010:	30 July 2010
Quarter 3 Interim Financial Statements at 30 September 2010:	05 November 2010

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".

Addresses / Contacts

Swissquote Group Holding Ltd
Swissquote Bank Ltd
Chemin de la Crétaux 33
Case postale 391
CH-1196 Gland

Central
Telephone: +41 22 999 98 98
Fax: +41 22 999 94 12

Administration
Telephone: +41 22 999 98 98
Fax: +41 22 999 94 12
E-mail: info@swissquote.ch

Contact person
Investor Relations contact:
Marc Bürki, CEO Swissquote Bank Ltd
Telephone: +41 22 999 98 98
Fax: +41 22 999 94 54
E-mail: marc.burki@swissquote.ch

Branch
Schützengasse 22/24
Postfach 2017
CH - 8021 Zurich

Telephone: 0848 25 88 88
Fax: +41 44 825 88 89

Tel. from abroad: +41 44 825 88 88