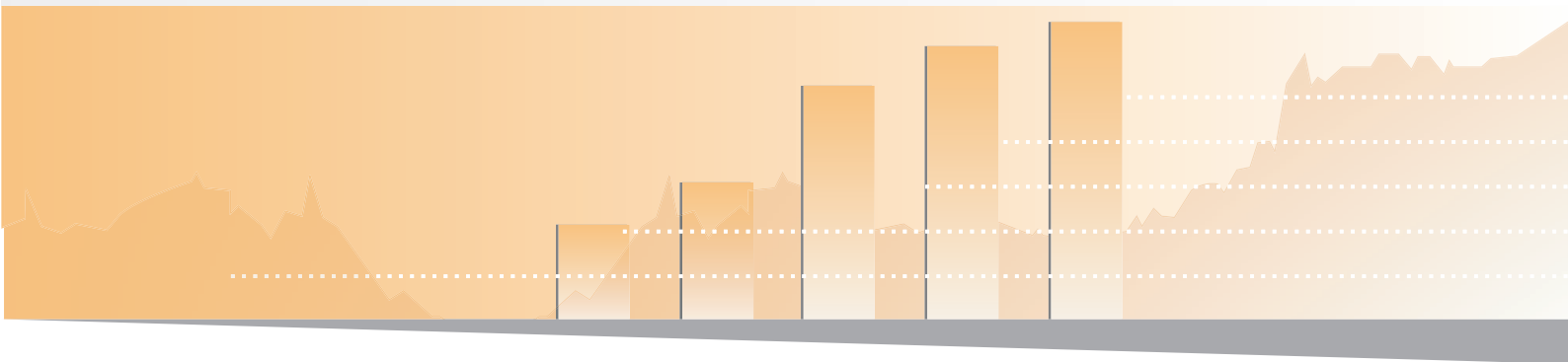




Financial Report
Q3-2006



SWISSQUOTE

SWITZERLAND'S LEADING ONLINE BROKER

CONSOLIDATED INTERIM BALANCE SHEET

	Notes	30 September		31 December
		2006	2005	2005
ASSETS				
Cash and balances with central bank		27,380,628	24,837,546	51,943,506
Due from other banks		787,145,141	549,359,788	573,884,032
Derivatives financial instruments		5,304,642	2,454,782	2,128,854
Loans and advances to customers		58,996,947	35,161,040	40,545,076
Pledged investment securities and deposits		66,588,600	10,324,671	10,324,672
Goodwill		3,000,000	3,000,000	3,000,000
Information technology systems	4	5,627,561	5,113,265	5,242,848
Property, plant and equipment	5	4,507,385	935,643	836,320
Other assets		4,301,060	2,449,661	1,800,712
Deferred tax assets, net	2	3,676,458	1,876,458	2,326,458
Total assets		966,528,422	635,512,854	692,032,478
LIABILITIES AND EQUITY				
Liabilities				
Due to other banks		4,545,725	3,519,167	385,095
Derivatives financial instruments		5,304,642	2,454,782	2,128,854
Due to customers		857,932,086	555,701,706	610,017,832
Trade and other payables		15,636,813	10,639,973	11,632,774
Provisions		803,568	1,001,814	890,266
Total liabilities		884,222,834	573,317,442	625,054,821
Equity				
Ordinary shares	6	11,663,368	14,123,970	14,133,920
Share premium and reserves		33,695,227	30,362,743	32,021,971
Share option reserve	7	230,828	359,912	368,580
Treasury shares	8	(9,011,338)	(111,754)	(846,458)
Retained earnings		45,727,503	17,460,541	21,299,644
Total equity		82,305,588	62,195,412	66,977,657
Total liabilities and equity		966,528,422	635,512,854	692,032,478

CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

	Notes	Quarter ended 30 September		9 months ended 30 September	
		2006	2005	2006	2005
Fee and commission income		12,157,005	10,812,360	44,027,718	27,347,952
Fee and commission expense		(1,598,344)	(1,317,339)	(5,790,898)	(3,133,090)
Net fee and commission income		10,558,661	9,495,021	38,236,820	24,214,862
Interest income		5,027,254	1,896,956	11,562,310	4,939,208
Interest expense		(1,287,107)	(482,221)	(2,915,468)	(1,197,839)
Net interest income		3,740,147	1,414,735	8,646,842	3,741,369
Net trading income		1,204,759	994,110	4,065,002	2,735,138
Other operating income		1,150,063	527,531	2,664,199	1,867,869
Operating income		16,653,630	12,431,397	53,612,863	32,559,238
Operating expenses	1	(8,870,149)	(7,892,213)	(26,960,600)	(22,300,202)
Operating profit before depreciation, amortization and provisions		7,783,481	4,539,184	26,652,263	10,259,036
Depreciation, amortization and provisions:					
Depreciation and amortization	4/5	(813,889)	(795,947)	(2,461,454)	(2,175,786)
Operating profit		6,969,592	3,743,237	24,190,809	8,083,250
Income tax, net	2	350,000	613,000	1,350,000	1,240,000
Net profit		7,319,592	4,356,237	25,540,809	9,323,250
<i>Earning per share</i>	3	5.16	3.11	18.07	6.69
<i>Diluted earning per share</i>	3	5.10	3.04	17.90	6.55

CONSOLIDATED INTERIM CHANGES IN SHAREHOLDERS, EQUITY

	Share capital	Share premium & reserves	Share Option reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2005	13,943,040	29,899,614	371,735	(588,511)	6,460,115	50,085,993
Capital increase resulting from the exercise of options	180,930	463,129	-	-	-	644,059
<i>Employee stock option plan:</i>						
Value of services provided	-	-	115,560	-	-	115,560
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(127,383)	-	127,383	-
Purchase of treasury shares	-	-	-	(363,653)	1,549,793	1,186,140
Sale of treasury shares	-	-	-	840,410	-	840,410
Net profit of the period	-	-	-	-	9,323,250	9,323,250
Balance at 30 September 2005	14,123,970	30,362,743	359,912	(111,754)	17,460,541	62,195,412
Balance at 1 January 2006	14,133,920	32,021,971	368,580	(846,458)	21,299,644	66,977,657
Capital increase resulting from the exercise of options	437,660	1,578,625	-	-	-	2,016,285
Dividend	-	-	-	-	(1,406,586)	(1,406,586)
Capital reduction	(2,908,212)	73,218	-	-	-	(2,834,994)
<i>Employee stock option plan:</i>						
Value of services provided	-	-	155,884	-	-	155,884
Reclassification of value of services provided for stock options exercised, lapsed or expired in the period	-	-	(293,636)	-	293,636	-
Purchase of treasury shares	-	-	-	(8,195,231)	-	(8,195,231)
Sale of treasury shares	-	21,413	-	30,351	-	51,764
Net profit of the period	-	-	-	-	25,540,809	25,540,809
Balance at 30 September 2006	11,663,368	33,695,227	230,828	(9,011,338)	45,727,503	82,305,588

CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Notes	9 months ended 30 September	
		2006	2005
Cash flow from / (used) in operating activities			
Fees and commission receipts		44,040,802	27,356,678
Fees and commission paid		(5,735,102)	(3,313,615)
Interest receipts		10,195,411	4,535,816
Interest paid		(1,746,586)	(742,048)
Net trading income		4,065,002	2,735,138
Other income		2,474,147	1,774,979
Cash payments to employees and suppliers		(24,580,131)	(19,617,929)
Restructuring & pension expenses paid		(86,698)	(299,686)
Cash flow from operating profit before changes in operating assets and liabilities		28,626,845	12,429,333
<i>Net (increase) / decrease in operating assets and net increase / (decrease) in operating liabilities</i>			
Loans and advances to customers		(18,451,871)	(2,925,993)
Other assets		97,962	-
Due to customers		247,914,254	159,260,109
Trade and other payable		(499,667)	656,877
Net cash from operating activities		257,687,523	169,420,326
Cash flow from / (used) in investing activities			
Purchase of plant, equipment and Information technology systems	4/5	(2,699,831)	(2,233,990)
Purchase of Property	5	(3,817,401)	-
Redemption of pledged Investment securities		-	2,000,000
Pledged investment securities and deposits		(56,263,928)	(5,446,376)
Net cash used in investing activities		(62,781,160)	(5,680,366)
Cash flow from / (used) in financing activities			
Net proceeds of issue of ordinary shares		2,016,285	644,059
Purchase of treasury shares		(8,195,231)	-
Sale of treasury shares		51,764	2,026,550
Capital reduction		(2,834,994)	-
Dividend		(1,406,586)	-
Net cash from financing activities		(10,368,762)	2,670,609
INCREASE IN CASH AND CASH EQUIVALENTS		184,537,601	166,410,569
Movements in cash and cash equivalents			
Balance at beginning of year		625,442,443	404,267,598
Increase		184,537,601	166,410,569
Balance at 30 September		809,980,044	570,678,167
Cash and cash equivalents			
Cash and balances with central banks		27,380,628	24,837,546
Due to other banks		787,145,141	549,359,788
Due from other banks		(4,545,725)	(3,519,167)
Total at 30 September		809,980,044	570,678,167

I ACCOUNTING POLICIES

The Consolidated Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the Annual Financial Statements. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be appropriate to anticipate or defer such costs at the end of the financial year.

The Consolidated Interim Financial Statements should be read in conjunction with the 2005 Annual Consolidated Financial Statements.

The presentation of comparative figures in the Interim Financial Statements have been adapted in order to conform to the presentation of the Annual Financial Statements, when required.

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating expenses

	9 month ended 30 September	
	2006	2005
Payroll & related expenses	13,371,387	10,608,790
Production expenses	4,670,623	4,160,918
Administration and other operating expenses	4,102,800	4,086,503
Marketing expenses	4,815,790	3,443,991
Total	26,960,600	22,300,202

2. Deferred tax

	30 September	
	2006	2005
Deferred tax assets		
Tax loss carried forward	4,462,570	2,662,570
Permanent differences	10,838	10,838
Total	4,473,408	2,673,408
Deferred tax liabilities		
Temporary differences	(796,950)	(796,950)
Total net	3,676,458	1,876,458
Movements in net deferred taxes analyzed as follows:		
Balance, beginning of period	2,326,458	636,458
Net credit to statement of operations	1,350,000	1,240,000
Balance, end of period	3,676,458	1,876,458

The deferred tax assets on tax loss carried forward are stated net of a CHF 6.6m (30 September 2005 : CHF 17.3m) provision for impairment of deferred tax assets on tax loss carried forward, for which an offset within the carry forward period by future taxable profits is unlikely.

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Earning per Share

a) Basic

	Quarter ended 30 September		9 months ended 30 September	
	2006	2005	2006	2005
Net Profit	7,319,592	4,356,237	25,540,809	9,323,250
Weighted average number of ordinary shares in issue	1,419,405	1,398,587	1,413,341	1,392,576
Basic earning per share	5.16	3.11	18.07	6.69

b) Diluted

	Quarter ended 30 September		9 months ended 30 September	
	2006	2005	2006	2005
Net Profit	7,319,592	4,356,237	25,540,809	9,323,250
Weighted average number of ordinary shares in issue	1,419,405	1,398,587	1,413,341	1,392,576
Adjustments for share options	15,476	32,184	13,741	31,042
Weighted average number of ordinary shares for diluted earnings per share options	1,434,881	1,430,771	1,427,082	1,423,618
Diluted earning per share	5.10	3.04	17.90	6.55

4. Information technology systems

	Software Third Party Licences	Proprietary Software	Hardware	Total
9 months ended 30 September 2005				
Opening net book amount (1.1.2005)	1,080,503	2,658,380	944,051	4,682,934
Addition	519,119	1,218,842	301,455	2,039,416
Amortization / depreciation	(369,404)	(889,146)	(350,535)	(1,609,085)
Closing net book amount (30.9.2005)	1,230,218	2,988,076	894,971	5,113,265
9 months ended 30 September 2006				
Opening net book amount (1.1.2006)	1,119,289	3,125,535	998,024	5,242,848
Addition	192,302	1,362,189	1,022,319	2,576,810
Amortization / depreciation	(440,605)	(1,167,500)	(583,992)	(2,192,097)
Closing net book amount (30.9.2006)	870,986	3,320,224	1,436,351	5,627,561

Additions to Information technology systems include an amount of CHF 1,024,079 (2005: CHF 1,056,166) representing own costs capitalized in connection with the development of the systems of the Bank.

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Property, plant and equipment

	9 months ended 30 September	
	2006	2005
Opening net book amount	836,320	1,307,770
Additions		
Property	3,817,401	-
Others	123,021	194,574
Depreciation		
Property	-	-
Others	(269,357)	(566,701)
Closing net book amount	4,507,385	935,643

The CHF 3.8m additions to Property correspond to amounts disbursed in connection with the realization of the company's new offices in Gland which is due to be completed in the course of the 3rd quarter 2007. The total cost of the project, including the acquisition of the land is estimated at CHF 16m.

6. Ordinary Shares

a) Numbers of Shares

<i>Number of shares</i>	Ordinary Shares Issued	Unissued Shares		Total Shares Issued and Unissued
		Conditional Capital	Authorized Capital	
At 1 January 2005	1,394,304	90,639	200,000	1,684,943
Options exercised against issue of new shares	18,093	(18,093)	-	-
At 30 September 2005	1,412,397	72,546	200,000	1,684,943
At 1 January 2006	1,413,392	71,551	200,000	1,684,943
Options exercised against issue of new shares	44,529	(44,529)	-	-
At 30 September 2006	1,457,921	27,022	200,000	1,684,943

b) Nominal value

At the 20 March 2006 Shareholders Meeting, the shareholders resolved to reduce the share-capital by an amount of CHF 2.- per share through a reduction of the nominal value of each share from CHF 10.- to CHF 8.- (total reduction of nominal value: CHF 2,908,212). Taking into consideration the treasury shares, the actual amount disbursed in connection with the capital reduction is CHF 2,834,994. This amount was paid on 26 June 2006, after the completion of the period required to carry-out the Invitation to Register Debt (procedure required by Swiss Law) and the actual registration of the capital reduction at the Commercial Registry of Canton de Vaud.

In connection with the capital reduction, the shareholders also resolved to adapt the nominal value of the conditional and authorized share-capital to CHF 8.- (nominal value per share). Further the duration of the authorized capital was extended until 20 March 2008. These changes had no impact on actual cash flows.

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

<i>Swiss Francs</i>	Nominal value per share	Shares Capital Issued	Unissued Shares	
			Conditional Capital	Authorized Capital
At 1 January 2006	10	14,133,920	715,510	2,000,000
Options exercised against issue of new shares. Pre-execution of capital reduction	10	407,140	(407,140)	-
<i>Capital reduction :</i>				
Issued share capital	2	(2,908,212)	-	-
Adjustments of conditional and authorized capital	2	-	(61,674)	(400,000)
Options exercised against issue of new shares. Post-execution of capital reduction	8	30,520	(30,520)	-
At 30 September 2006	8	11,663,368	216,176	1,600,000

7. Share option reserve

	30 September	
	2006	2005
Value of services to be reclassified to Retained earnings when outstanding options will lapse, expire or be exercised	892,825	592,361
Value of services to be amortized through profit and losses over the residual vesting periods of options	(661,997)	(232,449)
Share options reserve	230,828	359,912

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

	Allocation						Total	Conditional shares available for exercise
	#3	#4	#5	#6	#7	#8		
Balance at 1 January 2005	5,333	48,600	7,300	7,917	-	-	69,150	90,639
Grants	-	-	-	-	24,850	-	24,850	
Exercised								
Covered by the issue of new shares	(3,383)	(12,000)	(2,650)	(60)	-	-	(18,093)	(18,093)
Covered by treasury shares	-	-	-	-	-	-	-	
Lapsed	-	-	-	(183)	-	-	(183)	
Balance at 30 September 2005	1,950	36,600	4,650	7,674	24,850	-	75,724	72,546
Balance at 1 January 2006	1,635	36,600	4,575	6,779	24,850	-	74,439	71,551
Grants	-	-	-	-	-	8,577	8,577	
Exercised								
Covered by the issue of new shares	(1,390)	(32,100)	(4,575)	(3,560)	(2,904)	-	(44,529)	(44,529)
Covered by treasury shares	-	-	-	-	-	-	-	
Lapsed	-	-	-	(45)	(800)	-	(845)	
Balance at 30 September 2006	245	4,500	-	3,174	21,146	8,577	37,642	27,022
<i>Less options outstanding</i>								<i>(37,642)</i>
<i>Shortfall</i>								<i>(10,620)</i>
<i>Number of treasury shares available at 30 September 2006</i>								<i>36,609</i>
<i>Balance shares available for future grants</i>								<i>25,989</i>

A detailed description of the terms of the allocations 3 to 7 is provided in the Annual Report 2005. The capital reduction described in Note 6 has had no impact on the strike prices of outstanding options. From 26 June on, each option is exercisable against one SQN share with a nominal value of CHF 8.-

The options granted under the 8th 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 340.00;
- ▶ 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.

Fair value and cost of stock options.

The fair value of options is determined based on Black-Scholes, taking into account the following factors:

- ▶ the estimated future volatility, which is derived from the historical volatility;
- ▶ the difference between the strike price and the spot price at grant;
- ▶ the level of the risk free interest rate at date of grants;
- ▶ the time components of duration of vesting and exercise periods;
- ▶ the churn rate of optionnees;
- ▶ the underlying social security costs.

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In determining the fair value of the options granted in the 8th allocation, the Company derived the estimated future volatility from the historical volatility measured over the 180 days prior to the date of grant, taking into consideration trading restrictions imposed on optionees by the Company. The difference between the strike and spot price at grant is CHF 41.-. The level of risk free interest rate is based on the yield-to-maturity of bonds issued by the Swiss Confederation at dates close to the grant date. The reduction of the fair value due to the estimated churn rate of employees is assumed to be compensated by the social security costs payable by the Company in connection with the grant of the options. Depending on the tranche, the fair value of options ranges between CHF 68.39 and CHF 76.27 per option.

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

	Allocation						Total
	#3	#4	#5	#6	#7	#8	
Balance at 1 January 2005	104,988	195,120	27,376	199,508	-	-	526,992
Grants	-	-	-	-	192,753	-	192,753
Exercise	(66,322)	(45,000)	(9,938)	(1,512)	-	-	(122,772)
Lapsed	-	-	-	(4,612)	-	-	(4,612)
Balance at 30 September 2005	38,666	150,120	17,438	193,384	192,753	-	592,361
Balance at 1 January 2006	32,297	150,120	17,157	170,830	192,753	-	563,157
Grants	-	-	-	-	-	623,275	623,275
Exercise	(27,724)	(133,245)	(17,157)	(89,712)	(18,760)	-	(286,598)
Lapsed	-	-	-	(1,134)	(5,875)	-	(7,009)
Balance at 30 September 2006	4,573	16,875	-	79,984	168,118	623,275	892,825

The strike value of stock options outstanding and the movements are the following:

	Allocation						Total
	#3	#4	#5	#6	#7	#8	
Balance at 1 January 2005	448,478	1,405,140	203,305	901,746	-	-	2,958,669
Grants	-	-	-	-	4,224,500	-	4,224,500
Exercise	(283,227)	(334,200)	(73,803)	(6,834)	-	-	(698,064)
Lapsed	-	-	-	(20,844)	-	-	(20,844)
Balance at 30 September 2005	165,251	1,070,940	129,502	874,068	4,224,500	-	6,464,261
Balance at 1 January 2006	138,039	1,070,940	127,414	772,128	4,224,500	-	6,333,021
Grants	-	-	-	-	-	2,916,180	2,916,180
Exercise	(118,477)	(945,615)	(127,414)	(405,484)	(493,680)	-	(2,090,670)
Lapsed	-	-	-	(5,126)	(136,000)	-	(141,126)
Balance at 30 September 2006	19,562	125,325	-	361,518	3,594,820	2,916,180	7,017,405

II NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Outstanding stock options mature as follows:

Allocation #	Strike Price	Number Options	Exercise Period	
			Start	End
4	27.85	4,500	May-05	April-07
3	54.30	50	July-05	June-07
3	86.39	195	March-05	February-07
6	113.90	167	May-05	April-07
		619	May-06	April-08
		2,388	May-07	April-09
7	170.00	1,199	August-06	July-08
		4,110	August-07	July-09
		15,837	August-08	July-10
8	340.00	2,857	August-07	July-09
		2,860	August-08	July-10
		2,860	August-09	July-11
Total		37,642		

8. Treasury shares

Treasury shares at 30 September 2006 consist of 36,609 shares for a total cost of CHF 9,011,338 (average cost: CHF 246.15).

The following transactions took place in the period from 1 January to 30 September 2006:

- ▶ acquisition of 28,845 shares at a unit price ranging from CHF 213.00 to CHF 320.00 (average cost of CHF 284.11 per share), and
- ▶ disposal of 258 shares at a unit price ranging from CHF 172.00 to CHF 250.25 (average price of CHF 200.63).

Review Report to the Board of Directors of Swissquote Group Holding Ltd

According to your request, we have reviewed the condensed consolidated interim financial statements (balance sheet, statement of operations, changes in shareholders' equity, cash flows statement and notes) of Swissquote Group Holding Ltd for the period ended 30 September 2006.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Our review was conducted in accordance with the Swiss Auditing Standard 910 and with the International Standard on Review Engagements 2410, which require that a review be planned and performed to obtain moderate assurance about whether the condensed consolidated interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements has not been properly prepared, in all material respects, in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers SA



JC Pernollet
Auditor in charge



M Caputo

Geneva, 23 October 2006

Enclosure:

- condensed consolidated interim financial statements (balance sheet, statement of operations, changes in shareholders' equity, cash flows statement and notes)