

**swissfirst**

Report 2.Quarter  
2002

## Letter to the Shareholders

Zug, August 27th 2002

### **Interim consolidated financial statements as at 30 June 2002**

For the first half of 2002, swissfirst Group is reporting an 8% rise in consolidated net profit (before deductions for minority interests) to CHF 29.877 m (year-back figure: CHF 27.716 m). After deduction of minority interests, group profit comes to CHF 29.653 m (first half of 2001: CHF 27,716 m). In the period under review (1 January - 30 June 2002), swissfirst Bank (Liechtenstein) AG – which was acquired in the second half of last year – was fully consolidated for the first time, thus distorting year-on-year comparisons.

Muted investor sentiment, a fall-off in trading volumes and a series of adverse events did not leave swissfirst Group unscathed. However, innovative products and strict cost controls have made positive contributions. Against this backdrop, swissfirst is satisfied with the interim figures.

Considering the thin trading volumes on the stock markets, commissions business produced a pleasing result for the first half of 2002: commission income rose 5% to CHF 44.568 m.

The positive trend in interest-differential business observable in the first quarter continued in Q2 2002, with net interest income rising 49% to CHF 5.668 m.

The 15% increase in income from trading activities brought the total for this item to an encouraging CHF 4.177 m.

Although changes in the scope of consolidation pushed operating expenses up by 15% to CHF 17.555 m, costs declined slightly as a percentage of income from 31.8% to 31.2% year-on-year. We are still aiming to bring this figure down to 30%. The ratio of personnel to operating expenses was unchanged.

In the period to 30 June 2002, swissfirst Group increased its equity (excluding minority interests) from CHF 246.24 m to CHF 262.395 year-on-year. The annualized return on equity came to 23.3% in the first half (year-back figure: 25%). As at mid-2002, swissfirst Group's balance sheet is free of debt. Assets under management totalled CHF 4,097 m at the end of June 2002 (up from CHF 3,940 m at end-2001.)

### **Further information**

Furthermore, swissfirst AG (SWX: SWF) plans to obtain a listing in the main segment of SWX Swiss Exchange as of the beginning of 2003. The Exchange was informed of this intention on 30 June 2002, and the application is being prepared.

Should market conditions remain difficult, swissfirst AG intends to buy back its own shares in an amount not exceeding 10% of the share capital in circulation. A proposal will be submitted to the 2003 AGM to have these shares cancelled.

swissfirst also wishes to announce that Mr Armin Meier became a Member of the Executive Board on 1 July 2002, assuming the function of Head of Private Banking. Mr Meier has many years of banking experience: he has worked at major international banks in Zurich, Geneva, London, New York, Taipei, Paris and Frankfurt, occupying senior posts in private and corporate banking.

### **Outlook for the second half of 2002**

In the spring, swissfirst Group was expecting a significant upturn on the financial markets in the second half of the year. Since then, however, the probability of a recovery in the world economy has receded considerably. As a result, investors' confidence will no doubt remain subdued in the next few months. swissfirst Group has a number of key points in its favour: it has considerable earning power and sound finances, it avoids high concentrations of risk, and its overheads are low. Given the background mentioned above, swissfirst Group will aim to equal the 2001 result.

However, an annual rise in net profit by 15-20% is still its long-term goal.

Dr. Roland Oswald  
Chairman of the Board of Directors

swissfirst AG, Zug

## Interim consolidated financial statements 2002

<b>Balance sheet</b>	Interim statement 30.06.2002	End year statement 31.12.2001	Interim statement 30.06.2001
	CHF	CHF	CHF
<b>Assets</b>			
Cash and other liquid assets	8,890,375	11,442,340	20,389,110
Due from banks	599,655,715	599,446,677	183,233,355
Due from customers	330,011,805	233,420,683	102,702,568
Securities and precious metals trading portfolios	11,767,660	17,336,443	16,137,254
Derivative financial instruments	268,708,223	46,382,558	-
Financial investments	66,072,091	56,104,488	63,538,546
Participations	216,980	216,980	7,443,230
Tangible fixed assets	28,252,110	28,345,078	14,868,917
Prepaid expenses and accrued income	4,552,620	2,403,075	4,201,763
Other assets	1,678,248	1,228,935	8,165,683
Goodwill	7,205,673	8,460,779	5,566,085
<b>Total Assets</b>	<b>1,327,011,500</b>	<b>1,004,788,036</b>	<b>426,246,511</b>
<b>Liabilities and shareholders' equity</b>			
Due to banks	144,067,190	288,284,500	48,602,363
Due to customers	580,718,892	345,989,461	116,092,502
Derivative financial instruments	268,202,077	56,733,586	-
Deffered income	32,579,016	25,465,096	23,967,454
Other liabilities	19,387,408	21,659,837	34,707,984
Valuation adjustments and provisions	4,728,831	5,686,285	4,874,020
Minority interests	14,933,342	14,732,197	-
Nominal share capital	5,100,000	5,100,000	5,100,000
Own shares	-50,000	-50,000	-289,500
Retained earnings	257,344,744	241,187,074	193,191,688
<b>Total Liabilities and shareholders' equity</b>	<b>1,327,011,500</b>	<b>1,004,788,036</b>	<b>426,246,511</b>

swissfirst AG, Zug

## Interim consolidated financial statements 2002

Profit and loss account	Period	Period	Period	Period
	1.1. - 30.6.2002	1.1. - 30.6.2001	1.4. - 30.6.2002	1.4. - 30.6.2001
	6 months	6 months	3 months	3 months
<b>Net interest income</b>				
Interest and discount income	9,196,518	5,388,478	5,324,464	2,667,082
Interest expenses	-3,528,224	-1,574,783	-2,280,479	-466,790
<i>Subtotal: Net interest income</i>	5,668,294	3,813,695	3,043,985	2,200,292
<b>Net commission and service fee income</b>				
Commission income from lending activities	89,500	1,257	44,340	658
Commission from securities and investment business	49,084,787	45,026,500	24,582,340	22,269,829
Commission from other services	179,219	11,084	106,455	5,829
Commission expenses	-4,785,049	-2,786,026	-2,193,834	-1,542,393
<i>Subtotal: Net commission and service fee income</i>	44,568,457	42,252,815	22,539,301	20,733,923
<b>Net trading income</b>	4,177,498	3,661,838	1,195,237	1,909,582
<b>Other ordinary income</b>				
Real estate income	40,052	-23,311	-19,176	-21,727
Income from associated income	-	2,250,000	-	2,250,000
Income from sales of financial investments	512,716	-1,813,488	146,042	-1,813,488
Sundry ordinary expenses	-133,763	-313,934	96,593	-16,676
Sundry ordinary income	1,365,981	1,103,294	826,001	1,006,282
<i>Subtotal: Other ordinary income</i>	1,784,986	1,202,561	1,049,460	1,404,391
<b>Net operating income</b>	56,199,235	50,930,909	27,827,983	26,248,188
<b>Operating expenses</b>				
Personnel expenses	-11,528,389	-9,984,143	-5,828,062	-5,212,874
Other operating expenses	-6,027,486	-5,256,388	-3,199,917	-3,230,615
<i>Subtotal: Operating expenses</i>	-17,555,875	-15,240,531	-9,027,979	-8,443,489
<b>Gross operating profit</b>	<b>38,643,360</b>	<b>35,690,378</b>	<b>18,800,004</b>	<b>17,804,699</b>
Depreciation and write-off on fixed assets	-2,089,806	-1,574,335	-1,034,544	-786,257
Depreciation on goodwill	-1,255,106	-840,126	-627,553	-420,063
Valuation adjustments, provisions and losses	-448,487	-280,232	-296,189	-67,402
Taxes	-4,972,356	-5,279,316	-2,558,108	-2,392,137
<b>Profit for the period incl. minority interests</b>	<b>29,877,605</b>	<b>27,716,369</b>	<b>14,283,610</b>	<b>14,138,840</b>
Minority interests	224,895	-	114,384	-
<b>Group profit for the period</b>	<b>29,652,710</b>	<b>27,716,369</b>	<b>14,169,226</b>	<b>14,138,840</b>

These interim financial statements are not audited by the auditors appointed under banking Law. However, they were established according to the same principles as the annual financial statements and correspond to the principles of accounting prescribed by banking Law and the IAS (International Accounting Standards).

swissfirst AG, Zug

## Interim consolidated financial statements 2002

Cash flow statement	Period	Period	Period	Period
	1.1. - 30.6.2002	1.1. - 30.6.2001	1.4. - 30.6.2002	1.4. - 30.6.2001
	6 months	6 months	3 months	3 months
	CHF	CHF	CHF	CHF
<b>Cash flow from operating activities</b>				
Interest income	7,362,645	4,336,250	3,526,446	1,771,875
Interest expenses	-2,193,982	-1,556,181	-936,192	-429,788
Commission income	49,932,190	40,978,660	27,203,948	19,744,459
Cash inflow from trading activities	4,334,133	2,600,464	1,366,135	676,208
Net payments to suppliers and employees	-19,043,193	-20,700,523	-9,432,891	-10,763,213
Settlement losses	-22,255	44,768	-9,957	127,598
Net income from real estate investments and sundry result	224,903	-54,907	-305,971	204,560
Tax paid	-5,791,381	-2,263,964	-4,748,711	923,369
<b>Cash flow from operating activities before movements in working capital</b>	<b>34,803,060</b>	<b>23,384,567</b>	<b>16,662,807</b>	<b>12,255,068</b>
<b>Movements in working capital</b>				
Increase / decrease in amounts due from customers	-96,591,122	-37,485,195	25,682,287	-18,473,876
Increase / decrease in amounts due to banks	-144,217,310	38,867,602	-69,778,594	10,158,613
Increase / decrease in amounts due to customers	234,729,431	-39,520,069	5,094,757	30,759,727
Other	-21,039,931	-4,921,469	-9,609,699	-8,914,240
<b>Net cash flow from operating activities</b>	<b>7,684,128</b>	<b>-19,674,564</b>	<b>-31,948,442</b>	<b>25,785,292</b>
<b>Cash flow from investing activities</b>				
Purchase / sale of investments (balance)	-13,756,000	1,655,000	-13,968,025	,655,000
Purchase of furniture, fixtures and fittings	-1,996,838	-963,801	-3,268	-529,061
<b>Net cash flow from investing activities</b>	<b>-15,752,838</b>	<b>691,199</b>	<b>-13,971,293</b>	<b>125,939</b>
<b>Cash flow from financing activities</b>				
Gains on own shares	157,000	-	86,527	-
<b>Net cash flow from financing activities</b>	<b>157,000</b>	<b>-</b>	<b>86,527</b>	<b>-</b>
<b>Increase / decrease in cash and cash equivalents</b>	<b>-7,911,710</b>	<b>-18,983,365</b>	<b>-45,833,208</b>	<b>25,911,231</b>
Cash and cash equivalents				
At the beginning of the period	628,225,460	238,743,084	666,147,058	193,848,488
At the end of the period	620,313,750	219,759,719	620,313,750	219,759,719
<b>Increase / decrease in cash and cash equivalents</b>	<b>-7,911,710</b>	<b>-18,983,365</b>	<b>-45,833,308</b>	<b>25,911,231</b>

**Interim consolidated financial statements 2002**

<b>Business segments</b>	<b>Private Banking</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Corporate Items</b>	<b>TOTAL</b>
<b>Period 1.1. - 30.6.2002</b>					
Net operating income	12,532,188	2,900,548	40,521,933	244,566	56,199,235
Operating expenses	-8,638,396	-1,934,171	-6,265,070	-718,238	-17,555,875
<b>Gross operating profit</b>	<b>3,893,792</b>	<b>966,377</b>	<b>34,256,863</b>	<b>-473,672</b>	<b>38,643,360</b>
Depreciation, valuation adjustments, provisions and losses	-1,311,586	-116,462	-2,354,707	-10,644	-3,793,399
Taxes	-231,613	-119,763	-4,620,980	-	-4,972,356
Minority interests	-209,934	-14,961	-	-	-224,895
<b>Profit after taxes</b>	<b>2,140,659</b>	<b>715,191</b>	<b>27,281,176</b>	<b>-484,316</b>	<b>29,652,710</b>
Total assets	395,416,791	83,995,291	846,499,461	1,099,957	1327,011,500
Total liabilities	369,530,134	71,898,050	622,294,311	894,261	1064,616,756
Total assets under management	1,625 Mio.	1,058 Mio.	1,414 Mio.	-	4,097 Mio.
<b>Period 1.1. - 30.6.2001</b>					
Net operating income	6,722,551	4,323,214	37,915,880	33,199	48,994,844
Profit from associated companies	-	-	-	2,250,000	2,250,000
Operating expenses	-6,716,317	-1,400,763	-6,784,955	-652,431	-15,554,466
<b>Gross operating profit</b>	<b>6,234</b>	<b>2,922,451</b>	<b>31,130,925</b>	<b>1,630,768</b>	<b>35,690,378</b>
Depreciation, valuation adjustments, provisions and losses	-922,091	-8,151	-1,810,004	45,553	-2,694,693
Taxes	-55,502	-612,198	-4,611,616	-	-5,279,316
<b>Profit after taxes</b>	<b>-971,359</b>	<b>2,302,102</b>	<b>24,709,305</b>	<b>1,676,321</b>	<b>27,716,369</b>
Total assets	176,349,624	6,951,626	241,424,917	1,520,344	426,246,511
Total liabilities	158,059,967	1,717,279	64,639,759	3,827,318	228,244,323
Total assets under management	659 m	1,129 m	1,035 m	-	2,823 m

## Interim consolidated financial statements 2002

### Analysis of shareholders' equity

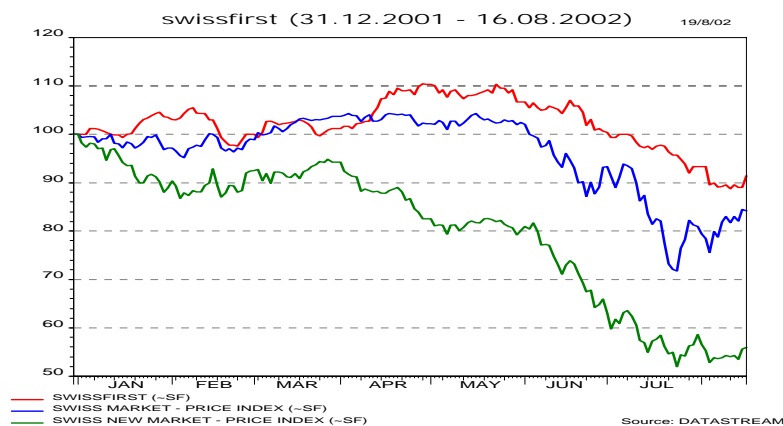
	Share capital	Retained earnings	Total share-holders' equity
	CHF	CHF	CHF
<b>As at 31.12.00</b>	<b>4,810,500</b>	<b>170,840,586</b>	<b>175,651,086</b>
Adjustment due to IAS 39 *)		-1,103,421	-1,103,421
Change to own shares	239,500	18,041,565	18,281,065
Difference on currency translation		4,257	4,257
Profit for the year 2001		53,404,088	53,404,088
<b>As at 31.12.01</b>	<b>5,050,000</b>	<b>241,187,075</b>	<b>246,237,075</b>
Adjustment due to IAS 39 *)		-3,654,550	-3,654,550
Change to own shares		-10,002,092	-10,002,092
Other changes		161,601	161,601
Profit for the period		29,652,710	29,652,710
<b>As at 30.6.2002</b>	<b>5,050,000</b>	<b>257,344,744</b>	<b>262,394,744</b>
<i>As at 30.6.2001</i>	<i>4,810,500</i>	<i>193,191,688</i>	<i>198,002,188</i>

\*) Net change in reserves for financial investments available for sale

Price of the swissfirst share	28.06.02	31.12.01	High	Low
	CHF	CHF	CHF	CHF
	164.00	163.00	174.00	159.00

	1.1. - 30.6.2002 6 months	1.1. - 30.6.2001 6 months
Earnings per share	5.87	5.76
Earnings per share (diluted)	5.85	5.54
Nominal earnings per share (fully diluted)	5.81	5.43

	at 30.6.2002:	at 31.3.2002:	at 31.12.2001:	at 30.6.2001:
Number of employees, absolute	102	101	94	74
Number of employees, full-time equivalent (part-time adjusted)	95.8	95.4	89.7	71.2



swissfirst AG, Zug

## **Interim consolidated financial statements 2002**

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 2002**

#### **Comments on the accounting and valuation regulations**

The consolidated interim financial statements of the swissfirst Group are established according to the accounting regulations of the international Accounting Committee (IASC).

The 52.5% participation in swissfirst Bank (Liechtenstein) AG has been fully consolidated since 1 July 2001.

The applied accounting and valuation methods correspond to the methods used for the establishment of the audited annual financial statements of the company as at 31 december 2001.