

**swissfirst** Annual Report  
2002



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## Shareholders

### Ladies and Gentlemen

In the last annual report, we talked of a bleak year, characterized by turbulence on the financial markets and chronically bearish stock exchanges. Worse was to come. In 2002, geopolitical tensions mounted with the threat of war in Iraq, zero growth is dogging the global and Swiss economies, leading companies across all sectors have seen their stock prices plummet, the SMI has lost 28% and a directionless uncertainty is crippling both corporate and private initiative.

This negative climate puts the results achieved by the swissfirst Group, which are well above the sector average, firmly in context. With around 100 employees, swissfirst succeeded in generating net profits of CHF 52.1 m, which is only marginally lower than the impressive prior-year result of CHF 53.4 m. Despite the fall in market valuations, client assets under management actually increased by 4%, to CHF 4.08 bn.

What can this remarkable performance be ascribed to? There are many factors at play, but two are without doubt crucial. The first of these is the instrumental role of swissfirst's strategic orientation to high-potential client segments – primarily major private and institutional clients. In this market, we can offer specialized financial services that are tailored to clients' specific needs – such as individual asset management, special investment-oriented derivative and alternative products,

brokerage of large equity positions and so on. The second crucial factor is our excellent network of contacts, which provides us with a foundation for sustained, stable growth.

Against this backdrop, income from commissions and services, at CHF 84.0 m, is only negligibly lower than the previous year's figure (CHF 87.2 m). Net interest income (CHF 10.2 m) and trading income (CHF 8.5 m) together totalled CHF 18.7 m, contributing substantially more to profits than in 2001 (CHF 15.3 m).

As for costs, we managed again this year to keep the rise in operating expenses (CHF 35.4 m) within manageable limits. Although personnel capacities and infrastructure were further expanded, the large-scale expansion of preceding years gave way to a phase of consolidation, reflecting market and business developments. By the end of the year, the Group's total headcount had risen to 98.6 (previous year 89.7), adjusted for part-time working. We thus held to a very low cost-income ratio of 33.7%, which is unusual in the sector.

At 20.9%, the return on average equity remained pleasingly high in the current environment (25.3% in the prior year).

Between end-2001 and end-2002, the price of the swissfirst share fell from 163.0 to 137.5 Swiss francs. In the same period, the SMI lost 28% and the banking sector subindex of the SPI lost 21%.

At the time of the IPO back in 1999, it was explained that swissfirst would not pay a dividend for the time being, even if its earnings performance was very good, as the swissfirst share was intended to be a growth stock rather than an income stock. Market developments have induced us to review this policy. In view of the fall in the price of the swissfirst share, which cannot be put down to either the company's asset base or its earning power, but rather is a reflection of the general stock market trend, swissfirst would like its shareholders to benefit from the earnings by paying them a dividend. Furthermore, on 3 January 2003, swissfirst switched from the SWX New Market to the main board of the SWX Swiss Exchange, where the share will be listed as a stock which pays a dividend. The Board of Directors thus intends to propose to the forthcoming Annual Shareholders' Meeting on 10 May 2003 that a first-time dividend be paid for 2002. At this same meeting, it will recommend a reduction in the share capital from CHF 5.1 m to CHF 5.0 m.

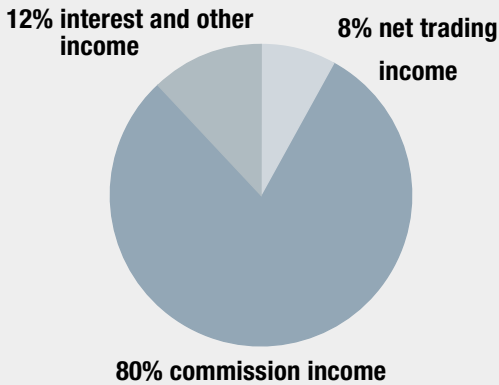
This report must not be concluded without warmly thanking our shareholders for their loyalty, our clients for the volume of business they have placed with us, all our employees for their exceptional commitment, and – in particular – the group management for its dynamic yet diligent approach to managing the company. swissfirst owes its outstanding result to your hard work.

In the current climate, it would be inappropriate to hazard a guess at the course of events during the rest of the year. But this much is certain: the solid asset base of the swissfirst Group, its undiminished earning power and, above all, its specialized financial services targeted at high-potential client segments provide an excellent foundation for success in a turbulent environment. We are further aided by our manageable size, which guarantees short decision-making channels and great flexibility, enabling us to adapt quickly to the changing market conditions. Considering all of these factors, we are confident about the future.

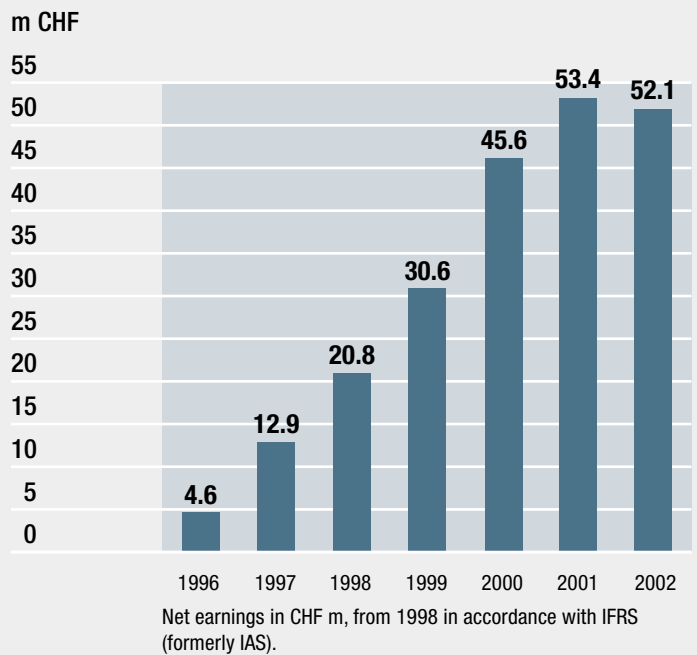
Dr Roland Oswald  
Chairman of the Board of Directors

	2002	Change	2001	Change	2000
	CHF	in %	CHF	in %	CHF
Gross operating profit	69.627 m	-1	70.294 m	12	62.543 m
Net earnings (excl. minorities)	52.063 m	-2	53.404 m	17	45.551 m
Commission income	84.044 m	-4	87.161 m	4	83.537 m
Net interest income	10.154 m	8	9.429 m	54	6.125 m
Net trading income	8.537 m	46	5.863 m	-27	7.875 m
Operating expenses	35.415 m	8	32.752 m	-9	36.056 m
Shareholders' equity	252.442 m	3	246.237 m	40	175.631 m
Number of employees (full-time equivalent)	98.6	10	89.7	34	67.0
Earnings per share (fully diluted)	10.208	-2	10.471	17	8.931

**Income for 2002**



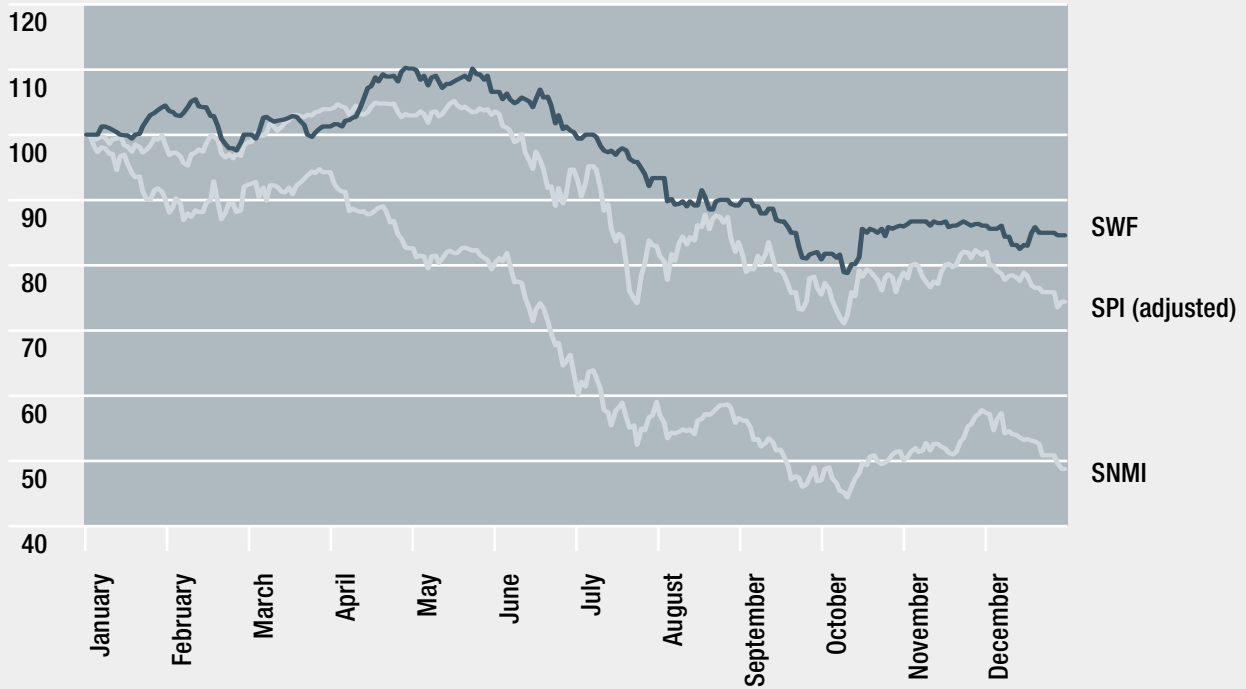
**Summary of results 1996–2002**



**Cost/income ratio**

2000:	36.6%
2001:	31.8%
2002:	33.7%

**Performance 2002 SWF vs. SNMI/SPI (adjusted)**



**The SWF share**

	Listing on SWX New Market	10.11.1999
Issue price		CHF 66.50
Price at end 2001		CHF 163.00
2002 high (on 29 April 2002)		CHF 180.00
2002 low (on 10 October 2002)		CHF 127.75
Price at end 2002		CHF 137.50

Since 3.1.2003 the swissfirst share has been quoted on the main board of the SWX.

**Equity ratios for swissfirst Group**

		31.12.2002	31.12.2001	31.12.2000
BIS core capital (tier 1)	in CHF m	246.5	237.8	169.2
BIS risk-weighted assets	in CHF m	581.0	529.3	292.5
BIS core capital ratio (tier 1)	in %	42,4	44,9	57,8

# Group

## **swissfirst AG**

Board of Directors	Dr Roland Oswald, Baar	Chairman
	Hans E. Buck, Stetten	Vice Chairman
	Hans Kaufmann, Wettswil	Member
	Rolf P. Erb, Salenstein	Member
	Hans-Ulrich Singer, Camboinhas-Niterói, Brazil	Member

Executive Board	Thomas Matter, CEO
	Daniel Hefti, CFO
	Dr Werner Erismann

**Balance sheet**

	Note	31.12.2002	31.12.2001
		CHF 1,000	CHF 1,000
<b>Assets</b>			
Cash and other liquid assets		182,923	11,442
Due from banks		343,410	599,447
Due from customers		308,342	233,421
Securities and precious metals trading portfolios	2	93,501	17,336
Derivative financial instruments	11	22,112	46,382
Financial investments	3	106,609	56,105
Participations	4	217	217
Fixed assets	5	26,714	28,345
Goodwill	6	5,951	8,461
Prepaid expenses and accrued income		1,941	2,403
Other assets	7	23,218	1,229
<b>Total assets</b>		<b>1,114,938</b>	<b>1,004,788</b>
<b>Liabilities and shareholders' equity</b>			
Due to banks		246,844	288,285
Due to customers		436,419	345,990
Derivative financial instruments	11	64,066	56,733
Deferred income		34,512	25,465
Other liabilities	8	59,847	21,660
Valuation adjustments and provisions	10	5,272	5,686
Minority interests		15,536	14,732
Share capital	12		
– <i>Nominal share capital</i>		5,100	5,100
– <i>Own shares</i>		-123	-50
Share capital for consolidated financial statements		4,977	5,050
Retained earnings		247,465	241,187
<b>Total liabilities and shareholders' equity</b>		<b>1,114,938</b>	<b>1,004,788</b>

The notes are an integral part of the consolidated financial statements.

**Profit and loss account**

	Note	2002 12 months	2001 12 months
		CHF 1,000	CHF 1,000
<b>Net interest income</b>			
Interest and discount income		16,220	13,994
Dividend income		435	222
Interest expenses		-6,501	-4,787
<i>Subtotal: Net interest income</i>		<i>10,154</i>	<i>9,429</i>
<b>Net commission and service fee income</b>			
Commission income from lending activities		145	130
Commission from securities and investment business	13	92,412	92,660
Commission from other services		618	291
Commission expenses		-9,131	-5,920
<i>Subtotal: Net commission and service fee income</i>		<i>84,044</i>	<i>87,161</i>
<b>Net trading income</b>			
Securities trading		4,268	1,968
Foreign exchange and banknote trading		4,269	3,895
<i>Subtotal: Net trading income</i>		<i>8,537</i>	<i>5,863</i>
<b>Other ordinary income</b>			
Real estate income		235	51
Income from associated companies	4	0	2,250
Income from sales of financial investments		-222	-2,985
Sundry ordinary expenses		-689	-644
Sundry ordinary income		2,984	1,921
<i>Subtotal: Other ordinary income</i>		<i>2,308</i>	<i>593</i>
<b>Net operating income</b>		<b>105,043</b>	<b>103,046</b>
<b>Operating expenses</b>			
Personnel expenses	14	-23,045	-21,125
Other operating expenses	16	-12,371	-11,627
<i>Subtotal: Operating expenses</i>		<i>-35,416</i>	<i>-32,752</i>
<b>Gross operating profit</b>		<b>69,627</b>	<b>70,294</b>
Depreciation and write-offs on fixed assets	17	-6,783	-5,450
Valuation adjustments, provisions and losses		-1,461	-2,382
Taxes	18	-8,594	-8,821
<b>Profit for the year excl. minority interests</b>		<b>52,789</b>	<b>53,641</b>
Minority interests		726	237
<b>Group profit</b>	19	<b>52,063</b>	<b>53,404</b>
Earnings per share	19	10.30	11.02
Earnings per share (diluted)	19	10.30	10.98
Nominal earnings per share (fully diluted)		10.21	10.47

The notes are an integral part of the consolidated financial statements.

## Cash flow statement

	Note	2002 12 months	2001 12 months
		CHF 1,000	CHF 1,000
<b>Cash flow from operating activities</b>			
Interest income		15,567	13,936
Dividend income		435	222
Interest expenses		-6,109	-4,708
Commission income		80,859	82,408
Cash inflow from trading income		8,537	6,260
Net payments to suppliers and employees		-32,459	-29,911
Settlement losses		-202	-58
Net income from real estate, investments, extraordinary expenses		2,108	1,112
Tax paid		-7,252	-5,191
<b>Cash flow from operating activities before movements in working capital:</b>		<b>61,484</b>	<b>64,070</b>
<b>Movements in working capital</b>			
Increase / decrease in amounts due from customers		-74,921	-81,822
Increase / decrease in amounts due to banks		-41,440	244,901
Increase / decrease in amounts due to customers		90,429	-39,327
Other		50,428	14,821
<b>Net cash flow from operating activities</b>		<b>85,980</b>	<b>202,643</b>
<b>Cash flow from investing activities</b>			
Balance arising of acquisitions	26	0	-12,894
Purchase / sale of investments (balance)		-79,236	-5,643
Acquisition of participations		0	-24
Purchase of furniture, fixtures and fittings		-2,510	-7,605
<b>Net cash flow from investing activities</b>		<b>-81,746</b>	<b>-26,166</b>
<b>Cash flow from financing activities</b>			
Increase in share capital		-12,762	12,012
Gains on own shares		137	2,740
<b>Net cash flow from financing activities</b>		<b>-12,625</b>	<b>14,752</b>
<b>Increase in cash and cash equivalents</b>		<b>-8,391</b>	<b>191,229</b>
Cash and cash equivalents at 31.12.2001 / 31.12.2000	20	628,225	238,743
Increase in cash and cash equivalents from first-time consolidation		0	198,253
Cash and cash equivalents at 31.12.2002 / 31.12.2001	20	619,834	628,225

The notes are an integral part of the consolidated financial statements.

**Analysis of shareholders' equity**

	Note	Share capital	Own shares	Retained earnings	Total share- holders' equity
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>As at 31.12.1999</b>		<b>5,100</b>	<b>-302</b>	<b>125,492</b>	<b>130,290</b>
Adjustment for IAS 37 *				1,000	1,000
Change to own shares			12	-1,199	-1,187
Other changes				-3	-3
Profit for the year 2000				45,551	45,551
<b>As at 31.12.2000</b>		<b>5,100</b>	<b>-290</b>	<b>170,841</b>	<b>175,651</b>
Adjustment to opening balance sheet due to IAS 39				3,629	3,629
Change to own shares	12		240	18,812	19,052
Other changes				-770	-770
Net change in reserves for financial investments available for sale				-4,733	-4,733
Difference on currency translation				4	4
Profit for the year 2001	19			53,404	53,404
<b>As at 31.12.2001</b>		<b>5,100</b>	<b>-50</b>	<b>241,187</b>	<b>246,237</b>
Change to own shares	12		-73	-20,730	-20,803
Other changes				59	59
Net change in reserves for financial investments available for sale				-25,114	-25,114
Profit for the year 2002	19			52,063	52,063
<b>As at 31.12.2002</b>		<b>5,100</b>	<b>-123</b>	<b>247,465</b>	<b>252,442</b>

\* Reclassification of provisions no longer admissible under IAS 37 and transfer into shareholders' equity

The notes are an integral part of the consolidated financial statements.

## 1. General information

### Business activities

swissfirst AG, Zug, is the listed umbrella company of swissfirst Group, a financial services corporation. The Group's principal business activities are trading and brokerage of securities (traditional investment products as well as over-the-counter derivatives), investment consulting and asset management for private and institutional investors, and investment banking.

### Accounting and valuation policies

#### General accounting principles

The consolidated financial statements of swissfirst AG, Zug (Switzerland) have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS; formerly IAS) using the historical cost convention. The exceptions are trading portfolios, derivative financial instruments and disposable financial assets, which are shown at market value.

The same valuation policies have been applied as for the consolidated financial statements at 31 December 2001.

In preparing the accounts, the management is required to make estimates and assumptions that influence the stated figures for assets and liabilities or contingent liabilities and claims at the balance sheet date, as well as for expenditure and income in the reporting period. The actual results may differ from these estimates.

### Principal accounting policies

#### *a) Consolidation method*

The consolidated financial statements comprise the financial statements of the holding company and the financial statements of the Group subsidiaries, so that the Group is seen as a single economic entity. The consolidated financial

statements are prepared using accounting policies consistent throughout the Group. All the Group companies close their accounts on 31 December. When the consolidated financial statements are prepared, intercompany transactions are eliminated. A list of Group companies with changes to the scope of consolidation is given in Note 25.

Shareholdings in associated companies are included in the consolidated financial statements under the equity method. A list of associated companies is included in Note 4.

#### *b) Offsetting*

Assets and liabilities are disclosed separately. Amounts are only offset if there is an enforceable claim vis-à-vis the counterparty and if the transactions are performed either on a net basis or on the basis of simultaneous payment and delivery.

#### *c) Recording business transactions*

All completed business is recorded in the financial statements as at the transaction date (closing date principle).

The service fee income is recorded on the date or over the period the service is being provided, i.e. when the transaction is performed or over the course of the contract term.

#### *d) Foreign currency translation*

Transactions in foreign currency are recorded at the rate ruling on the date of the transaction. On the balance sheet date, financial assets and financial liabilities in foreign currency are translated at the closing rates of the relevant currencies. Foreign exchange differences arising between the conclusion of a transaction and its settlement and unrealized foreign exchange gains on assets and liabilities in foreign currency are taken to the profit and loss account.

All Group companies report their annual accounts in Swiss francs (CHF).

**e) Cash and cash equivalents**

Cash equivalents stated in the cash flow statement comprise amounts due from banks and trading portfolios of securities and precious metals which fall due or can be realized within 90 days.

**f) Trading portfolio**

Securities and precious metals which are held for trading purposes are shown at market value. Realized and unrealized profits and losses are disclosed in the profit and loss account under "Net trading income".

**g) Financial investments**

Financial investments are either held until their maturity date, or are available to be sold or used in the context of the Group's ordinary business activities but not specifically available for trading purposes.

Fixed-interest securities which are intended to be held until maturity are valued by the accrual method.

Financial investments "available for sale" are valued at market prices. Unrealized profits and losses are taken to shareholders' equity. They are transferred into the profit and loss account if the investments are sold or in jeopardy.

Interest and dividend income from investments is included in the profit and loss account under the heading "Net interest income". Profits and losses from the sale of investments are shown under "Income from sales of financial investments".

**h) Own shares**

The Group holds a position in its own shares in order to meet its obligations under share participation schemes for related persons and employees and to meet its strategic targets. These shares are not treated as issued share capital and are deducted in arriving at the figure for shareholders' equity. Profits and losses arising from the sale of own shares in shareholders' equity are credited or debited to retained earnings; dividends, however, are not credited.

**i) Fixed assets**

Tangible fixed assets comprise property, furniture, fixtures and fittings, IT and telecommunications equipment as well as intangible items. The intangible items comprise computer software and software licences purchased. They are shown at acquisition cost less accumulated depreciation. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life as follows:

Property (value of buildings):	20 years
Furnishings and fittings:	5 years
IT (hardware and software), telecom equipment:	3 years

**j) Goodwill**

Goodwill is the amount paid by the Group in excess of fair value for the share it acquires in the net assets of a subsidiary or associate company. Goodwill is depreciated on a straight-line basis over five years.

**k) Value adjustments and provisions**

Valuation adjustments and provisions are made on the basis of consistent accounting policies.

**l) Derivative financial instruments**

Derivative financial instruments, including forex products, interest rate futures, forward rate agreements, forex and interest rate swaps, currency and interest rate options (both short and long) are initially stated at acquisition cost and subsequently at market value. The market value is calculated on the basis of stock exchange prices, discounted cash flow and option valuation models. Where the value is positive, the derivatives are carried under assets and where it is negative they are carried under liabilities.

With derivatives, the Group establishes on the transaction date whether either (1) a fair value hedge or (2) a cash flow hedge exists. Derivatives classified in this way which meet

the criteria specified in IAS 39 are treated as hedging instruments in the financial statements.

Changes in the market value of derivatives classified as fair value hedges are stated in the profit and loss account under the same heading as the corresponding change in market value for the risk-hedged balance sheet item. If the hedge instrument no longer meets these criteria, the book value of an interest-bearing item is adjusted through the profit and loss account on a straight-line basis over its remaining term. Adjustments for equity instruments are reflected in retained earnings until the item is sold.

Changes in market value for derivatives classified as cash flow hedges are stated in shareholders' equity. If a future financial transaction or commitment gives rise to a balance sheet item, the profits and losses previously stated under shareholders' equity are booked out again and offset against the item's acquisition cost.

If the hedged cash flow or the commitment is reported directly in the profit and loss account, the profits and losses on the hedge instrument accrued to shareholders' equity in prior periods are carried in the profit and loss account in the same period as the transaction hedged.

Both in the year under review and in the previous year, the Group did not perform any hedge transactions subject to IAS 39.

#### ***m) Pension institutions***

Contributions to pension institutions are charged to the profit and loss account in the appropriate accounting period.

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 company is determined by the employee's anticipated retirement date. The pension benefits are based on the contributions paid by the insured persons and the Group (defined contribution plan). The assets

are independently managed by the collective foundations or insurance companies.

The Group has not assumed any obligations to make additional funds available in the event of the collective foundations or insurance companies being unable to guarantee the specified range of benefits.

#### ***n) Net commission and service fee income***

Net commission and service fee income is apportioned to the relevant accounting period.

#### ***o) Taxes and deferred taxes***

Taxes on earnings are based on the tax legislation of each sovereign authority vested with tax-raising powers and are charged to the profit and loss account in the period in which the corresponding earnings arise. Timing differences between the amounts shown as assets and liabilities in the consolidated balance sheet and the value of the assets and liabilities for tax purposes are shown as a deferred tax liability, calculated at the tax rates expected to apply in the accounting period in which the asset is realised or the liability is settled. Changes to the deferred tax liability are shown as tax expenditure in the profit and loss account.

#### **Approval by the Board of Directors**

The Board of Directors of swissfirst AG approved the present consolidated financial statements on 8 March 2003.

## 2. Securities and precious metals trading portfolios

	31.12.2002	31.12.2001
	CHF 1,000	CHF 1,000
<b>Debt securities</b>		
<i>of which listed</i>	6,687	0
<i>of which unlisted</i>	0	0
Equities	86,814	17,336
<b>Total securities and precious metals trading portfolios</b>	<b>93,501</b>	<b>17,336</b>
<i>of which securities eligible as collateral for central bank borrowings</i>	<i>0</i>	<i>0</i>

The Group trades principally in Swiss equities. The trading activities are conducted to meet the customers' requirements, though income is also earned from own-account trading. Further details on derivatives are given in Note 11.

## 3. Financial investments

	31.12.2002		31.12.2001	
	Book value	Market value	Book value	Market value
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Financial investments – available for sale</b>				
Equities – at market value				
– listed	35,185	35,185	17,940	17,940
– unlisted	24,813	24,813	25,671	25,671
Debt Securities – at market value	26,040	26,040	0	0
<b>Total financial investments – available for sale</b>	<b>86,038</b>	<b>86,038</b>	<b>43,611</b>	<b>43,611</b>
<b>Financial investments – hold until maturity</b>				
Debt securities – accrual method	20,571	21,636	12,494	12,358
<b>Total financial investments – hold until maturity</b>	<b>20,571</b>	<b>21,636</b>	<b>12,494</b>	<b>12,358</b>
<b>Total financial investments</b>	<b>106,609</b>	<b>107,674</b>	<b>56,105</b>	<b>55,969</b>
<i>of which eligible as collateral for central bank borrowings</i>	<i>16,693</i>	<i>17,450</i>	<i>6,589</i>	<i>6,581</i>

#### 4. Associated companies

	31.12.2002	31.12.2001
	CHF 1,000	CHF 1,000
<b>Companies valued under the equity method</b>		
Balance sheet value as at 31.12.2001 / 31.12.2000	217	5,193
Share of profit to 30.6.2001	0	2,250
– removed owing to increase in equity holding to over 50%	0	-7,226
<b>Balance sheet value as at 31.12.2002 / 31.12.2001</b>	<b>217</b>	<b>217</b>

With effect from 1 July 2001, the shareholding in swissfirst Bank (Liechtenstein) AG, Vaduz – formerly Bank Wegelin (Liechtenstein) AG, Vaduz – was increased from 25% to 52.5%. This holding is now fully consolidated.

#### 5. Fixed assets

	Furniture F&F	IT and telecom.	Reporting year Real estate	Intangible fixed assets	Total tangible assets	Prior year Total tangible assets
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>As at 1.1.2002 / 1.1.2001</b>						
Cost	1,935	9,232	25,355	0	36,522	20,099
Accumulated depreciation	-695	-5,802	-1,680	0	-8,177	-4,822
Net book value at 1.1.2002 / 1.1.2001	1,240	3,430	23,675	0	28,345	15,277
<b>Financial year 2002 / 2001</b>						
Net book value at 1.1.2002 / 1.1.2001	1,240	3,430	23,675	0	28,345	15,277
Addition for net book value / first-time consolidation	0	0	0	0	0	9,142
Additions (net)	-314	278	2,015	663	2,642	7,281
Depreciation (see Note 17)	-8	-3,233	-953	-79	-4,273	-3,355
Net book value at 31.12.2002 / 31.12.2001	918	475	24,737	584	26,714	28,345
<b>As at 31.12.2002 / 31.12.2001</b>						
Cost	1,621	9,510	27,370	1,708	40,209	36,522
Accumulated depreciation	-703	-9,035	-2,633	-1,124	-13,495	-8,177
<b>Balance sheet value as at 31.12.2002 / 31.12.2001</b>	<b>918</b>	<b>475</b>	<b>24,737</b>	<b>584</b>	<b>26,714</b>	<b>28,345</b>

The fire insurance value of the buildings and the tangible fixed assets is CHF 40,220,000 (prior year: CHF 40,169,000).

## 6. Goodwill

	Note	31.12.2002	31.12.2001
		CHF 1,000	CHF 1,000
<b>Position at beginning of year</b>		8,461	6,406
Increase stake in swissfirst Bank (Lichtenstein) AG	26	0	4,150
Amortization	17	-2,510	-2,095
<b>Total goodwill</b>		<b>5,951</b>	<b>8,461</b>

## 7. Other assets

	Note	31.12.2002	31.12.2001
		CHF 1,000	CHF 1,000
Withholding tax credit balances		22,970	635
Sundry assets		248	594
<b>Total other assets</b>		<b>23,218</b>	<b>1,229</b>

The large difference is due primarily to withholding tax reclaims from share buyback programmes.

## 8. Other liabilities

	Note	31.12.2002	31.12.2001
		CHF 1,000	CHF 1,000
Tax liability: current income tax		16,181	16,635
Tax liability: deferred taxation	9	2,898	2,869
VAT		36,719	0
Sundry liabilities		4,049	2,156
<b>Total other liabilities</b>		<b>59,847</b>	<b>21,660</b>

The large difference is due primarily to withholding tax payments from share buyback programmes.

## 9. Tax liability: deferred taxation

This relates to the following items (cf. Note 18):

	Note	31.12.2002	31.12.2001
		CHF 1,000	CHF 1,000
<b>Temporary timing differences on:</b>			
Valuation adjustments provisions		2,898	2,869
<b>Due to deferred taxation</b>	8	<b>2,898</b>	<b>2,869</b>

The deferred taxes arise from temporary discrepancies due to valuation differences between IFRS (formerly IAS) accounting and statutory accounting standards.

### 10. Valuation adjustments and provisions

	Total at 31.12.2001	Specific usage	New allocations charged to P&L account	Total at 31.12.2002
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Valuation adjustments and provisions for credit risks	3,328	-1,027	500	2,801
Other provisions	2,358	-1,089	1,202	2,471
<b>Total valuation adjustments and provisions</b>	<b>5,686</b>	<b>-2,116</b>	<b>1,702</b>	<b>5,272</b>

The valuation adjustments and provisions for credit risks mainly originate from the acquisition of the former Bank August Roth AG and serve to cover the claims of former clients that have not yet been satisfied.

Other provisions are set aside for specific business risks.

### 11. Derivative financial instruments

	Contract volume	Positive replacement values	Negative replacement values
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Foreign exchange:</b>			
– forward foreign exchange transactions	279,837	1,694	1,300
– foreign exchange options	1,841,781	3,472	3,472
<b>Total foreign exchange as at 31.12.2002</b>	<b>2,121,618</b>	<b>5,166</b>	<b>4,772</b>
<i>Total foreign exchange as at 31.12.2001</i>	<i>959,413</i>	<i>1,967</i>	<i>1,677</i>
<b>Equities:</b>			
– equity options (exchange traded)	135,494	2,809	2,809
– equity options (OTC)	414,196	14,137	56,485
<b>Total equity options as at 31.12.2002</b>	<b>549,690</b>	<b>16,946</b>	<b>59,294</b>
<i>Total equity options as at 31.12.2001</i>	<i>946,408</i>	<i>44,415</i>	<i>55,056</i>
<b>Total 31.12.2002</b>	<b>2,671,308</b>	<b>22,112</b>	<b>64,066</b>
<b>Total 31.12.2001</b>	<b>1,905,821</b>	<b>46,382</b>	<b>56,733</b>

The contract volumes and replacement values in the reporting year relate mainly to end-to-end customer transactions. Equity certificates issued by swissfirst Bank AG are shown under negative replacement values.

**12. Share capital** The bearer shares have a nominal value of CHF 1.00 each

	Shares Number	Share capital CHF 1,000	Own shares CHF 1,000
<b>Shares issued at 31.12.2001</b>	<b>5,100,000</b>	<b>5,100</b>	
<b>Own shares at 31.12.2000</b>	<b>28,950</b>	<b>290</b>	<b>17,040</b>
corresponding to	5.68%	5.68%	
<b>Outstanding shares at 31.12.2000</b>	<b>481,050</b>	<b>4,810</b>	
10 for 1 equity split of 11 May 2001	4,329,450	43,295	
Sale through exercise of call options	-239,500	-240	-12,012
Change in value of own shares			-123
<b>Own shares at 31.12.2001</b>	<b>50,000</b>	<b>50</b>	<b>4,905</b>
corresponding to	0.98%	0.98%	
<b>Outstanding shares at 31.12.2001</b>	<b>5,050,000</b>	<b>5,050</b>	
Sale through exercise of call options	-27,500	-28	-1,238
Purchase of own shares	100,000	100	14,000
Change in value of own shares			-823
<b>Own shares at 31.12.2002</b>	<b>122,500</b>	<b>123</b>	<b>16,844</b>
corresponding to	2.40%	2.40%	
<b>Outstanding shares at 31.12.2002</b>	<b>4,977,500</b>	<b>4,977</b>	

All transactions in own shares were at market prices. The average strike price/sale price to staff exercising their options was CHF 50.00 per share.

The market value of the own shares at 31.12.2002 was CHF 137.50 per share (31.12.2001: CHF 163).

The following share options were outstanding:

Option expiry date	Exercise price	No. of out- standing options at 31.12.2002	No. of out- standing options at 31.12.2001
	CHF	Number	Number
09.2002	50.00	0	2,750
09.2003	170.00	250	250
06.2004	182.50	2,000	2,000
		<b>2,250</b>	<b>5,000</b>

Owing to the 10 for 1 equity split on 11 May 2001, the strike price had to be adjusted. The subscription ratio was raised from 1:1 to 1:10 in order to prevent dilution.

The Group does not book either the market value or the intrinsic value of these options in its consolidated financial statements. 2,750 share options were exercised in the year under review (cf. above).

### 13. Commission income from securities and investment business

	2002	2001
	CHF 1,000	CHF 1,000
Commission income from brokerage services	74,497	77,145
Performance fees from asset management	0	1,763
Management fees from asset management	13,244	12,154
Miscellaneous commission income	4,671	1,598
<b>Total commission income from securities and investment business</b>	<b>92,412</b>	<b>92,660</b>

### 14. Personnel expenses

	2002	2001
	CHF 1,000	CHF 1,000
Salary and bonus payments	19,763	18,697
Contributions to pension institutions	1,064	941
Other social security contributions	1,079	1,059
Other personnel expenses	1,139	428
<b>Total personnel expenses</b>	<b>23,045</b>	<b>21,125</b>

At 31 December 2002 the Group had 98.6 employees on a full-time-equivalent basis (prior year: 89.7).

### 15. Pension institutions

At 31 December 2002 outstanding liabilities to pension institutions amounted to CHF 7,588 (prior year: CHF 32,832).

### 16. Operating expenses

	Note	2002	2001
		CHF 1,000	CHF 1,000
Premises	28	995	854
Telecommunications and IT		4,887	3,786
General administrative and business expenses		6,489	6,987
<b>Total operating expenses</b>		<b>12,371</b>	<b>11,627</b>

### 17. Depreciation

	Note	2002	2001
		CHF 1,000	CHF 1,000
Depreciation of fixed assets	5	4,273	3,355
Amortization of goodwill	6	2,510	2,095
<b>Total depreciation</b>		<b>6,783</b>	<b>5,450</b>

### 18. Taxes

	2002	2001
	CHF 1,000	CHF 1,000
Current taxes	8,565	8,821
Deferred taxes	29	0
<b>Total taxes</b>	<b>8,594</b>	<b>8,821</b>
Tax rate on pretax group profit	20.00%	20.00%
Difference in tax rates arising from differences within Switzerland	-5.83%	-5.82%
<b>Total taxes (effective tax rate)</b>	<b>14.17%</b>	<b>14.18%</b>

**19. Earnings per share \***

	2002	2001
Group profit for the year (in CHF 1,000)	52,063	53,404
Weighted average number of outstanding shares	5,056,426	4,846,075
<b>Earnings per share (in CHF)</b>	<b>10.30</b>	<b>11.02</b>

\* The earnings per share figure is calculated by dividing the earnings of the Group by the weighted average number of outstanding shares during the year.

To arrive at the diluted earnings per share, the average number of outstanding shares is adjusted for all potential diluting effects.

	2002	2001
Group profit for the year (in CHF 1,000)	52,063	53,404
Weighted average number of outstanding shares	5,056,426	4,846,075
+ Adjustment for outstanding share options	0	19,064
Adjusted weighted average number of outstanding shares	5,056,426	4,865,139
<b>Fully diluted earnings per share (in CHF)</b>	<b>10.30</b>	<b>10.98</b>

**20. Cash equivalents \***

	31.12.2002	31.12.2001
	CHF 1,000	CHF 1,000
Liquid assets	182,923	11,442
Due from banks	343,410	599,447
Securities and precious metals trading portfolios	93,501	17,336
<b>Total cash equivalents</b>	<b>619,834</b>	<b>628,225</b>

\* Cash equivalents disclosed in the cash flow statement include that are items due within 90 days or are easily realizable.

## 21. Business segments

1.1.–31.12.2002	Private Banking	Asset Management	Investment Banking	Corporate Items	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Net operating income	23,732	6,238	73,619	1,454	105,043
Operating expenses	-17,208	-3,934	-13,351	-923	-35,416
<b>Gross operating profit</b>	<b>6,524</b>	<b>2,304</b>	<b>60,268</b>	<b>531</b>	<b>69,627</b>
Depreciation, valuation adjustments, provisions and losses	-3,432	-319	-4,134	-358	-8,243
Taxes	-501	-370	-7,677	-46	-8,594
Minority interests	-618	-109	0	0	-727
<b>Profit after taxes</b>	<b>1,973</b>	<b>1,506</b>	<b>48,457</b>	<b>127</b>	<b>52,063</b>
<i>Total assets</i>	<i>494,805</i>	<i>34,981</i>	<i>582,369</i>	<i>2,783</i>	<i>1,114,938</i>
<i>Total liabilities</i>	<i>483,426</i>	<i>45,193</i>	<i>332,350</i>	<i>1,527</i>	<i>862,496</i>
<i>Assets under management</i>	<i>1,290 m</i>	<i>1,281 m</i>	<i>1,481 m</i>	<i>29 m</i>	<i>4,081 m</i>

1.1.–31.12.2001	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Net operating income	16,417	8,698	76,062	263	101,440
Profit from associated companies	0	0	0	2,250	2,250
Operating expenses	-15,864	-4,004	-12,208	-1,320	-33,396
<b>Gross operating profit</b>	<b>553</b>	<b>4,694</b>	<b>63,854</b>	<b>1,193</b>	<b>70,294</b>
Depreciation, valuation adjustments, provisions and losses	-1,936	-168	-5,688	-40	-7,832
Taxes	-52	-1,015	-8,704	950	-8,821
Minority interests	-263	26	0	0	-237
<b>Profit after taxes</b>	<b>-1,698</b>	<b>3,537</b>	<b>49,462</b>	<b>2,103</b>	<b>53,404</b>
<i>Total assets</i>	<i>674,456</i>	<i>16,637</i>	<i>312,883</i>	<i>812</i>	<i>1,004,788</i>
<i>Total liabilities</i>	<i>598,396</i>	<i>18,338</i>	<i>138,342</i>	<i>3,475</i>	<i>758,551</i>
<i>Assets under management</i>	<i>1,554 m</i>	<i>1,257 m</i>	<i>1,129 m</i>		<i>3,940 m</i>

The Group operates primarily in Switzerland and Liechtenstein. Since the geographic region in which assets are booked is relatively unimportant to the assessment of risks or profit opportunities, the business areas are not broken down by region.

## 22. Risk and risk management

### General

Risk management is based on the risk policy established by swissfirst Bank AG, Zurich and swissfirst Bank (Liechtenstein) AG, Vaduz, which is reviewed by the banks' management once a year.

The risk management and risk monitoring departments of the respective banks are responsible for monitoring risk.

The Executive Board is informed regularly about the net assets, financial position, liquidity and earnings of the Group, and about any associated risks, by means of financial and risk reporting systems appropriate to each level of management. This also covers the non-banking companies. Risk reports are prepared for the individual companies as well as at Group level.

### Credit risk

Credit risk management applies to any undertakings in which there is a risk of loss if the counterparty is unable to meet its obligations.

The majority of credit risks in respect of customers entered into by the swissfirst Group are secured, in almost all cases by collateral. As financial assets the Group holds equities and debt securities of first-class issuers on a medium- to long-term basis. Money-market investments are only held at first-class banks. The limits in interbank business are authorized by the responsible members of the Board of Directors.

At both banks, the credit risks are contained by authorization procedures and an appropriate definition of powers, by the customary lending limits and by regular reassessment of

longer-term lendings. The risk management and risk monitoring departments receive exception reports to assist them with the supervision of compliance with limits and lending margins. The development of the credit risks is discussed by credit committees that meet regularly. The credit committees have the power to institute measures to limit or reduce credit risks.

The Risk Management department of swissfirst Bank AG is responsible for ensuring compliance with the aggregate risk regulations at Group level.

### Other risks involving counterparties

Depository banks and counterparties involved in the settlement of securities and foreign exchange transactions may be a source of further risk exposure. Counterparties involved in securities and foreign currency trading are vetted and approved by the Executive Board. Securities held at depository banks are subject to restrictions on risk exposure and the amount held.

### **Market risk**

Market risks arise from ongoing changes in share prices, interest and foreign exchange rates.

#### ***Market risk in the trading book***

The market risks in the Group's trading book are low. Securities trading for own account is conducted on a modest scale and is limited mainly to equities and the related derivatives. Foreign exchange trading is mainly connected with client business. Only the two banking institutions take up foreign exchange positions. Foreign-currency loans are generally refinanced on the money market with matching maturities. The Group does not enter into commodity trading.

Securities and foreign exchange holdings are valued on a daily basis and their market risks are limited in terms of absolute amounts. Compliance with the limits is monitored by independent risk management and monitoring departments.

#### ***Market risks in the bank book***

The market risks in the bank book may also be rated as low. swissfirst Group does not engage in traditional loans and deposits business. Long-term loans at fixed rates are granted only in exceptional cases. The investment of the Group's own assets in debt or equity securities may give rise to the corresponding interest rate and price risks. The interest rate risks are assessed and monitored by means of modified duration figures and interest rate tables.

Market risks in the bank book are restricted by limits. Compliance is monitored by independent bodies.

### ***Liquidity risk***

Liquidity risk is the danger of swissfirst Group or its corporate units having insufficient liquidity to meet their commitments.

Daily liquidity levels are monitored by the relevant treasury units of all Group companies. The risk management and risk monitoring departments ensure compliance with the liquidity requirements of banking law. The Group companies endeavour to ensure that the liquidity available is significantly higher than the minimum level required at all times.

Management of liquidity at Group level, with due account being taken of the other Group companies, is performed by swissfirst Bank AG in Zurich.

### ***Operational risks***

Operational risks may arise, for example, from the unsuitability or failure of internal procedures and systems, inadequate management or external influences.

Business risk is limited by internal regulations and directives pertaining to organization and control. The internal procedures and systems are continually being analysed and improved. The IT systems of the two banks are subject to a process of ongoing modernisation.

### Legal risks and compliance

The terms «legal risks» and «compliance» relate to risks arising from the legal and regulatory environment surrounding the business, in particular liability and default risks plus regulatory risks.

Transaction-related risks are minimized by way of standardized contracts and individual confirmations. The monitoring of risk connected with the receipt of client assets, as well as due diligence obligations, are entrusted to compliance bodies and specially qualified staff members at the two banks. The head of Legal & Compliance at swissfirst Bank AG, Zurich, supervises legal risks and compliance aspects at the Group level. To limit legal risks, external lawyers may be consulted on a case-by-case basis.

**«Growth ensues where strong foundations have been built. swissfirst AG guarantees that such foundations are in place.»**

**Liquidity risk**

1.1.–31.12.2002	On sight	Callable	Due within 3 months
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Assets</b>			
Cash and other liquid assets	182,923	0	0
Due from banks	225,224	48,072	68,228
Due from customers	71,133	4,427	29,491
Securities and precious metals trading portfolios	93,501	0	0
Derivative financial instruments	0	0	22,112
Financial investments	79,174	0	0
Participating interests	0	0	0
Fixed assets	0	0	0
Goodwill	0	0	627
Prepaid expenses and accrued income	0	0	1,941
Other assets	0	0	23,218
<b>Total assets</b>	<b>651,955</b>	<b>52,499</b>	<b>145,617</b>
<b>Liabilities and shareholders' equity</b>			
Due to banks	193,335	3,026	18,261
Due to customers	163,868	123,095	111,100
Derivative financial instruments	0	0	64,066
Deferred income	34,512	0	0
Other liabilities	0	0	36,719
Valuation adjustments and provisions	0	0	0
<b>Total liabilities and shareholders' equity</b>	<b>391,715</b>	<b>126,121</b>	<b>230,146</b>
<b>Net position at 31.12.2002</b>	<b>260,240</b>	<b>-73,622</b>	<b>-84,529</b>

Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
0	0	0	182,923
1,886	0	0	343,410
140,880	61,511	900	308,342
0	0	0	93,501
0	0	0	22,112
0	10,495	16,940	106,609
0	0	217	217
0	0	26,714	26,714
1,883	3,441	0	5,951
0	0	0	1,941
0	0	0	23,218
<b>144,649</b>	<b>75,447</b>	<b>44,771</b>	<b>1,114,938</b>
26,072	6,150	0	246,844
38,356	0	0	436,419
0	0	0	64,066
0	0	0	34,512
23,128	0	0	59,847
2,471	2,801	0	5,272
<b>90,027</b>	<b>8,951</b>	<b>0</b>	<b>846,960</b>
<b>54,622</b>	<b>66,496</b>	<b>44,771</b>	<b>267,978</b>

**Liquidity risk**

1.1.–31.12.2001	On sight	Callable	Due within 3 months
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Assets</b>			
Cash and other liquid assets	11,442	0	0
Due from banks	287,803	142,063	169,581
Due from customers	106,908	9,404	64,753
Securities and precious metals trading portfolios	17,336	0	0
Derivative financial instruments	0	0	46,382
Financial investments	43,610	0	0
Participating interests	0	0	0
Fixed assets	0	0	0
Goodwill	0	0	0
Prepaid expenses and accrued income	0	0	2,403
Other assets	516	0	713
<b>Total assets</b>	<b>467,615</b>	<b>151,467</b>	<b>283,832</b>
<b>Liabilities and shareholders' equity</b>			
Due to banks	246,435	0	27,187
Due to customers	180,088	97,779	67,923
Derivative financial instruments	0	0	56,733
Deferred income	25,465	0	0
Other liabilities	1,001	0	494
Valuation adjustments and provisions	0	0	0
<b>Total liabilities and shareholders' equity</b>	<b>452,989</b>	<b>97,779</b>	<b>152,337</b>
<b>Net position at 31.12.2001</b>	<b>14,626</b>	<b>53,688</b>	<b>131,495</b>

Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
0	0	0	11,442
0	0	0	599,447
42,501	8,955	900	233,421
0	0	0	17,336
0	0	0	46,382
0	9,391	3,104	56,105
0	0	217	217
0	0	28,345	28,345
0	8,461	0	8,461
0	0	0	2,403
0	0	0	1,229
<b>42,501</b>	<b>26,807</b>	<b>32,566</b>	<b>1,004,788</b>
9,413	5,250	0	288,285
200	0	0	345,990
0	0	0	56,733
0	0	0	25,465
20,165	0	0	21,660
2,358	3,328	0	5,686
<b>32,136</b>	<b>8,578</b>	<b>0</b>	<b>743,819</b>
<b>10,365</b>	<b>18,229</b>	<b>32,566</b>	<b>260,969</b>

**23. Fair value of financial instruments \***

	31.12.2002		31.12.2001	
	Book value	Market value	Book value	Market value
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Financial assets</b>				
Cash and other liquid assets	182,923	182,923	11,442	11,442
Due from banks	343,410	343,410	599,447	599,447
Due from customers	308,342	308,342	233,421	233,421
Securities and precious metals trading portfolios	93,501	93,501	17,336	17,336
Derivative financial instruments	22,112	22,112	46,382	46,382
Financial investments	106,609	107,674	56,105	55,969
Other assets	23,218	23,218	1,229	1,229
	<b>1,081,391</b>	<b>1,081,180</b>	<b>965,362</b>	<b>965,226</b>
<b>Financial liabilities</b>				
Due to banks	246,844	246,844	288,285	288,285
Due to customers	436,419	436,419	345,990	345,990
Derivative financial instruments	64,066	64,066	56,733	56,733
Other liabilities	59,847	59,847	21,660	21,660
	<b>807,176</b>	<b>807,176</b>	<b>712,668</b>	<b>712,668</b>

\* The table shows the fair value of items included in the balance sheet and off balance sheet, as not all financial instruments are stated at fair value in the consolidated financial statements.

**24. Pledged assets** The following assets were pledged to secure the Group's own liabilities:

	31.12.2002		31.12.2001	
	Amount/book value of claim	Of which used	Amount/book value of claim	Of which used
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Pledged assets</b>				
Due from banks	12,736	7,690	27,635	603
Securities – trading portfolios	33,600	8,600	0	0
Securities – financial assets	36,275	7,159	8,642	0
Tangible fixed assets (real estate)	9,000	5,250	9,000	5,250
<b>Total pledged assets</b>	<b>91,611</b>	<b>28,699</b>	<b>45,277</b>	<b>5,853</b>

Furthermore, own shares held are subject to the call options sold to employees (see Note 12).

## 25. Consolidated group companies

Company	Registered office	Share capital	Participation	
			direct	indirect
Notes		CHF 1,000	in %	in %
swissfirst Bank AG	Zurich	21,600	100%	0%
swissfirst Bank (Liechtenstein) AG	Vaduz	20,000	52.5%	0%
swissfirst (Lie) Anlagegesellschaft AG	Vaduz	50	0%	52.5%
swissfirst (Lie) Opportunities AG	Vaduz	50	0%	52.5%
swissfirst Derivatives AG	Zug	250	100%	0%
swissfirst Asset Management AG (formerly swissfirst Trust AG)	30 Zug	250	100%	0%
swissfirst Consulting AG	30 Kreuzlingen	125	0%	100%
swisstrader AG	Zug	500	100%	0%
swissfirst Financial Services Ltd.	Tortola, B.V.I.	16	100%	0%
Bracher AG	Olten	100	100%	0%

## 26. Acquisitions

		2002	2001
	Notes	CHF 1,000	CHF 1,000
Share capital		0	10,500
Reserves		0	3,150
Retained earnings brought forward		0	1,420
Result for the accounting period		0	924
Value of holding		0	-7,250
<b>Asset value of the assets and liabilities acquired</b>		<b>0</b>	<b>8,744</b>
Goodwill	6	0	4,150
<b>Purchase price</b>		<b>0</b>	<b>12,894</b>

## 27. Related parties

Persons and companies are deemed to be related parties if they are able to exercise control over the Group or have a significant influence over the financial and operating decisions of the Group. Transactions with related parties occur in the normal course of business and at arm's length. At 31.12.2002, the Group had the following claims and liabilities with regard to related parties:

**27. Related parties** (continued from page 33)

	31.12.2002	31.12.2001
	CHF 1,000	CHF 1,000
Claims from related parties	10,721	11,672
<b>Total claims</b>	<b>10,721</b>	<b>11,672</b>
Liabilities to related parties	17	247
<b>Total liabilities</b>	<b>17</b>	<b>247</b>

The claims are secured by customary forms of collateral.

The following parties had shareholdings of over 5% in the issued share capital of swissfirst AG, Zug:

	31.12.2002	31.12.2001
	% of capital and votes	% of capital and votes
Matter Thomas, Herrliberg	20.2%	22.2%
Hranov-Bühler Rumen, Zollikon	10.0%	10.0%

**28. Irrevocable commitments and contingent liabilities**

	31.12.2002	31.12.2001
	CHF 1,000	CHF 1,000
Irrevocable commitments – Rental and leasing commitments	146	211
Contingent liabilities – Credit guarantees	6,689	15,717
– Performance guarantee	423	428
Fiduciary investments	747,669	1,021,814

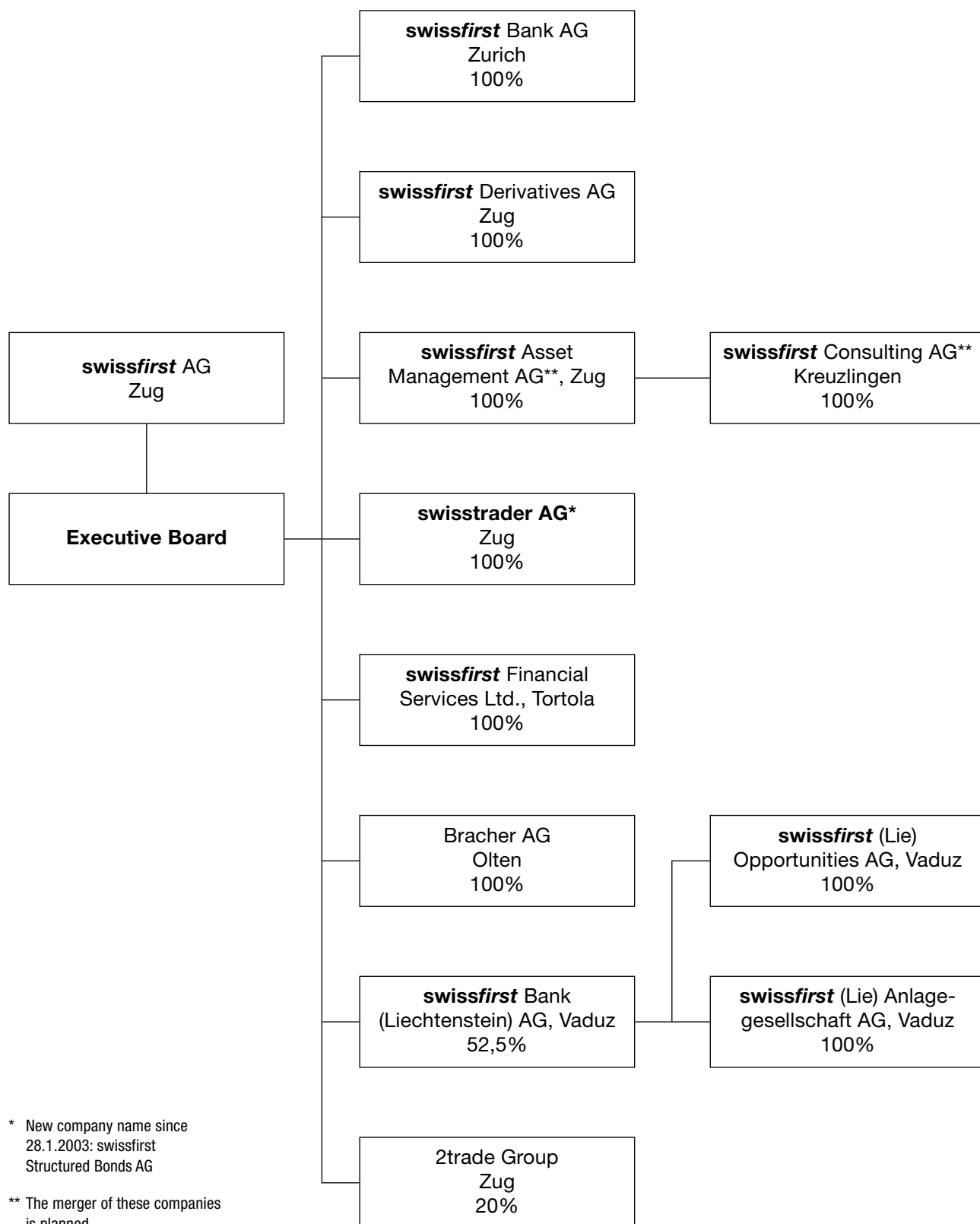
The Group rents premises and equipment at terms that are fixed in rental contracts, some of which are irrevocable. As a rule, the Group has an option to extend the contracts. Rental contract expenses totalled KCHF 135 in 2002 and KCHF 198 in 2001.

**29. Staff participation**

Since financial year 2002 swissfirst Bank AG has offered to staff of swissfirst Group a choice of drawing their bonus in the form of cash, shares or warrants. The entire bonus expense is charged to the profit and loss account irrespective of the type of bonus chosen. Any shares drawn are purchased on the market and any warrants drawn are taken into account in the trading position of swissfirst Bank AG and stated at market prices. These are European warrants with a term of three years. The shares may only be sold after three years. The warrants are not eligible for sale. In financial year 2002 a total of 7,859 shares priced at CHF 163 each were drawn and 26,770 warrants priced at CHF 31.10 were drawn. The warrants expire on 25.2.2005 and the strike price is CHF 163.

**30. Events after the balance sheet date**

A merger of swissfirst Asset Management AG, Zug and swissfirst Consulting AG, Kreuzlingen is planned with retroactive effect to 1.1.2003.





PricewaterhouseCoopers Ltd  
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Report of the group auditors  
to the general meeting of  
swissfirst Ltd  
Zug

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes) of swissfirst Ltd for the year ended 31 December 2002.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers Ltd

Pascal Portmann

Thomas Brunswiler

Zürich, 28 March 2003

## Information on Corporate Governance

**1. Group structure**

The Group structure is set out on page 35 of the Annual Report. The shares of swissfirst AG, Zug (Swiss security no. 337 681, ISIN: CH0003376818) were listed on the Swiss New Market up to and including 30 December 2002; since 3 January 2003 they have been listed in the main segment of SWX Swiss Exchange. Stock market capitalization as at 30 December 2002 comes to CHF 701.25 m (31 December 2001: CHF 831.3 m). The other Group companies are not listed. The swissfirst Group does not have any holdings of more than 5% in other listed companies, nor are there any cross-shareholdings. The main shareholders of swissfirst AG are listed in Note 27 (page 34) of the consolidated financial statements.

swissfirst AG is not party to, nor has any knowledge of, any significant shareholder pooling agreements.

The swissfirst Group has not transferred any major management tasks to third parties.

**2. Equity structure**

The share capital of swissfirst AG consists of 5,100,000 bearer shares with a nominal value of CHF 1 each plus conditional capital of CHF 0.25 m corresponding to 250,000 bearer shares. There are no time restrictions on the provisional capital, which is earmarked for distribution to the employees.

There are no privileged share categories and no regulations limiting share ownership or transfer. Nor are there any restrictions on voting rights.

The General Meeting of Shareholders is entitled at any time to convert bearer shares into registered shares or vice versa by an amendment to the articles of association.

The company's holdings of its own shares are listed in Note 4 (page 47) of the statutory holding company statements.

There were no changes to the share capital during the last three reporting years. However, the Board of Directors is proposing to the next Annual General Meeting that the share capital be reduced by CHF 100,000. The statement of changes in shareholders' equity is shown on page 12 of the Annual Report.

Information on the options issued by swissfirst AG can be found in Note 12 (page 20) of the consolidated financial statements. The options are backed by the company's own holdings.

No convertible bonds are outstanding.

**3. Board of Directors**

As at 31 December 2002 the Board of Directors was made up as follows:

***Dr Roland Oswald, Chairman (director since 1999)***

- business studies at the Universities of St. Gallen and Neuchâtel
- Member of the Executive Board of Zuger Kantonalbank until 1999

***Hans E. Buck, Vice Chairman (director since 1999)***

- business studies at the University of Zurich (lic. oec.)
- Member of the Executive Board of ABN AMRO Bank (Schweiz) until 2001

***Hans Kaufmann, Member of the National Council (director since 1999)***

- business studies at the University of Zurich (lic. oec.)
- Chief Economist at Julius Baer & Co. Ltd until 1999, now an independent entrepreneur

**Rolf P. Erb (director since 1999)**

- commercial school and studies in the UK, France, Italy and the USA
- Chairman and CEO of the entire Erb Group since 1996

**Hans-Ulrich Singer (director since 1997)**

- commercial training
- chief executive of a pension fund and trustee at various pension foundations as well as in a 2nd Pillar (occupational insurance) pension foundation

Heinz Wälti relinquished his directorship as of the date of the AGM (30 April 2002).

Except where indicated, the directors do not serve as directors of other listed companies. None of the directors perform any other significant duties, nor do they have any major business commitments.

All members of the Board of Directors are Swiss citizens; they are impartial and act on behalf of swissfirst in a non-executive capacity. None of the directors has ever been an executive manager of swissfirst AG or of any of the group companies. None of the directors have any significant business interests.

Only shareholders of the company are eligible to stand for election as directors. Directors are appointed for a term of one year and may be reelected for a further term. There is no age limit.

If the Board of Directors consists of more than one director, it constitutes itself and elects a Chairman, a Vice Chairman and a Secretary. The Secretary need not be a member of the Board of Directors.

The Board of Directors meets at the invitation of the Chairman or when requested by one of its members. It shall meet at least twice a year. In 2002, four meetings of the Board of Directors were held.

Resolutions are passed by a majority of votes cast. In the event of a tie, the chair has the casting vote. No quorum is specified. Resolutions may be passed by circular, unless a member of the Board of Directors requests verbal deliberation.

Any business that is not reserved by law or by the articles of association to another statutory body is the responsibility of the Board of Directors. In particular, the Board of Directors is responsible for:

- overall supervision of the company, issuing the necessary regulations and directives and defining the organization;
- structuring the accounting system, financial controlling and financial planning to the extent required for managing the company;
- appointing and dismissing persons entrusted with management and representational tasks;
- overall supervision of the persons entrusted with the management of the company, especially in respect of compliance with the law, the articles of association, regulations and directives;
- drafting the annual report, preparing the General Meeting of Shareholders and implementing its decisions;
- notifying the courts in the event of excessive indebtedness;
- passing resolutions regarding subsequent payments for shares that are not fully paid up;
- ratifying capital increases and any ensuing amendments to the articles of association;
- appointing the persons authorized to represent the company.

The Board of Directors is informed regularly about the state of the business. In particular, it shall have the following at its disposal:

- quarterly figures
- budget comparisons
- key figures on risk  
(credit risks, market risks, liquidity risks)
- reports on aggregate risk

Three of the five members of the swissfirst AG Board of Directors are also directors of swissfirst Bank AG, to which the internal auditors report directly. KPMG act as internal auditors to swissfirst Bank AG.

Dr. Roland Oswald and Hans Buck constitute the Committee of the Board of Directors. This Committee is appointed by the Board in its entirety. The Committee of the Board of Directors does not constitute an additional tier of authority between the Executive Board and the Board of Directors. It acts as a consultative body to the Executive Board in all strategic and operational matters of special importance prior to their submission to the Board of Directors. In urgent cases, the Committee of the Board of Directors may take decisions normally reserved to the Board of Directors, provided it can reasonably assume that the Board would be in agreement.

#### 4. Executive Board

As at 31 December 2002 the Executive Board was made up as follows:

**Thomas Matter, CEO (appointed on founding in 1994)**

- high school in Switzerland (Wirtschaftsgymnasium) and in Middleburg, Florida
- bank-focused commercial training at UBS Basel, equity and derivatives trader at UBS
- until 1993: various sales and dealing posts at Merrill Lynch

**Dr Werner Erismann, General Counsel (since joining in 1999)**

- legal studies at University of Zurich (Dr. iur.)
- attorney at law
- General Counsel at ABN AMRO Bank (Schweiz) until 1999

**Daniel Hefti, CFO (since joining in 2000)**

- business studies at the University of St. Gallen (lic. oec. HSG)
- Swiss Certified Accountant
- at PricewaterhouseCoopers until 2000

With effect from 1 January 2003, Mirko Sangiorgio was appointed as a Member of the Executive Board.

None of the Executive Board members perform any other significant duties in management or governing bodies, nor do they have any major commitments.

All members of the Board are Swiss citizens.

#### 5. Remuneration, share ownership and loans

The Board of Directors decides – in response to proposals from the Executive Board – on the remuneration of, share ownership by and the granting of loans to directors and Executive Board members.

swissfirst Bank AG is authorized within the scope of its normal business activities to grant loans to corporate bodies. Loans to directors, unsecured personal loans of CHF 100,000 and above and collateralized loans in excess of CHF 10 m must be authorized by the Board of Directors. Within these limits, the bank's Executive Board may provide the necessary loan authorization. Loans to corporate bodies are granted at standard market terms. The terms of the loans must not exceed one year, although the loan-granting authority may allow for this period to be extended. As a rule, interest is based on the 3-month Libor plus a risk-related margin.

The loans granted by swissfirst Bank AG to corporate bodies are listed in Note 3.13 (page 66) of the Bank's annual financial statements.

As at 31 December 2002 the members of the Board of Directors together held 61,483 shares of swissfirst AG and the members of the Executive Board held 1,048,545 shares.

The members of the Board of Directors and of the Executive Board do not have any options on swissfirst shares that could dilute earnings or adversely affect the financial results in any way.

In 2002, the directors of swissfirst AG and of swissfirst Bank AG received the following remuneration:

Dr Roland Oswald	CHF 24,500
Heinz Wälti (up to 30.4.02)	CHF 2,100
Hans E. Buck	CHF 23,900
Hans Kaufmann	CHF 16,500
Rolf P. Erb	CHF 12,400
Hans-Ulrich Singer	CHF 12,400
<b>Total</b>	<b>CHF 91,800</b>

The directors of the other fully consolidated swissfirst companies received remuneration totalling CHF 91,500. The highest remuneration paid to a director of swissfirst AG was CHF 24,500.

The directors did not receive any additional remuneration.

The members of the Executive Board received the following remuneration for financial year 2002 (salaries plus bonuses, prior to deduction of social security contributions and taxes):

Thomas Matter	CHF 250,000	plus 1,818 swissfirst AG shares
Dr Werner Erismann	CHF 450,000	
Daniel Hefti	CHF 250,000	plus 3,182 swissfirst AG shares

No contractually agreed severance packages have been promised to any swissfirst Group employees. The remuneration of the management and directors is approved by the Board of Directors.

#### **6. Participatory rights of the shareholders**

The participatory rights of the shareholders comply with the provisions of the Swiss Code of Obligations. Entitlement to vote at a General Meeting is based on proof of share ownership. A shareholder may choose one other shareholder to represent him or her as proxy. According to the articles of association, the General Meeting conducts elections and passes resolutions by an absolute majority of votes cast by shareholders present or represented by proxy, unless the law or the articles of association stipulate a qualified majority. At present, the articles of association do not stipulate a qualified majority in any instances other than those prescribed by law. A General Meeting must be convened by the Board of Directors or by the bodies or persons designated by the law at least twenty days prior to the date on which the Meeting is to be held. Invitations are published in the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt). The items on the agenda comply with the provisions of the law.

**7. Dividend policy**

In the proposals to the General Meeting regarding the appropriation of profit for 2002, the payment of a dividend is being proposed for the first time. swissfirst AG intends to continue distributing profits on a continuous basis (as dividends or other similar payments) in future too.

**8. Change of ownership / deterrent measures**

Parties purchasing or taking over shares of swissfirst AG are not obligated to submit a public purchase offer in accordance with Arts. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading ("opting out" as per Art. 22 para. 2 SESTA).

In accordance with the provisions of Art. 29 SESTA, the Board of Directors shall draw attention to any public purchase offer. In accordance with the law, no significant business transactions will be performed once a public purchase offer has been submitted.

The employment contracts of Messrs Matter and Erismann may not be terminated prior to 31 December 2004. Subsequently they are subject to a period of notice of six months to the end of any month. The employment contracts of the other staff do not stipulate a period of notice exceeding six months.

**9. Auditors**

The auditors of swissfirst Group are appointed for a term of one year. With the exception of swissfirst Bank (Liechtenstein) AG ("SFL"), all Group companies are audited by PricewaterhouseCoopers ("PwC"). PwC have acted as Group auditors since 1999; they previously held the auditing mandate of the former ZFP Financial Products AG since its founding in 1994. SFL has been audited by Deloitte & Touche Experta AG ("DT") since it was founded in 1998.

The lead auditor for swissfirst AG, Pascal Portmann, has held this post since the 1999 financial year. Pascal Portmann has been lead auditor for swissfirst Bank AG since financial year 1997.

Total audit fees of CHF 225,000 were paid to PwC for the 2002 financial year. PwC invoiced a further CHF 60,471 for other services.

DT's audit fees totalled CHF 57,566 in 2002. It invoiced a further CHF 4,196 for other services.

Each year, a detailed report is issued in accordance with banking law both for swissfirst Bank AG, Zurich, and for swissfirst Bank (Liechtenstein) AG, Vaduz. These are sent to the responsible supervisory authorities in Switzerland and Liechtenstein. The Board of Directors is legally obliged to examine these reports at its meetings.

**10. Information policy**

Four times a year, swissfirst AG publishes quarterly figures in compliance with the IFRS (formerly IAS) accounting standards. These are made available on the website [www.swissfirst.ch](http://www.swissfirst.ch).

The annual and semi-annual reports are also available in printed form.

swissfirst Group has adopted the ad-hoc publicity rules of SWX.

# H o l d i n g C o m p a n y

H o l d i n g C o m p a n y

**swissfirst AG**

Board of Directors	Dr Roland Oswald, Baar	Chairman
	Hans E. Buck, Stetten	Vice Chairman
	Hans Kaufmann, Wettswil	Member
	Rolf P. Erb, Salenstein	Member
	Hans-Ulrich Singer, Camboinhas-Niterói, Brazil	Member
Executive Board	Thomas Matter, CEO	
	Daniel Hefti, CFO	
	Dr Werner Erismann	

**Balance sheet**

	31.12.2002	31.12.2001
	CHF	CHF
<b>Assets</b>		
<b>Current assets</b>		
Due from banks	25,146,951	35,710,233
Securities	83,705,750	46,587,501
Loans	500,000	500,000
Prepaid expenses and accrued income	46,807	430,754
Other assets	503,687	401,352
	<b>109,903,195</b>	<b>83,629,840</b>
<b>Fixed assets</b>		
Participating interests	47,297,827	49,808,039
	47,297,827	49,808,039
<b>Total assets</b>	<b>157,201,022</b>	<b>133,437,879</b>
Due from group companies	25,500,000	36,057,903
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Due to banks	12,525,481	0
Accounts payable	4,873	0
Deferred income	437,400	697,195
Other liabilities	39,165	0
Valuation adjustments and provisions	185,118	190,000
	13,192,037	887,195
<b>Total liabilities</b>	<b>13,192,037</b>	<b>887,195</b>
<b>Shareholders' equity</b>		
Share capital	5,100,000	5,100,000
Legal reserves		
– General reserve	38,626,933	38,626,933
– Reserve for own shares	17,575,000	4,745,000
Unappropriated profit		
– Retained earnings brought forward	71,248,751	68,106,759
– Profit for the year	11,458,301	15,971,992
	144,008,985	132,550,684
<b>Total liabilities and shareholders' equity</b>	<b>157,201,022</b>	<b>133,437,879</b>
Due to group companies	12,525,481	0

**Profit and loss account** for the year ending 31 December (in Swiss francs)

	2002	2001
	CHF	CHF
<b>Net interest income</b>		
Interest income	1,196,508	922,791
Interest expenses	(651)	(29,159)
	1,195,857	893,632
<b>Net income from commissions business</b>		
Commissions income	1,862,264	36,359
Commissions expenses	(3,400)	0
	1,858,864	36,359
<b>Net income from securities business</b>		
Income from securities	(23,747,986)	(6,639,030)
<b>Other operating income</b>		
Net income from sale of financial investements	94,616	0
Income from participating interests	34,935,000	24,000,000
	35,029,616	24,000,000
<b>Operating expenses</b>		
Personnel expenses	(64,603)	(60,000)
Other operating expenses	(234,228)	(197,909)
	(298,831)	(257,909)
<b>Gross operating profit</b>	14,037,520	18,033,052
Depreciation	(2,510,212)	(2,095,232)
Extraordinary income	(29,007)	45,965
Taxes	(40,000)	(11,793)
<b>Profit for the year</b>	<b>11,458,301</b>	<b>15,971,992</b>

**Information required by Article 663b/c of the Swiss Code of Obligations**

	31.12.2002	31.12.2001
	CHF	CHF
<b>1. Assets pledged to meet own obligations</b>		
<i>Securities (own shares)</i>		
Call-options to September 2002	0	1,237,500
Call-options to September 2003	343,750	407,500
Call-options to June 2004	2,750,000	3,100,000
<b>Total</b>	<b>3,093,750</b>	<b>4,745,000</b>

The shares are held as security to cover options

	31.12.2002	31.12.2001
	CHF	CHF
<b>2. Significant participating interests: percentage of nominal value (NV) held</b>		
<b>Company</b>		
100 % of NV (CHF 21,600,000) of swissfirst Bank AG, Zurich	21,600,000	21,600,000
100 % of NV (CHF 250,000) of swissfirst Asset Management AG, Zug (formerly swissfirst Trust AG)	250,000	250,000
100 % of NV (CHF 250,000) of swissfirst Derivatives AG, Zug	250,000	250,000
52.5% of NV (CHF 20,000,000) of swissfirst Bank (Liechtenstein) AG, Vaduz	10,500,000	10,500,000
20% of NV (CHF 250,000) of 2trade Group Ltd., Zug	50,000	50,000
100% of NV (CHF 100,000) of Bracher AG, Olten	100,000	100,000
100% of NV (CHF 500,000) of swisstrader AG, Zurich	1	1
100% of NV (USD 10,000) of swissfirst Financial Services Ltd. BVI	16,300	16,300

	31.12.2002	31.12.2001
	CHF	CHF
<b>3. Insurance values</b>		
Fire insurance value	0	30,000

	31.12.2002	31.12.2001
	CHF	CHF
<b>4. Own shares</b>		
<b>Position: 28,950 shares (5.68% of total) at CHF 582.12 each</b>		16,852,500
10 for 1 split on 11.5.2001; new position: 289,500 shares		
Sale of 35,950 shares at CHF 50.00 each (call)		(1,797,500)
Sale of 10,000 shares at CHF 160.00 each		(1,600,000)
Sale of 193,550 shares at CHF 50.00 each (call)		(9,677,500)
Gain realized on own shares		847,500
Adjustment of book value		120,000
<b>Position: 50,000 shares (0.98% of total) at CHF 94.90 each</b>	<b>4,745,000</b>	<b>4,745,000</b>
Sale of 27,500 shares at CHF 50.00 each (call)	(1,375,000)	
Gain realized on own shares	137,500	
Purchase of 100,000 shares at CHF 140.00 each	14,000,000	
Adjustment of book value	(663,750)	
<b>Position: 122,500 shares (2.40% of total) at CHF 137.50 each</b>	<b>16,843,750</b>	

22,500 shares in the company are held as security to cover options.

#### 5. Information on capital increases

The General Meeting of 9 August 1999 authorized the Board of Directors to increase the share capital by a maximum of CHF 250,000 through the issue of 250,000 fully paid-up bearer shares with a nominal value of CHF 1.00 each (conditional capital). The existing shareholders voted unanimously to waive their subscription rights. The shares are earmarked for distribution to the staff. The option of a conditional capital increase has not yet been used.

	Participating interest in %	No. shares
<b>6. Major shareholders</b>		
<i>At 31.12.2002, the following major shareholders were known to swissfirst AG:</i>		
Thomas Matter, Herrliberg	20	1,030,005
Rumen Hranov-Bühler, Zollikon	10	512,005

No further information in accordance with Art. 663 b/c is required.

#### Allocation of retained earnings

	CHF
<b>Allocation of retained earnings proposed by the Board of Directors</b>	
Retained earnings brought forward	84,078,751
Increase in reserve for own shares due to increased holdings	(12,830,000)
Profit for the year 2002	11,458,301
<b>Amount available for allocation</b>	<b>82,707,052</b>
Proposed allocation of retained earnings	82,707,052
Dividend on eligible capital	(4,977,000)
Allocation to free reserves	(20,000,000)
<b>Earnings to be carried forward</b>	<b>57,729,552</b>



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Report of the statutory auditors  
to the general meeting of  
swissfirst AG  
Zug

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes to the financial statements) of swissfirst AG for the year ended December 31, 2002.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Handwritten signatures of Pascal Portmann and Arthur Erni.

Pascal Portmann      Arthur Erni

Zurich, January 30, 2003

Bank

Bank

**swissfirst Bank AG**

Board of Directors	Hans E. Buck, Stetten Dr. Roland Oswald, Baar Hans Kaufmann, Wettswil	Chairman Vice Chairman Member
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Executive Board	Thomas Matter, CEO Daniel Hefti, CFO Dr. Werner Erismann Mirko Sangiorgio, CIO Marco Massarotti Andreas Klainguti Giuseppe Manieri
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**Balance sheet** at 31.12.2002

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Assets</b>			
Cash and other liquid assets	179,422	5,188	174,234
Due from banks	204,984	361,812	-156,828
Due from customers	256,884	158,859	98,025
Mortgages	6,345	7,985	-1,640
Securities and precious metals trading portfolios	93,332	16,767	76,565
Financial investments	20,571	10,521	10,050
Tangible fixed assets	10,757	13,608	-2,851
Prepaid expenses and accrued income	943	1,733	-790
Other assets	44,355	5,599	38,756
<b>Total assets</b>	<b>817,593</b>	<b>582,072</b>	<b>235,521</b>
Total subordinated debts	0	0	0
Total due from group companies and related parties	12,525	0	12,525
<b>Liabilities and shareholders' equity</b>			
Due to banks	299,705	290,689	9,016
Other amounts due to customers	245,058	132,813	112,245
Deferred income	44,400	22,591	21,809
Other liabilities	102,487	17,541	84,946
Valuation adjustments and provisions	18,580	29,512	-10,932
Share capital	21,600	21,600	0
General legal reserve	4,320	4,320	0
Other reserves	23,390	23,390	0
Retained earnings brought forward	39,616	18,996	20,620
Profit for the year	18,437	20,620	-2,183
<b>Total liabilities and shareholders' equity</b>	<b>817,593</b>	<b>582,072</b>	<b>235,521</b>
Total subordinated liabilities	25,000	25,000	0
Total due to group companies and qualified participants	25,237	35,558	-10,321
<b>Off-balance-sheet business</b>			
Contingent liabilities	423	428	-5
Derivative financial instruments			
– contract volume	2,653,500	1,905,141	748,359
– positive replacement values	21,932	46,369	-24,437
– negative replacement values	63,894	56,720	7,174
Fiduciary transactions	399,263	493,165	-93,902

**Profit and loss account** 1.1.2002–31.12.2002

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
<b>a) Operating income and expenses from banking business</b>			
<i>Net interest income</i>			
– Interest and discount income	8,796	8,889	-93
– Interest and dividend income from trading portfolios	51	28	23
– Interest and dividend income from financial investments	572	668	-96
– Interest expenses	-4,406	-3,763	-643
<i>Subtotal: Net interest income</i>	<i>5,013</i>	<i>5,822</i>	<i>-809</i>
<i>Net commission and service fee income</i>			
– Commission income from lending business	22	5	17
– Commission income from securities and investment business	46,546	51,416	-4,870
– Commission income from other services	367	50	317
– Commission expenses	-2,771	-2,562	-209
<i>Subtotal: Net commission and service fee income</i>	<i>44,164</i>	<i>48,909</i>	<i>-4,745</i>
<i>Trading operations</i>			
Net trading income	6,566	5,336	1,230
<i>Other ordinary income</i>			
– Income from the sale of financial investments	0	80	-80
– Income from participating interests	0	0	0
– Income from property	72	6	66
– Sundry ordinary income	152	23	129
– Sundry ordinary expenses	0	0	0
<i>Subtotal: Other ordinary income</i>	<i>224</i>	<i>109</i>	<i>115</i>
<i>Operating expenses</i>			
– Personnel expenses	-17,489	-17,977	488
– Other operating expenses	-8,871	-9,513	642
<i>Subtotal: Operating expenses</i>	<i>-26,360</i>	<i>-27,490</i>	<i>1,130</i>
<b>Gross operating profit</b>	<b>29,607</b>	<b>32,686</b>	<b>-3,079</b>

→ continued on next page

**Profit and loss account** 1.1.2002–31.12.2002 (continued from page 53)

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
<b>b) Profit for the year</b>			
<i>Gross operating profit</i>	29,607	32,686	-3,079
Depreciation and write-offs on fixed assets	-3,260	-3,350	90
Valuation adjustments, provisions and losses	-1,392	-2,268	876
<i>Profit before extraordinary items and taxes</i>	24,955	27,068	-2,113
Extraordinary income	215	1,158	-943
Extraordinary expenses	-3	-281	278
Taxes	-6,730	-7,325	595
<b>Profit for the year</b>	<b>18,437</b>	<b>20,620</b>	<b>-2,183</b>
<b>c) Allocation of retained earnings</b>			
Profit for the year	18,437	20,620	-2,183
Retained earnings brought forward	39,616	18,996	20,620
<b>Unappropriated profit</b>	<b>58,053</b>	<b>39,616</b>	<b>18,437</b>
<b>Allocation of retained earnings</b>			
– Allocation to the general legal reserve	0	0	0
– Allocation to other reserves	0	0	0
<b>Retained earnings carried forward</b>	<b>58,053</b>	<b>39,616</b>	<b>18,437</b>

**Cash flow statement**

	Source of funds	Reporting year Application of funds	Balance	Source of funds	Prior year Application of funds	Balance
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Profit for the year	18,437			20,620		
Depreciation on fixed assets	3,260			3,350		
Valuation adjustments and provisions	1,190	12,122		7,535	2,340	
Prepaid expenses and accrued income	790			34		
Deferred income	21,809				1,372	
<b>Cash flow from operating result</b>	<b>45,486</b>	<b>12,122</b>	<b>33,346</b>	<b>31,539</b>	<b>3,712</b>	<b>27,827</b>
<b>Cash flow from transactions in shareholders' equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Real estate					447	
Other tangible fixed assets					1,053	
Intangible fixed assets		409				
<b>Cash flow from fixed assets</b>	<b>0</b>	<b>409</b>	<b>-409</b>	<b>0</b>	<b>1,500</b>	<b>-1,500</b>
Due to banks over 90 days	11,962			9,599		
Due from banks over 90 days		2,136				
<b>Inter-bank transactions</b>	<b>11,962</b>	<b>2,136</b>	<b>9,826</b>	<b>9,599</b>	<b>0</b>	<b>9,599</b>
Other amounts due to customers	112,245				75,709	
Due from customers		98,025			92,979	
Mortgage business	1,640				6,550	
<b>Transactions with customers</b>	<b>113,885</b>	<b>98,025</b>	<b>15,860</b>	<b>0</b>	<b>175,238</b>	<b>-175,238</b>
Securities and precious metals trading portfolios		76,565		9,917		
Financial investments		10,050		5,437		
<b>Capital market</b>	<b>0</b>	<b>86,615</b>	<b>-86,615</b>	<b>15,354</b>	<b>0</b>	<b>15,354</b>
Other assets		38,756		6,314		
Other liabilities	84,946			8,509		
<b>Other balance sheet items</b>	<b>84,946</b>	<b>38,756</b>	<b>46,190</b>	<b>14,823</b>	<b>0</b>	<b>14,823</b>
<b>Cash flow from banking transactions</b>	<b>210,793</b>	<b>225,532</b>	<b>-14,739</b>	<b>39,776</b>	<b>175,238</b>	<b>-135,462</b>
Cash and other liquid assets		174,234		47,915		
Due from banks in less than 90 days	158,964				207,328	
Due to banks in less than 90 days		2,946		268,548		
<b>Cash and cash equivalents</b>	<b>158,964</b>	<b>177,180</b>	<b>-18,216</b>	<b>316,463</b>	<b>207,328</b>	<b>109,135</b>
<b>Total sources of funds</b>	<b>415,243</b>			<b>387,778</b>		
<b>Total applications of funds</b>		<b>415,243</b>	<b>0</b>		<b>387,778</b>	<b>0</b>

## 1. Business activities

### 1.1 General

swissfirst Bank AG is a bank located at Bellariastrasse 23/27 in Zurich, Switzerland, which operates mainly in the fields of investment banking and private banking. The bank employed 65.9 staff (full-time equivalent) as at 31 December 2002 (previous year: 63.0). The principal activities can be divided into the following segments:

### 1.2 Loans and investments

In accordance with the objectives set by swissfirst Bank AG, loans are granted almost exclusively against collateral. Included in the financial investments of the bank are first-class, fixed-interest medium- or long-term debt instruments. Money-market investments are only held at first-class banks.

### 1.3 Trading

swissfirst Bank AG is a member of the Swiss Exchange, virt-x and EUREX. All the usual bank processing and settlement facilities are available to private clients. The bank is actively involved in servicing institutional investors, particularly in the field of Swiss equities and their derivatives. Trading for the bank's own account takes place on a limited basis. Foreign currency trading is carried out primarily in the context of customer transactions. The bank does not enter into commodity trading.

### 1.4 Commission and service fee business

The principal activities of the bank are securities brokerage, investment advice and asset management for private and institutional clients as well as investment banking. Commission business is thus the bank's main source of earnings.

### 1.5 Risk management

Risk management is based on the risk policy, which is reviewed by the bank's management once a year. The Risk Management department is responsible for monitoring credit and market risks. Non-quantifiable risks such

as legal risks or risks arising from customer deposits and due diligence obligations are the responsibility of the corresponding member of the Executive Board and the head of the Legal & Compliance section.

The Executive Board is informed regularly about the net assets, financial position, liquidity and earnings of the Group, and about any associated risks, by means of financial and risk reporting systems appropriate to each level of management.

#### 1.5.1 Credit risk

Credit risk management applies to any undertakings in which there is a risk of loss if the counterparty is unable to meet its obligations. The appropriate instruments and procedures are used for monitoring credit risk:

Authorization procedure geared to specific management levels: The loan authorization procedure is based on the segregation of loan applications and approvals. Formal approval of a loan application is granted by the credit committee, which meets once a week and is made up of members of the Executive Board and the Risk Management department. As of a specified level, loan applications must be submitted to the Board of Directors.

Lending margins and resubmissions: Loans are granted on the basis of the customary bank lending margins. Long-term loans must be periodically resubmitted to the authorized body for assessment.

Monitoring by Risk Management and by the Credit Committee: The Risk Management and Risk Monitoring departments receive exception reports to assist them with the supervision of compliance with limits and lending margins. High-risk commitments are subject to especially intensive monitoring. The development of the credit risks is discussed by the Credit Committee each week. The Credit Committee has the power to limit and reduce credit risks.

Interbank and derivatives business: Limits in the interbank business are authorized on a risk-weighted basis and are subject to approval by the Board of Directors. Counterparty risks in over-the-counter derivatives business are reduced

by limiting these transactions to first-class Swiss or foreign banks and by compliance with the agreed limits. Risk Management monitors compliance with these limits.

Monitoring of compliance with aggregate risk regulations and drafting of the statutory reports is also performed by Risk Management.

### 1.5.2 Other risks involving counterparties

Depository banks and counterparties involved in the purchase and sale of securities may be a source of further risk exposure. Counterparties involved in securities and foreign currency trading are vetted and approved by the Executive Board. Securities held at depository banks are subject to restrictions on risk exposure and the amount held.

### 1.5.3 Market risk

Given the bank's principal activities, market risks may be regarded as low.

The securities trading book is managed by trading within delta-weighted limits. In the year under review, average holdings (12 end-month values) of equities after inclusion of the corresponding derivatives at delta-weighted contract volumes came to CHF 14.7 m (previous year: CHF 10.1 m).

The foreign currency position for the bank as a whole is managed by forex trading. In the year under review, the average gross foreign currency position (12 end-month values) was CHF 1.9 m (previous year: CHF 2.0 m).

Interest rate risks arising from on- and off-balance sheet business are measured by the Risk Management department on a monthly basis using Modified Duration figures and changes in the market value of shareholders' equity. In 2002, the sensitivity of shareholders' equity at month-end was consistently below 1.5%. This means that changes in the cash value of shareholders' equity with a parallel 1% movement in the interest rate level remained below 1.5%.

The Risk Management department is responsible for independent monitoring of all market risks.

### 1.5.4 Liquidity risk

The Treasury department performs daily liquidity management tasks, which are monitored by the head of the Finance & Controlling department. Risk Management monitors compliance with the statutory regulations on liquidity and submits the requisite liquidity reports to the Swiss National Bank. swissfirst Bank AG endeavours to ensure that the liquidity available is significantly higher than the minimum level required at all times.

### 1.5.5 Business and legal risk

Business risk is limited by internal regulations and directives pertaining to organization and control. The bank's IT systems are subject to a process of ongoing modernisation. External lawyers are consulted on a case-by-case basis to reduce and manage legal risk.

## 2. Accounting and valuation policies

### 2.1 Basis

The accounting and valuation policies are in accordance with the Swiss Code of Obligations, Swiss banking law and ordinances, statutory regulations and the Federal Banking Commission guidelines dated 18 December 2002.

### 2.2 Recording transactions and preparing the financial statements

All transactions are recorded in the bank's ledgers on the balance sheet date and the profit for the year is determined at this point in time (closing date principle).

### 2.3 Foreign currency translation

Foreign-currency claims and liabilities as well as notes and coins are valued at the average exchange rates applicable on the balance sheet date. Foreign-currency items in the profit and loss account are translated at the exchange rates applicable at the time of the transaction. The following conversion rates were applied to the principal currencies:

- USD: 1.3903
- EUR: 1.4540
- GBP: 2.2359
- JPY: 1.1715

### 2.4 Individual items in the profit and loss account

#### Liquid assets and deposits

These are entered at face value.

#### Accounts receivable from banks and customers, mortgage claims

These are entered at face value with the exception of receivables and liabilities from non-monetary items such as precious metal accounts and securities lending & borrowing transactions, which are entered at their market value.

Where it is unlikely that the debtor will be able to meet his future obligations (“doubtful debts”), individual value adjustments are made. Value adjustments are made with due consideration to any deterioration in the value of collateral. Interest and commission income from clients and banks that is overdue by more than 90 days are only included in the profit and loss statement after payment has been made.

#### Securities trading portfolio

The securities in the trading portfolio are shown at market value on the balance sheet date. Gains and losses on revaluation are entered in the statement of profit and loss.

### Financial investments

Where there is no intention to hold fixed-interest securities such as convertible and warrant bonds until the maturity date, they are valued at the lower of cost and market.

Debt instruments acquired with the intention of holding them until their maturity date are valued on the basis of the accrual method, i.e. a premium or discount is allocated over the residual term of the instrument. Interest-related profits or losses from premature sale or redemption are accrued/deferred over the remaining term to maturity, i.e. until the original maturity date.

Equity holdings are valued at the lower of cost or market.

### Fixed assets

The tangible fixed assets comprise property, furniture, fixtures and fittings, IT and telecommunications equipment. The intangible items comprise computer software purchased. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life as follows:

- Property (value of buildings): 20 years
- Furnishings and fittings 5 years
- IT (hardware and software),  
telecom equipment: 3 years

Minor purchases are debited directly to the profit and loss account. Expenditure on maintenance and renovation is generally charged to operating expenses.

### Value adjustments and provisions

Value adjustments and provisions are applied to all risks known on the balance sheet date in accordance with the principle of prudence. More extensive provisions are possible.

#### **Derivative financial instruments**

The replacement values and contract volumes for all derivatives contracts concluded with the bank acting on its own behalf or as an agent are stated as gross amounts.

With the exception of covered options, which are covered by the writer's payments as provided for in the contract throughout their term and for which the cover is within the bank's custody, all contracts concluded with the bank acting on its own behalf or as an agent are stated in the balance sheet.

#### **Staff welfare**

swissfirst Bank AG has transferred its staff welfare scheme to a collective foundation, which operates on a defined contribution basis. The employer's contributions are charged continuously to the profit and loss account.

As of 1 January 2003, Fundamenta Gemeinschaftsstiftung, Olten was entrusted with the management and administration of swissfirst Group's occupational pension scheme.

#### **Taxes**

Taxes are calculated and entered on the basis of the taxable profit for the financial year. Capital taxes are also included.

#### **Year-on-year changes**

There were no changes to the accounting principles compared with the previous year, with the exception of reporting of taxes due, which are now stated under deferrals and accruals (instead of valuation adjustments and provisions as in 2001).

**«Visions are the prime resource of our time. And they are the result of creative drive.»**

### 3. Notes to the balance sheet

#### 3.1 Analysis of collateral of loans and off-balance-sheet business

	Mortgage collateral	Other collateral	Without collateral	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Loans</b>				
Due from customers	29	252,239	4,616	256,884
Mortgage loans				
– Residential property	6,345			6,345
<b>Total loans</b>	<b>6,374</b>	<b>252,239</b>	<b>4,616</b>	<b>263,229</b>
<i>Prior year</i>	<i>8,014</i>	<i>155,925</i>	<i>2,905</i>	<i>166,844</i>
<b>Off-balance sheet</b>				
Contingent liabilities		423		423
<b>Total off-balance sheet</b>	<b>0</b>	<b>423</b>	<b>0</b>	<b>423</b>
<i>Prior year</i>	<i>0</i>	<i>428</i>	<i>0</i>	<i>428</i>

	Gross receivables	Estimated realizable value of security	Net receivables	Individual valuation adjustments
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Doubtful debts</b>				
Reporting year	2,875	1,356	1,519	1,519

#### 3.2 Securities and precious metals trading portfolios, financial investments and participating interests

##### 3.2.1 Securities and precious metals trading portfolios

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Debt instruments</b>	<b>6,687</b>	<b>0</b>	<b>6,687</b>
– listed	6,687	0	6,687
– not listed	0	0	0
<b>Equities</b>	<b>86,645</b>	<b>16,767</b>	<b>69,878</b>
– of which own shares	0	0	0
<b>Precious metals</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total securities and precious metals trading portfolios</b>	<b>93,332</b>	<b>16,767</b>	<b>76,565</b>
<i>– of which securities eligible as collateral for central bank borrowings</i>	<i>0</i>	<i>0</i>	<i>0</i>

### 3.2.1 Securities and precious metals trading portfolios (continued from page 60)

Significant claims and liabilities contained in other balance sheet items which are valued at market rates, the result of which is stated under “net trading income”:

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
– Borrowed trading portfolios (due to banks)	0	0	0
– Liabilities from short sales (due to banks)	904	18,371	-17,467

### 3.2.2 Financial investments

	Book value		Market value	
	Reporting year	Prior year	Reporting year	Prior year
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Debt instruments</b>	20,571	10,521	21,636	10,590
– of which valued according to the accrual method	20,571	10,521	21,636	10,590
– of which valued at lower of cost or market	0	0		
<b>Equities</b>	0	0		
<b>Precious metals</b>	0	0		
<b>Property</b>	0	0		
<b>Total financial investments</b>	<b>20,571</b>	<b>10,521</b>	<b>21,636</b>	<b>10,590</b>
<i>– of which securities eligible as collateral for central bank borrowings</i>	<i>16,693</i>	<i>6,589</i>		

### 3.2.3 Own shares held as financial assets

None of the company’s own shares were held as financial assets in the reporting year or the prior year.

### 3.3 Participating interests

There were no participating interests in the reporting year or the prior year.

### 3.4 Fixed assets summary

	Cost	Accumulated depreciation b/f	Net book value at end of prior year
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Total participating interests</b>	<b>0</b>		<b>0</b>
Property			
– Bank premises	14,890	-5,430	9,460
– Other property	1,000	-250	750
Other tangible fixed assets	10,905	-7,507	3,398
Intangible fixed assets	0	0	0
<b>Total fixed assets</b>	<b>26,795</b>	<b>-13,187</b>	<b>13,608</b>
Fire insurance value of real estate			
Fire insurance value of other tangible fixed assets			
Future commitments under operating leases			

### 3.5 Other assets and liabilities

	Reporting year		Prior year	
	Other assets	Other liabilities	Other assets	Other liabilities
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Replacement value of derivative financial instruments				
– Contracts with bank acting on own behalf				
– Trading portfolios	19,018	60,980	2,060	12,411
– Balance-sheet structure management	0	0	0	0
– Contracts with bank acting as agent	2,865	2,865	3,468	3,468
<b>Total derivative financial instruments</b>	<b>21,883</b>	<b>63,845</b>	<b>5,528</b>	<b>15,879</b>
Indirect taxes	22,425	38,458	68	1,247
Sundry assets and liabilities	47	184	3	415
<b>Total of other assets and liabilities</b>	<b>44,355</b>	<b>102,487</b>	<b>5,599</b>	<b>17,541</b>

Additions	Reporting year		Net book value at end of reporting year
	Disposals	Depreciation	
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
			0
		-280	9,180
			750
		-2,945	453
409		-35	374
<b>409</b>	<b>0</b>	<b>-3,260</b>	<b>10,757</b>
			14,919
			8,415
			0

### 3.6 Assets pledged or assigned and assets subject to ownership reservation

	Reporting year		Prior year	
	Claim amount book value	of which used	Claim amount book value	of which used
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Pledged assets</b>				
Due from banks:				
– time deposits	2,000	0	20,000	0
– margin accounts	3,223	3,223	67	67
Securities trading portfolios:	33,600	8,600	0	0
Financial assets:				
– securities	17,099	2,474	6,935	0
Tangible fixed assets (real estate):				
– Pledge of mortgage notes on own property for refinancing limit	9,000	5,250	9,000	5,250
<b>Total pledged assets</b>	<b>64,922</b>	<b>19,547</b>	<b>36,002</b>	<b>5,317</b>

There were no loans or repo transactions with securities in the reporting year or the previous year.

### 3.7 Liabilities to own pension funds

There were no liabilities to own pension funds in the reporting year or the prior year.

### 3.8 Bonds and mortgages issued

None.

### 3.9 Valuation adjustments and provisions / Reserves for general banking risks

	As at end of prior year	Specific usage	Change in definition of purpose (reclassification)	Recoveries, doubtful interest, exchange differences
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Provisions for taxes</b>	12,084	-2,125		
Transferred to accruals and deferrals as per FBC ordinance of 18.12.2002			-9,959	
<b>Total provisions for taxes</b>	12,084	-2,125	-9,959	
<b>Valuation adjustments and provisions for default risk (credit risk) and other risks</b>				
Valuation adjustments and provisions for default risk (credit risk)	3,673	-38		
Valuation adjustments and provisions for other business risks	0			
Other provisions	13,755			
<b>Total valuation adjustments and provisions for default risk (credit risk) and other risks</b>	17,428	-38	0	0
<b>Total valuation adjustments and provisions</b>	29,512	-2,163	-9,959	0
less: valuation adjustments directly offset against assets	0			
<b>Valuation adjustments and provisions (balance sheet figure)</b>	29,512	-2,163	-9,959	0
<b>Reserves for general banking risks</b>	0			

### 3.10 Share capital/shareholders holding more than 5% of total voting rights

#### 3.10.1 Share capital

	Reporting year			Prior year		
	Total nominal value	No. of shares	Share capital entitled to dividend	Total nominal value	No. of shares	Share capital entitled to dividend
	CHF 1,000		CHF 1,000	CHF 1,000		CHF 1,000
<b>Total share capital</b>	21,600	216,000	21,600	21,600	216,000	21,600

#### 3.10.2 Major shareholders and groups of shareholders with tied voting rights

	Reporting year		Prior year	
	Nominal value	% share	Nominal value	% share
	CHF 1,000		CHF 1,000	
<b>direct</b>				
swissfirst AG, Zug	21,600	100	21,600	100
<b>indirect</b>				
Thomas Matter, Herrliberg		20		22
Rumen Hranov-Bühler, Zollikon		10		10

Amounts allocated charged to P&L	Released to P&L	As at end of reporting year
CHF 1,000	CHF 1,000	CHF 1,000
		9,959
		-9,959
0	0	0
430		4,065
		0
760		14,515
1,190	0	18,580
1,190	0	18,580
		0
1,190	0	18,580
		0

### 3.11 Statement of shareholders' equity

	CHF 1,000
<b>Shareholders' equity at beginning of reporting year</b>	
Paid-up share capital	21,600
General legal reserve	4,320
Other reserves	23,390
Unappropriated profit	39,616
<b>Total shareholders' equity at beginning of reporting year (prior to allocation)</b>	<b>88,926</b>
+ Profit for the year	18,437
<b>Total shareholders' equity at end of reporting year (prior to allocation)</b>	<b>107,363</b>
of which	
– Paid-up share capital	21,600
– General legal reserve	4,320
– Other reserves	23,390
– Unappropriated profit	58,053

### 3.12 Maturity structure of current assets and liabilities

	On sight	Callable	Due within 3 months	Due within 3 to 12 months
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Current assets</b>				
Cash and other liquid assets	179,422			
Due from banks	200,039		2,809	2,136
Due from customers	78,340		25,525	91,508
Mortgage loans			195	900
Securities in trading portfolios	93,332			
Financial investments				
<b>Total current assets</b>	<b>551,133</b>	<b>0</b>	<b>28,529</b>	<b>94,544</b>
<i>Prior year</i>	<i>394,435</i>	<i>0</i>	<i>109,375</i>	<i>37,436</i>
<b>Liabilities</b>				
Due to banks	191,519	20,935	65,690	16,311
Other amounts due to customers	125,439	17,239	77,380	
<b>Total liabilities</b>	<b>316,958</b>	<b>38,174</b>	<b>143,070</b>	<b>16,311</b>
<i>Prior year</i>	<i>367,312</i>	<i>2,900</i>	<i>18,691</i>	<i>4,349</i>

### 3.13 Due to and from affiliated companies

	Reporting year	Prior year
	CHF 1,000	CHF 1,000
Due from affiliated companies	2,945	2,106
Due to affiliated companies	104,319	10,802
Loans to the members of the bank's governing bodies	9,971	9,801
<i>of which:</i>		
- <i>to Members of the Executive Board and persons associated with them</i>	<i>2,446</i>	<i>2,745</i>
- <i>to non-executive members of the parent company's Board of Directors and persons associated with them</i>	<i>309</i>	<i>0</i>

Sums due to and from affiliated companies comprise money market borrowings and deposits at swissfirst Bank (Liechtenstein) AG, Vaduz, and current account balances of various other Group companies.

With the exception of one commitment from a forex trading line, the loans to members of the governing bodies are security-backed loans.

Sums due to and from affiliated companies and loans to members of the governing bodies are settled at market conditions.

Due within 1 to 5 years	Due after 5 years	Property	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
			179,422
			204,984
60,611	900		256,884
5,250			6,345
			93,332
10,495	10,076		20,571
<b>76,356</b>	<b>10,976</b>	<b>0</b>	<b>761,538</b>
<i>15,882</i>	<i>4,004</i>	<i>0</i>	<i>561,132</i>
5,250			299,705
25,000			245,058
<b>30,250</b>	<b>0</b>	<b>0</b>	<b>544,763</b>
<i>30,250</i>	<i>0</i>	<i>0</i>	<i>423,502</i>

### 3.14 Balance sheet by origin

	Reporting year		Total	Prior year		Total
	Switzerland	Abroad		Switzerland	Abroad	
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Assets</b>						
Cash and other liquid assets	179,422		179,422	5,188		5,188
Due from banks	193,672	11,312	204,984	247,484	114,328	361,812
Due from customers	115,825	141,059	256,884	79,817	79,042	158,859
Mortgages	6,345		6,345	7,985		7,985
Securities and precious metals trading portfolios	55,681	37,651	93,332	12,334	4,433	16,767
Financial investments	15,715	4,856	20,571	5,665	4,856	10,521
Tangible fixed assets	10,757		10,757	13,608		13,608
Prepaid expenses and accrued income	943		943	1,733		1,733
Other assets	43,247	1,108	44,355	5,599		5,599
<b>Total assets</b>	<b>621,607</b>	<b>195,986</b>	<b>817,593</b>	<b>379,413</b>	<b>202,659</b>	<b>582,072</b>
<b>Liabilities and shareholders' equity</b>						
Due to banks	202,095	97,610	299,705	157,779	132,910	290,689
Other amounts due to customers	179,351	65,707	245,058	102,554	30,259	132,813
Deferred income	44,400		44,400	22,591		22,591
Other liabilities	73,680	28,807	102,487	17,541		17,541
Valuation adjustments and provisions	18,580		18,580	29,512		29,512
Share capital	21,600		21,600	21,600		21,600
General legal reserve	4,320		4,320	4,320		4,320
Other reserves	23,390		23,390	23,390		23,390
Retained earnings b/f	39,616		39,616	18,996		18,996
Profit for the year	18,437		18,437	20,620		20,620
<b>Total liabilities &amp; shareholders' eq.</b>	<b>625,469</b>	<b>192,124</b>	<b>817,593</b>	<b>418,903</b>	<b>163,169</b>	<b>582,072</b>

3.15 Assets by country/groups of countries

	Reporting year		Prior year	
	Actual	% share	Actual	% share
	CHF 1,000		CHF 1,000	
<b>Assets</b>				
Europe	700,755	85.7	535,571	92.0
Switzerland	621,607	76.0	380,282	65.3
Germany	29,140	3.6	103,245	17.7
Belgium	2,855	0.3	2,294	0.4
Greece	1,992	0.2	1,408	0.2
UK	612	0.1	1,835	0.3
Guernsey	2	0.0	2	0.0
Isle of Man	0	0.0	830	0.1
Italy	14	0.0	10	0.0
Jersey	6,687	0.8		
Liechtenstein	5,546	0.7	6,377	1.1
Luxembourg	0	0.0	12,349	2.1
Netherlands	1,934	0.2	6,285	1.1
Norway	0	0.0	2	0.0
Austria	26,340	3.2	20,581	3.5
Russia	0	0.0	41	0.0
Slovenia	3,635	0.4		
Spain	13	0.0	27	0.0
Hungary	378	0.0	3	0.0
North America	32,543	4.0	27,368	4.7
Caribbean	66,818	8.2	8,504	1.5
Latin America	9,992	1.2	10,026	1.7
Africa	0	0.0	3	0.0
Asia	7,477	0.9	597	0.1
Oceania	8	0.0	3	0.0
<b>Total assets</b>	<b>817,593</b>	<b>100.0</b>	<b>582,072</b>	<b>100.0</b>

### 3.16 Balance sheet by currency

CHF 1'000	Currencies translated into CHF				Total
	CHF	EUR	USD	Others	
<b>Assets</b>					
Cash and other liquid assets	179,119	298	4	1	179,422
Due from banks	5,556	7,397	185,791	6,240	204,984
Due from customers	204,413	8,724	10,651	33,096	256,884
Mortgage loans	6,345				6,345
Securities and precious metals trading portfolios	64,525		28,807		93,332
Financial investments	20,571				20,571
Tangible fixed assets	10,757				10,757
Prepaid expenses and accrued income	392	53	6	492	943
Other assets	44,312	43			44,355
<b>Total balance sheet assets</b>	<b>535,990</b>	<b>16,515</b>	<b>225,259</b>	<b>39,829</b>	<b>817,593</b>
<b>Claims from spot and forward forex transactions and forex options</b>		<b>21,810</b>	<b>10,574</b>	<b>2,843</b>	
<b>Total assets</b>		<b>38,325</b>	<b>235,833</b>	<b>42,672</b>	
<b>Liabilities and shareholders' equity</b>					
Due to banks	195,275	21,448	44,922	38,060	299,705
Other amounts due to customers	215,966	13,237	12,342	3,513	245,058
Deferred income	43,948	81	47	324	44,400
Other liabilities	73,669	11	28,807		102,487
Valuation adjustments and provisions	18,580				18,580
Share capital	21,600				21,600
General legal reserve	4,320				4,320
Other reserves	23,390				23,390
Retained earnings b/f	39,616				39,616
Profit for the year	18,437				18,437
<b>Total balance sheet liabilities</b>	<b>654,801</b>	<b>34,777</b>	<b>86,118</b>	<b>41,897</b>	<b>817,593</b>
<b>Liabilities from spot and forward forex transactions and forex options</b>		<b>3,633</b>	<b>149,469</b>	<b>793</b>	
<b>Total liabilities and shareholders' equity</b>		<b>38,410</b>	<b>235,587</b>	<b>42,690</b>	
<b>Net position per currency</b>		<b>-85</b>	<b>246</b>	<b>-18</b>	<b>143</b>
<b>Gross currency position</b>					<b>349</b>

#### 4. Notes to the off-balance sheet business

##### 4.1 Analysis of contingent liabilities

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Credit guarantees	423	428	-5
Performance bonds	0	0	0
<b>Total</b>	<b>423</b>	<b>428</b>	<b>-5</b>

##### 4.2 Confirmed credits

There were no confirmed credits in the reporting year or the prior year.

##### 4.3 Derivative instruments outstanding

	positive replacement value	negative replacement value	Contract volume
	CHF 1,000	CHF 1,000	CHF 1,000
<b>Analysis of derivatives by contract type</b>			
<b>Foreign exchange/precious metals</b>			
Forward contracts	1,518	1,132	262,307
Options (OTC)	3,412	3,412	1,839,418
Options (exchange traded)	56	56	2,085
<b>Total foreign exchange/precious metals</b>	<b>4,986</b>	<b>4,600</b>	<b>2,103,810</b>
<b>Equities</b>			
Options (OTC)	14,137	56,485	414,196
Options (exchange traded)	2,809	2,809	135,494
<b>Total equities</b>	<b>16,946</b>	<b>59,294</b>	<b>549,690</b>
<b>Total for reporting year</b>	<b>21,932</b>	<b>63,894</b>	<b>2,653,500</b>
– less covered options	-49	-49	-10,956
<b>Total as per balance sheet</b>	<b>21,883</b>	<b>63,845</b>	<b>2,642,544</b>
<i>Prior year</i>	<i>5,528</i>	<i>15,879</i>	<i>1,126,701</i>
<b>Analysis of derivatives by counterparty</b>			
Banks and derivatives exchanges	8,494	29,534	2,041,955
Brokers	269	108	8,498
Clients, secured	13,169	34,252	603,047
Clients, unsecured	0	0	0
<b>Total for reporting year</b>	<b>21,932</b>	<b>63,894</b>	<b>2,653,500</b>

There were no hedging instruments in the reporting year and the prior year.

#### 4.4 Analysis of fiduciary transactions

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
– Trustee investments with third-party banks	350,983	488,165	-137,182
– Trustee loans	48,280	5,000	43,280
<b>Total fiduciary transactions</b>	<b>399,263</b>	<b>493,165</b>	<b>-93,902</b>

## 5. Notes to the profit and loss account

### 5.1 Refinancing of interest income

The bank did not make use of this option in the reporting year or the prior year.

### 5.2 Net trading income

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Foreign currency trading	3,490	2,990	500
Securities trading	3,076	2,346	730
<b>Total net trading income</b>	<b>6,566</b>	<b>5,336</b>	<b>1,230</b>

### 5.3 Personnel expenses

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Salaries	15,337	15,960	-623
Social security contributions	1,698	1,714	-16
Other personnel expenses	454	303	151
<b>Total personnel expenses</b>	<b>17,489</b>	<b>17,977</b>	<b>-488</b>

### 5.4 Other operating expenses

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Premises costs	735	601	134
IT costs, machinery, furniture, motor vehicles and other fixtures and fittings	3,132	2,907	225
Sundry operating expenses	5,004	6,005	-1,001
<b>Total other operating expenses</b>	<b>8,871</b>	<b>9,513</b>	<b>-642</b>

## 6. Other information

### 6.1 Client assets

	Reporting year
	CHF 1,000
Assets under advisory mandates	2,283,194
Assets under management mandates	168,234
<b>Total client assets</b>	<b>2,451,428</b>



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Report of the statutory auditors  
to the general meeting of  
swissfirst Bank Ltd  
Zürich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of cash flows and notes) of swissfirst Bank Ltd for the year ended 31 December 2002.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers Ltd

Pascal Portmann

Thomas Brunschwiler

Zürich, 28 February 2003

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