

swissfirst Annual Report
2003

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Disclaimer:

This Annual Report is a translation of the original Annual Report written in German. In the event of any conflict in interpretation, the German language version takes precedence.

Dear Shareholders

Dear Ladies and Gentlemen

The general environment for financial markets was not very favourable at the beginning of last year due to the looming war in Iraq. Very expansive monetary policy eventually ushered the global economy back to a certain state of normalcy, which was accordingly acknowledged by financial markets. Looking back, then, 2003 was quite a demanding year in many respects.

When swissfirst Group, a company highly geared to financial market services, can generate net operating income of CHF 102.6 m from its ordinary operating activities in such an environment, then this certainly qualifies as a very good result, considering that it is only marginally below the previous year's figure of CHF 105.0 m.

Once again it was possible to hold operating expenses at the previous-year level (CHF 35.1 m vs. CHF 35.4 m in 2002), even though the work force and corporate infrastructure were selectively expanded. Total number of staff, expressed as full-time equivalents, was 103.4 at the end of 2003 compared to 98.6 at the end of 2002. Although the cost-to-income ratio edged higher to 34.2% from 33.7% in 2002, this ratio nevertheless remains virtually unrivaled in the financial sector.

swissfirst Group was thus able to hold its gross operating profit at CHF 67.4 m notwithstanding the highly volatile market environment (previous year CHF 69.6 m).

Due to current accounting practices and slightly different expectations for the future, and considering that the remaining amounts of goodwill were low, swissfirst decided to write off the entire goodwill of CHF 6.0 m carried in the balance sheet at the end of 2002. This decision allowed swissfirst to enter the new year with a clean balance sheet. In addition, expenditure for 'valuation adjustments, provisions and losses' increased from CHF 1.5 m to CHF 13.2 m. Part of this increase is precautionary in nature and reflects a consequent adherence to prudent accounting practice.

Group profit before minorities for last year thus amounted to CHF 38.1 m (2002: CHF 52.8 m). After minorities, Group net profit amounted to CHF 34.8 m (previous year: CHF 52.1 m).

Despite the aforementioned extraordinary allocation under the item 'valuation adjustments, provisions and losses' and the elimination of all remaining goodwill in the balance sheet, shareholders' equity showed a notable increase from CHF 252.4 m to CHF 280.4 m. Moreover, about CHF 14 m was returned to shareholders through the reduction in nominal share capital and a first-ever dividend of CHF 1.00 per bearer share was also paid out to shareholders.

Assets of private and institutional clients under management at swissfirst increased during the year from CHF 4,081 m to CHF 4,467 m despite the difficult market environment.

After serving eight years on the Board of Directors, Hans-Ulrich Singer will resign from the board at the next general meeting of shareholders for age-related reasons. The Board of Directors and executive management thank Hans-Ulrich Singer for his professional and loyal dedication ever since swissfirst was founded. Mr. Alex Wassmer will be proposed as his successor at the general meeting. The 35-year-old Alex Wassmer is the delegate of the Board of Directors, Chief Executive Officer and majority shareholder of KIBAG Holding AG in Zurich, a business group active in construction materials with 1,000 employees.

Dividend payments were initiated last year and the Board of Directors intends to continue paying out a dividend going forward. In view of its confidence in the company's future business prospects, the Board is proposing an increase in the 2003 dividend from CHF 1.00 to CHF 1.20 per bearer share. The general meeting will also be asked to authorize the Board of Directors to buy back and subsequently cancel up to 10% of the outstanding shares. swissfirst will celebrate its 10-year anniversary in June 2004 and it plans to offer shareholders an attractive gift in the course of the year to mark the occasion. Further details will be published at a later date.

The Board of Directors and executive management take a positive view of swissfirst's prospects. The seeds sown in the past year will start to bear fruit in 2004. This will be evident at the

Asset Management segment and, in particular, at the Private Banking office in Basel which has been in operation since March 1, 2004. Our corporate finance staff was also strengthened. Additional growth will be generated by the already profitable subsidiary swissfirst Structured Bonds AG in Zug, which will be operational for a full year for the first time. These measures and other factors, in particular swissfirst's agility in responding to ever-changing market conditions, will enable the company to further strengthen its earnings power in the current year.

All swissfirst employees will have contributed to our business performance and I would like to extend a well-deserved thanks to them as well as to the Executive Board on behalf of the Board of Directors and swissfirst's shareholders. We also thank our private, institutional and corporate clients for the trust they have placed in our company. On this basis, we can look toward the future with confidence and enthusiasm.

Dr. Roland Oswald
Chairman of the Board of Directors

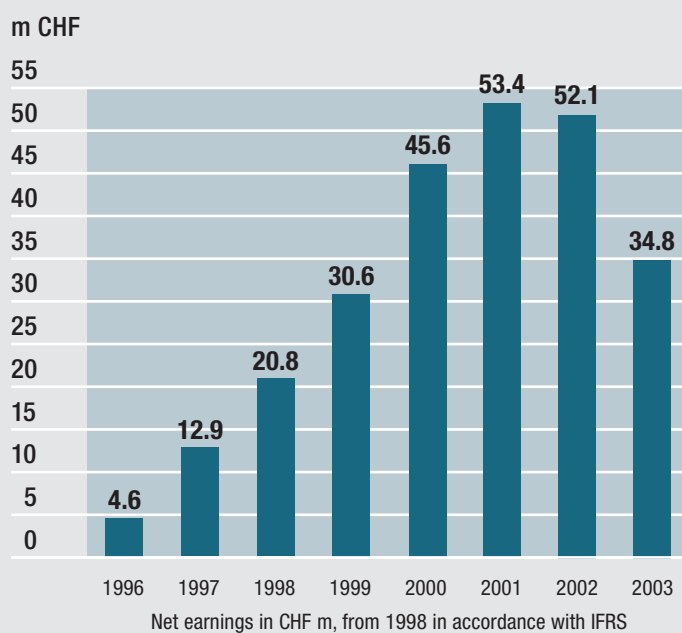
	2003	Change	2002	Change	2001
	CHF	in %	CHF	in %	CHF
Gross operating profit	67,407 m	-3	69,627 m	-1	70,294 m
Net earnings (excl. minorities)	34,839 m	-33	52,063 m	-2	53,404 m
Commission income	78,481 m	-7	84,044 m	-4	87,161 m
Net interest income	9,152 m	-10	10,154 m	8	9,429 m
Net trading income	11,847 m	39	8,537 m	46	5,863 m
Operating expenses	35,103 m	-1	35,416 m	8	32,752 m
Shareholders' equity	280,440 m	11	252,442 m	3	246,237 m
Number of employees (full-time equivalent)	103.4	5	98.6	10	89.7
Earnings per share on the aggregate par value	6.97	-32	10.21	-2	10.47

Assets under management	2003	2002	2001	2000
	m CHF	m CHF	m CHF	m CHF
Private Banking	1,436	1,290	1,554	683
Asset Management	1,451	1,281	1,257	1,106
Investment Banking	1,540	1,481	1,129	935
Corporate Items	40	29		
Total	4,467	4,081	3,940	2,724

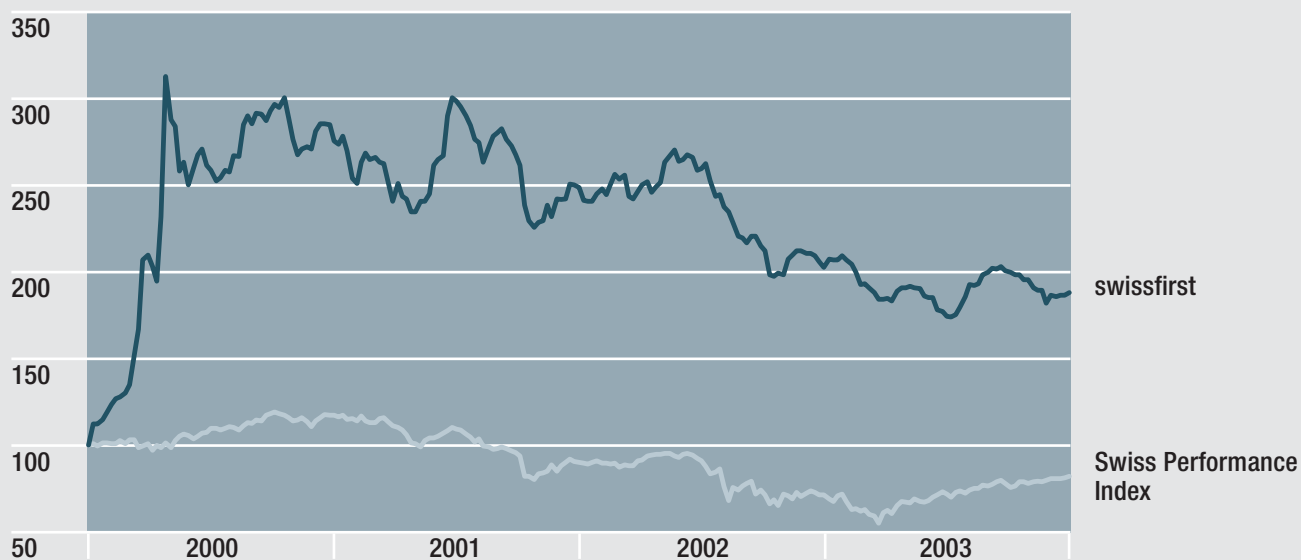
(Cost/Income Ratio)

2000:	36.6%
2001:	31.8%
2002:	33.7%
2003:	34.2%

Summary of results 1996–2003



Performance 2000 – 2003 SWF vs. SPI (adjusted)



The SWF share

Initial listing	10.11.1999
Issue price	CHF 66.50
Price at end 2002	CHF 137.50
2003 high (on 13 January 2003)	CHF 139.00
2003 low (on 30 June 2003)	CHF 114.75
Price at end 2003	CHF 125.00

swissfirst shares have been listed on the main board of the SWX since January 3, 2003. Before that they were listed on the SWX New Market.

Equity ratios for swissfirst Group

		31.12.2003	31.12.2002	31.12.2001	31.12.2000
BIS core capital (tier 1)	in CHF m	280.6	246.5	237.8	169.2
BIS risk-weighted assets	in CHF m	669.4	581.0	529.3	292.5
BIS core capital ratio (tier 1)	in %	41.9	42.4	44.9	57.8

Group

swissfirst AG

Board of Directors	Dr. Roland Oswald, Zug	Chairman
	Hans E. Buck, Stetten	Vice Chairman
	Karl-Ludwig Göldner, Rüschlikon	Member
	Hans Kaufmann, Wettswil	Member
	Hans-Ulrich Singer, Camboinhas-Niterói, Brasil	Member

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

Balance sheet

	Note	31.12.2003	31.12.2002
		CHF 1,000	CHF 1,000
Assets			
Cash and other liquid assets		61,370	182,923
Due from banks		331,827	343,410
Due from customers		330,515	308,342
Securities and precious metals trading portfolios	2	19,809	93,501
Derivative financial instruments	11	51,816	22,112
Financial investments	3	161,673	106,609
Associated participations	4	1,149	217
Fixed assets	5	25,456	26,714
Goodwill	6	0	5,951
Prepaid expenses and accrued income		1,969	1,941
Current tax assets		3,531	0
Other assets	7	16,440	23,218
Total assets		1,005,555	1,114,938
Liabilities and shareholders' equity			
Due to banks		65,608	246,844
Due to customers		560,360	436,419
Derivative financial instruments	11	35,182	64,066
Deferred income		24,951	34,512
Other liabilities	8	2,528	40,768
Current tax liabilities		2,109	16,181
Deferred tax liabilities	9	2,964	2,898
Valuation adjustments and provisions	10	10,430	5,272
Minority interests		20,983	15,536
Share capital	12		
– <i>Nominal share capital</i>		5,000	5,100
– <i>Own shares</i>		-173	-123
Share capital for consolidated financial statements		4,827	4,977
Retained earnings		275,613	247,465
Total liabilities and shareholders' equity		1,005,555	1,114,938

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

Profit and loss account

	Note	2003 12 months CHF 1,000	2002 12 months CHF 1,000
Net interest income			
Interest and discount income		13,621	16,220
Dividend income		430	435
Interest expenses		-4,899	-6,501
<i>Subtotal: Net interest income</i>		<i>9,152</i>	<i>10,154</i>
Net commission and service fee income			
Commission income from lending activities		141	145
Commission from securities and investment business	13	86,576	92,412
Commission from other services		1,620	618
Commission expenses		-9,856	-9,131
<i>Subtotal: Net commission and service fee income</i>		<i>78,481</i>	<i>84,044</i>
Net trading income			
Securities trading		7,436	4,268
Foreign exchange and banknote trading		4,411	4,269
<i>Subtotal: Net trading income</i>		<i>11,847</i>	<i>8,537</i>
Other ordinary income			
Real estate income		286	235
Income from associated companies	4	1,012	0
Income from sales of financial investments		51	-222
Sundry ordinary expenses		-199	-689
Sundry ordinary income		1,880	2,984
<i>Subtotal: Other ordinary income</i>		<i>3,030</i>	<i>2,308</i>
Net operating income		102,510	105,043
Operating expenses			
Personnel expenses	14	-23,235	-23,045
Other operating expenses	16	-11,868	-12,371
<i>Subtotal: Operating expenses</i>		<i>-35,103</i>	<i>-35,416</i>
Gross operating profit		67,407	69,627
Depreciation and write-offs on fixed assets	17	-7,940	-6,783
Valuation adjustments, provisions and losses		-13,160	-1,461
Taxes	18	-8,186	-8,594
Profit for the year excluding minority interests		38,121	52,789
Minority interests		3,282	726
Group profit	19	34,839	52,063
Earnings per share	19	7.05	10.30
Earnings per share (diluted)	19	7.05	10.30
Earnings per share on the aggregate par value		6.97	10.21

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

Cash flow statement

	Note	2003 12 months	2002 12 months
		CHF 1,000	CHF 1,000
Cash flow from operating activities			
Interest income (excluding financial investments)		16,206	14,780
Fee and commission income		77,270	91,033
Interest expense		-7,449	-6,109
Fee and commission expense		-10,690	-10,174
Personnel and general expense		-40,986	-32,459
Other income		770	-2,108
Subtotal		35,121	54,963
Net change in assets and liabilities relating to operating activities			
Receivables and assets		11,521	182,746
Trading positions		-43,988	-51,894
Liabilities		-57,295	48,989
Other		7,803	20,458
Cash flow from operating activities before tax		-46,838	255,262
Tax expense		-25,652	-7,252
Cash flow from operating activities after tax		-72,490	248,010
Cash flow from investing activities			
Purchase of financial assets		-40,389	-72,709
Purchase of fixed assets		-731	-2,510
Proceeds from the disposal of financial assets		500	3,741
Interest income from financial investments and associated companies		1,507	787
Dividends received from financial investments and associated companies		430	435
Net cash flow from investing activities		-38,683	-70,256
Cash flow from financing activities			
Dividends paid		-4,882	0
Net movements in treasury shares		1,562	-11,163
Cash flow from financing activities		-3,320	-11,163
Balance		-114,493	166,591
Cash and cash equivalents, beginning of year		184,623	18,032
Cash flow from operating activities after tax		-72,490	248,010
Net cash flow from investing activities		-38,683	-70,256
Cash flow from financing activities		-3,320	-11,163
Cash and cash equivalents, end of year	20	70,130	184,623

→ continued on next page

Cash flow statement (continued from page 11)

Cash and cash equivalents comprise cash (cash on hand, postal check account deposits and deposits at central banks) as well as debt securities eligible for refinancing at central banks. The composition of cash and cash equivalents was as follows:

	Note	2003 12 months CHF 1,000	2002 12 months CHF 1,000
Cash		61,370	182,923
Immediately available securities eligible for refinancing at central banks		8,760	1,700
Total	20	70,130	184,623

The liquid funds in the cash flow statement were redefined during the period under review and the previous-year figures were consequently adjusted in accordance with the new criteria. The liquid funds now consist exclusively of immediately available cash and cash equivalents.

The notes in the Appendix represent an integral part of the consolidated financial statements.

Analysis of shareholders' equity

	Note	Share capital CHF 1,000	Own shares CHF 1,000	Retained earnings CHF 1,000	Total share- holders' equity CHF 1,000
As at 31.12.2000		5,100	-290	170,841	175,651
Adjustment to opening balance sheet due to IAS 39				3,629	3,629
Change to own shares			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				53,404	53,404
As at 31.12.2001		5,100	-50	241,187	246,237
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
As at 31.12.2002		5,100	-123	247,465	252,442
Change to own shares	12		-150	-12,307	-12,457
Capital reduction (AGM 10.5.2003)		-100	100		0
Allocation to pension fund provisions	15			-5,158	-5,158
Other changes				285	285
Net change in reserves for financial investments available for sale				15,371	15,371
Dividend 2002				-4,882	-4,882
Profit for the year 2003	19			34,839	34,839
As at 31.12.2003		5,000	-173	275,613	280,440

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

1. General information

Business activities

swissfirst AG, Zug, is the listed holding 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 advisory 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) 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 as of 31 December 2002, with the exception of the defined contribution pension plans based on local regulations. Due to a reorganization effective January 1, 2003, these plans are now treated as defined benefit pension plans according to IAS 19.

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. All Group companies are consolidated in which the Group directly or indirectly owns a majority of the voting shares or over which it exercises control in some other way. Acquired subsidiaries are consolidated from the date on which effective control is transferred to the Group. A list of Group companies and changes to the scope of consolidation are given in Note 25. Interests in associated companies are accounted for using the equity method.

The consolidated financial statements are prepared using accounting policies consistent throughout the Group. All the Group companies close their accounts on 31 December. Intercompany transactions are eliminated in the consolidated financial statements.

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 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 cur-

rencies. 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) Due from customers

Amounts due from customers are measured at amortized cost using the effective interest rate method, less any impairment in value for credit risks. A claim is considered impaired when it is deemed likely that the entire sum due will not be repaid according to the contractually agreed terms. If the outstanding credit of a debtor exceeds the estimated realisable disposal value of the collateral and if the assessment of the debtor's creditworthiness does not justify the uncovered credit exposure, a corresponding impairment is entered in the profit and loss account. Interest income on performing loans is accrued in the appropriate period. Increases in or reversals of impairment losses are recognised in the income statement. As a rule, these positions are removed from the accounts when a legal title confirms the conclusion of the liquidation process.

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 measured at amortized cost using the effective interest rate method. They are considered impaired when it is deemed likely that the full amount due will not be recovered according to the contractually agreed terms. In the event of impairment, a corresponding reduction in book value to the realisable amount is expensed.

Financial investments "available for sale" are valued at market prices. Unrealized profits and losses are taken to shareholders' equity. Upon disposal or in the event of impairment of these financial assets, the cumulative gains or losses carried in equity up to this time will be recognised in the profit and loss account. A significant deterioration in creditworthiness, a breach of contract, a heightened probability of bankruptcy or other indications of difficulties experienced by the corresponding issuer of the securities held are grounds for impairment.

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

Fixed assets are tested for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds the recoverable value, an impairment loss will be recognised.

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 amortised on a straight-line basis over a five-year period and tested for impairment once a year. Goodwill that no longer merits capitalisation as an asset based on the results of the annual assessment is immediately written off.

k) Value adjustments and provisions

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

Provisions are set off against the corresponding assets. A provision is formed if the Group has, as a result of a past event, a current liability at the balance sheet date that is likely to result in an outflow of resources and whose amount can be reliably estimated.

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 profit and loss on the hedge instrument accrued to shareholders' equity in prior periods is carried in the profit and loss account in the same period as the hedged transaction.

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

In addition to the legally prescribed social benefits, the Group maintains two employee pension plans. The pension plans have been set up in accordance with the Swiss and Liechtenstein defined contribution plans. However, they do not fulfil all of the criteria of a defined contribution pension plan according to IAS 19 and are therefore disclosed as defined benefit pension plans.

The Group insures its staff with collective foundations and insurance companies which provide benefits on retirement or in the event of death, disability or termination of employment. The level of contributions to be paid by the employees and the relevant Group 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.

For accounting purposes in accordance with IAS 19, pension obligations and expenses are determined according to the projected unit credit method. The corresponding calculations are made by actuaries on a periodical basis. The pension expense entered in the profit and loss account corresponds to the actuarially determined expense less employee contributions.

Actuarial gains and losses that exceed both 10% of the present value of the plan obligations and 10% of the fair value of plan assets are systematically amortised over the remaining working lives of employees participating in the plan.

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 31 March 2004.

2. Securities and precious metals trading portfolios

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Debt securities	11,180	6,687
<i>of which listed</i>	<i>11,180</i>	<i>6,687</i>
<i>of which unlisted</i>	<i>0</i>	<i>0</i>
Equities	8,629	86,814
Total securities and precious metals trading portfolios	19,809	93,501
<i>of which securities eligible as collateral for central bank borrowings</i>	<i>0</i>	<i>0</i>

3. Financial investments

	31.12.2003		31.12.2002	
	Book value	Market value	Book value	Market value
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Financial investments – available for sale				
Equities – at market value				
– listed	54,684	54,684	35,185	35,185
– unlisted	55,325	55,325	24,813	24,813
Debt Securities – at market value	31,330	31,330	26,040	26,040
Total financial investments – available for sale	141,339	141,339	86,038	86,038
Financial investments – hold until maturity				
Debt securities	20,334	21,402	20,571	21,636
Total financial investments – hold until maturity	20,334	21,402	20,571	21,636
Total financial investments	161,673	162,741	106,609	107,674
<i>of which eligible as collateral for central bank borrowings</i>	<i>23,430</i>	<i>24,274</i>	<i>16,693</i>	<i>17,450</i>

4. Associated participations

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Participations valued under the equity method		
Balance sheet value as at 31.12.2002 / 31.12.2001	217	217
Share of profit	932	0
Balance sheet value as at 31.12.2003 / 31.12.2002	1,149	217

As in the previous year, the balance sheet value refers to the interest (20%) in 2trade Group Ltd., Zug. The company also paid out a dividend of CHF 80,000.

5. Fixed assets

	Reporting year					Prior year
	Furniture and fittings	IT and telecom.	Real estate	Intangible fixed assets	Total tangible assets	Total tangible assets
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
As at 1.1.2003 / 1.1.2002						
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
Net book value at 1.1.2003 / 1.1.2002	918	475	24,737	584	26,714	28,345
Financial year 2003 / 2002						
Net book value at 1.1.2003 / 1.1.2002	918	475	24,737	584	26,714	28,345
Capital expenditure (net)	34	0	0	697	731	2,642
Depreciation (see Note 17)	-275	-436	-953	-325	-1,989	-4,273
Net book value at 31.12.2003 / 31.12.2002	677	39	23,784	956	25,456	26,714
As at 31.12.2003 / 31.12.2002						
Cost	1,655	9,510	27,370	2,405	40,940	40,209
Accumulated depreciation	-978	-9,471	-3,586	-1,449	-15,484	-13,495
Balance sheet value as at 31.12.2003 / 31.12.2002	677	39	23,784	956	25,456	26,714

The fire insurance value of the buildings and the tangible fixed assets is CHF 40,485,000 (prior year: CHF 40,220,000).

6. Goodwill

	Note	31.12.2003	31.12.2002
		CHF 1,000	CHF 1,000
Position at beginning of year		5,951	8,461
Amortization	17	-5,951	-2,510
Total goodwill		0	5,951

The company tested the goodwill carried in its balance sheet for impairment. Due to current accounting practices and slightly different expectations for the future, and considering that the remaining amounts of goodwill were low, swissfirst decided to write off the entire goodwill of CHF 6.0 m carried in the balance sheet at the end of 2002. The extraordinary amortization amounted to CHF 3.4 m.

7. Other assets

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Withholding tax	15,900	22,970
Sundry assets	540	248
Total other assets	16,440	23,218

The decrease compared to the previous year is attributable to the decline in withholding tax refund claims arising from share buyback programs.

8. Other liabilities

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Withholding tax	69	36,719
Sundry liabilities	2,459	4,049
Total other liabilities	2,528	40,768

The decrease compared to the previous year is attributable to the decline in withholding tax payments arising from share buyback programs.

9. Deferred tax liabilities

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Temporary timing differences on:		
Valuation adjustments provisions	2,964	2,898
Total deferred tax liabilities	2,964	2,898

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

10. Valuation adjustments and provisions

	Total at 31.12.2002	Specific usage	Increase due to redefinition	New allocations charged to P&L account	Total at 31.12.2003
Note	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Valuation adjustments for credit risks	2,801	-67	0	1,491	4,225
Actuarial BVG provisions	15 0	-54	5,158	0	5,104
Other provisions	2,471	-693	0	3,548	5,326
Total valuation adjustments and provisions	5,272	-814	5,158	5,039	14,655
Valuation adjustments offset directly against accounts 'due from customers'	0				-4,225
Total valuation adjustments and provisions shown in the balance sheet	5,272				10,430

The increase in Other provisions covers specific business risks.

11. Derivative financial instruments

	Contract volume	Positive replacement values	Negative replacement values
	CHF 1,000	CHF 1,000	CHF 1,000
Foreign exchange:			
– forward foreign exchange transactions	196,704	6,965	5,738
– foreign exchange options	34,452	617	617
Total foreign exchange as at 31.12.2003	231,156	7,582	6,355
<i>Total foreign exchange as at 31.12.2002</i>	<i>2,121,618</i>	<i>5,166</i>	<i>4,772</i>
Equities:			
– forward contracts	564	18	0
– options (exchange traded)	138,249	697	689
– options (OTC)	752,445	43,519	28,138
Total equities as at 31.12.2003	891,258	44,234	28,827
<i>Total equities as at 31.12.2002</i>	<i>549,690</i>	<i>16,946</i>	<i>59,294</i>
Total 31.12.2003	1,122,414	51,816	35,182
Total 31.12.2002	2,671,308	22,112	64,066

Foreign exchange: The reported foreign exchange derivatives mainly relate to end-to-end customer transactions. The decrease in contract volumes is largely attributable to the decline in open positions of forex options.

Equities: End-to-end customer transactions, own holdings of warrants and certificates issued on own account are reported under OTC options.

The increase in the positive replacement values is attributable to the increase in own holdings of warrants. The decline in the negative replacement values is mainly attributable to the decline in OTC certificates issued on own account.

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
Shares issued at 31.12.2002	5,100,000	5,100	
Own shares at 31.12.2001	50,000	50	4,905
corresponding to	0.98%	0.98%	
Outstanding shares at 31.12.2001	5,050,000	5,050	
Sale through exercise of call options	-27,500	-27	-1,238
Purchase of own shares	100,000	100	14,000
Change in value of own shares			-823
Own shares at 31.12.2002	122,500	123	16,844
corresponding to	2.40%	2.40%	
Outstanding shares at 31.12.2002	4,977,500	4,977	
Repurchase and cancellation of own shares	-100,000	-100	-14,000
Purchase of own shares	150,000	150	18,750
Change in value of own shares			-31
Own shares at 31.12.2003	172,500	173	21,563
corresponding to	3.45%	3.45%	
Outstanding shares at 31.12.2003	4,827,500	4,827	
Shares issued at 31.12.2003	5,000,000	5,000	

All transactions in own shares were at market prices.

The market value of the own shares at 31.12.2003 was CHF 125.00 per share (31.12.2002: CHF 137.50).

The following share options, which are covered by treasury shares, were outstanding:

Option expiry date	Exercise price CHF	Number of out- standing options as at 31.12.2003 Number	Number of out- standing options as at 31.12.2002 Number
09.2003	170.00	0	250
06.2004	182.50	2,000	2,000
		2,000	2,250

13. Commission income from securities and investment business

	2003	2002
	CHF 1,000	CHF 1,000
Commission income from brokerage services	69,225	74,497
Performance fees from asset management	1,759	0
Management fees from asset management	12,596	13,244
Miscellaneous commission income	2,996	4,671
Total commission income from securities and investment business	86,576	92,412

14. Personnel expenses

	Note	2003	2002
		CHF 1,000	CHF 1,000
Salary and bonus payments		19,965	19,763
Contributions to pension institutions	15	1,000	1,064
Other social security contributions		1,617	1,079
Other personnel expenses		653	1,139
Total personnel expenses		23,235	23,045

At 31 December 2003 the Group had 103.4 employees on a full-time-equivalent basis (prior year: 98.6 employees).

15. Pension institutions

Actuarial calculation of pension obligations with respect to employees

	31.12.2003
	CHF 1,000
1. Balance sheet	
Fair value of plan assets	16,911
Defined benefit obligation	-22,015
Funded status	-5,104
Unrecognized actuarial gains/losses	0
Pension liabilities in the balance sheet	-5,104

→ continued on next page

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	2003
	CHF 1,000
2. Income statement	
Service cost	-1,499
Interest cost	-959
Expected net return on plan assets	842
Amortization of actuarial gains/losses	0
Past service cost	0
Net periodic pension cost	-1,616
Employees' contributions	616
Expense recognized in the income statement	-1,000

	Note	2003
		CHF 1,000
3. Movements in the net asset recognized in the balance sheet		
Pension liabilities in balance sheet at the beginning of the year	10	-5,158
Prepaid pension costs:		
Expense recognized in the income statement	14	-1,000
Employer's contributions		1,054
Total prepaid pension costs		54
Pension liabilities in balance sheet at the end of the year	10	-5,104

Comment on the actuarial calculation of pension obligations

Only unrecognized plan assets attributable to the employer are capitalised in the consolidated financial statements. The availability of funding surpluses of the independent pension funds is restricted for employers, particularly in Switzerland. There was no actuarial surplus as of the reporting date. The last actuarial calculation was conducted as of December 31, 2003. The actuarial assumptions were based on prevailing local economic conditions and pertain to the Swiss and Liechtenstein pension plans, which comprise 100% of pension plan obligations and plan assets.

	2003
Discount rate	3.50%
Expected net return on plan assets	4.00%
Average future salary increases	2.50%
Future pension increases	0.50%

16. Operating expenses

	2003	2002
	CHF 1,000	CHF 1,000
Premises	527	995
Telecommunications and IT	3,023	4,159
General administrative and business expenses	8,318	7,217
Total operating expenses	11,868	12,371

17. Depreciation

	Note	2003	2002
		CHF 1,000	CHF 1,000
Depreciation of fixed assets	5	1,989	4,273
Amortization of goodwill	6	5,951	2,510
Total depreciation		7,940	6,783

18. Taxes

	2003	2002
	CHF 1,000	CHF 1,000
Current taxes	8,120	8,565
Deferred taxes	66	29
Total taxes	8,186	8,594
Tax rate on pretax group profit	20.00%	20.00%
Difference in tax rates arising from differences within Switzerland	-3.08%	-5.83%
Total taxes (effective tax rate)	16.92%	14.17%

19. Earnings per share

	2003	2002
Group profit for the year (in CHF 1,000)	34,839	52,063
Weighted average number of outstanding shares	4,938,289	5,056,426
Earnings per share (in CHF)	7.05	10.30

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

	2003	2002
Group profit for the year (in CHF 1,000)	34,839	52,063
Weighted average number of outstanding shares	4,938,289	5,056,426
+ Adjustment for outstanding share options	0	0
Adjusted weighted average number of outstanding shares	4,938,289	5,056,426
Fully diluted earnings per share (in CHF)	7.05	10.30

20. Immediately available assets

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Liquid assets	61,370	182,923
Securities eligible for refinancing at central banks	23,430	16,623
Pledged securities eligible for refinancing at central banks	-14,670	-14,923
Total immediately available assets	70,130	184,623

21. Business segments

1.1.–31.12.2003	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	27,165	11,343	61,778	2,224	102,510
Operating expenses	-16,133	-6,249	-11,965	-756	-35,103
Gross operating profit	11,032	5,094	49,813	1,468	67,407
Depreciation, valuation adjustments, provisions and losses	-7,248	-1,996	-11,783	-73	-21,100
Taxes	-1,035	-748	-6,050	-353	-8,186
Minority interests	-1,091	-2,191	0	0	-3,282
Profit after taxes	1,658	159	31,980	1,042	34,839
<i>Total assets</i>	<i>469,831</i>	<i>83,910</i>	<i>445,332</i>	<i>6,482</i>	<i>1,005,555</i>
<i>Total liabilities</i>	<i>347,436</i>	<i>43,247</i>	<i>309,125</i>	<i>4,324</i>	<i>704,132</i>
<i>Assets under management</i>	<i>1,436 m</i>	<i>1,451 m</i>	<i>1,540 m</i>	<i>40 m</i>	<i>4,467 m</i>

1.1.–31.12.2002	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
Gross operating profit	6,524	2,304	60,268	531	69,627
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
Profit after taxes	1,973	1,506	48,457	127	52,063
<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>

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 respective banks' management once a year.

Independent risk management and risk monitoring departments of both 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 Control 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. Commodities or goods are not traded.

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 Control 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 Control 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.–31.12.2003	On sight	Callable	Due within 3 months
	CHF 1,000	CHF 1,000	CHF 1,000
Assets			
Cash and other liquid assets	61,370		
Due from banks	182,370	38,158	110,388
Due from customers	13,054	144,775	112,557
Securities and precious metals trading portfolios	19,809		
Derivative financial instruments			51,816
Financial investments	117,122		3,012
Participating interests			
Fixed assets			
Goodwill			
Prepaid expenses and accrued income			1,969
Current tax assets			
Other assets			16,440
Total assets	393,725	182,933	296,182
Liabilities and shareholders' equity			
Due to banks	21,097	1,747	11,260
Due to customers	389,513	59,853	110,654
Derivative financial instruments			35,182
Deferred income	24,951		
Other liabilities			69
Current tax liabilities			
Deferred tax liabilities			
Valuation adjustments and provisions			
Total liabilities and shareholders' equity	435,561	61,600	157,165
Net position at 31.12.2003	-41,836	121,333	139,017

	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
				61,370
911				331,827
57,429	2,300	400		330,515
				19,809
				51,816
18,900	22,599	40		161,673
		1,149		1,149
		25,456		25,456
				0
				1,969
3,531				3,531
				16,440
80,771	24,899	27,045		1,005,555
31,504				65,608
340				560,360
				35,182
				24,951
2,459				2,528
2,109				2,109
	2,964			2,964
5,326		5,104		10,430
41,738	2,964	5,104		704,132
39,033	21,935	21,941		301,423

Liquidity risk

1.1.–31.12.2002	On sight	Callable	Due within 3 months
	CHF 1,000	CHF 1,000	CHF 1,000
Assets			
Cash and other liquid assets	182,923		
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		
Derivative financial instruments			22,112
Financial investments	79,174		
Participating interests			
Fixed assets			
Goodwill			627
Prepaid expenses and accrued income			1,941
Current tax assets			
Other assets			23,218
Total assets	651,955	52,499	145,617
Liabilities and shareholders' equity			
Due to banks	193,335	3,026	18,261
Due to customers	163,868	123,095	111,100
Derivative financial instruments			64,066
Deferred income	34,512		
Other liabilities			17,640
Current tax liabilities			
Deferred tax liabilities			
Valuation adjustments and provisions			
Total liabilities and shareholders' equity	391,715	126,121	211,067
Net position at 31.12.2002	260,240	-73,622	-65,450

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
			182,923
1,886			343,410
140,880	61,511	900	308,342
			93,501
			22,112
	10,495	16,940	106,609
		217	217
		26,714	26,714
1,883	3,441		5,951
			1,941
			0
			23,218
144,649	75,447	44,771	1,114,938
26,072	6,150		246,844
38,356			436,419
			64,066
			34,512
23,128			40,768
16,181			16,181
	2,898		2,898
2,471	2,801		5,272
106,208	11,849	0	846,960
38,441	63,598	44,771	267,978

23. Fair value of financial instruments *

	31.12.2003		31.12.2002	
	Book value	Market value	Book value	Market value
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Financial assets				
Cash and other liquid assets	61,370	61,370	182,923	182,923
Due from banks	331,827	331,827	343,410	343,410
Due from customers	330,515	330,515	308,342	308,342
Securities and precious metals trading portfolios	19,809	19,809	93,501	93,501
Derivative financial instruments	51,816	51,816	22,112	22,112
Financial investments	161,673	162,741	106,609	107,674
Current tax assets	3,531	3,531	0	0
Other assets	16,440	16,440	23,218	23,218
	976,981	978,049	1,080,115	1,081,180
Financial liabilities				
Due to banks	65,608	65,608	246,844	246,844
Due to customers	560,360	560,360	436,419	436,419
Derivative financial instruments	35,182	35,182	64,066	64,066
Other liabilities	2,528	2,528	40,768	40,768
Current tax liabilities	2,109	2,109	16,181	16,181
Deferred tax liabilities	2,964	2,964	2,898	2,898
	668,751	668,751	807,176	807,176

* 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 as collateral for own liabilities:	31.12.2003		31.12.2002	
	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
Due from banks	43,659	11,043	12,736	7,690
Securities – trading portfolios	0	0	33,600	8,600
Securities – financial assets	42,882	13,842	36,275	7,159
Tangible fixed assets (real estate)	9,000	5,250	9,000	5,250
	95,541	30,135	91,611	28,699

There were no open repo- or securities lending and borrowing transactions as of the reporting date. In addition, own shares serve as cover for the call options (see Note 12).

25. Consolidated group companies

Company	Registered office	Share capital	Participation	
			direct	indirect
		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)	Zug	250	100%	0%
swissfirst Structured Bonds AG (formerly swisstrader AG)	Zug	5,000	51%	0%
swissfirst Financial Services Ltd.	Tortola, B.V.I.	15	100%	0%
Bracher AG	Olten	100	100%	0%

The capital of swissfirst Structured Bonds AG was raised to CHF 5 m in the reporting year. The minority interest in Structured Bonds AG is mainly held by the management of this company.

26. 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 31.12.2003, the Group had the following claims and liabilities with regard to related parties:

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Claims from related parties	12,250	10,721
Total claims	12,250	10,721
Liabilities to related parties	7,564	17
Total liabilities	7,564	17

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:

	31.12.2003	31.12.2002
	% of capital and votes	% of capital and votes
Thomas Matter, Zug	20.1%	20.2%
Rumen Hranov, Zollikon	10.2%	10.0%

27. Irrevocable commitments and contingent liabilities

	31.12.2003	31.12.2002
	CHF 1,000	CHF 1,000
Irrevocable commitments – Rental and leasing commitments	154	146
Contingent liabilities – Credit guarantees	7,470	6,689
– Performance guarantees	34,000	423
Fiduciary investments	573,204	747,669

The significant increase in contingent liabilities is mainly due to a single fully covered performance guaranty granted to an individual client by swissfirst Bank AG.

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 CHF 145,000 in 2003 and CHF 135,000 in 2002.

28. Staff participation

swissfirst Bank AG has offered its employees a choice of drawing their bonus in the form of cash, shares or options on swissfirst AG shares since the 2002 fiscal year. The aggregate bonus expense is charged to the profit and loss account regardless of how the bonuses are actually drawn. Any shares drawn are purchased on the market and any options drawn are taken into account in the trading position of swissfirst Bank AG and stated at market prices. These options are European-style options with a three-year term. The shares drawn are blocked for three years. The options are not eligible for sale.

The following options were outstanding at the following terms on the balance sheet date:

Issue year	Expiry date	Exercise price	Exchange ratio (options/shares)	Number of options 31.12.2003	Number of options 31.12.2002
		CHF		Number	Number
2002	25 February 2005	163.00	1:1	26,770	26,770
2003	25 February 2006	137.50	1:1	4,459	N/a

The change in the number of options outstanding during the year under review was as follows:

Number of options, expressed in units of the underlying shares	2003	2002
	Number	Number
As at 1. January	26,770	0
Issued	4,459	26,770
As at 31. December	31,229	26,770

29. Consolidated financial accounts – legal guidelines

The most important differences between IFRS and the accounting regulations for banks under Swiss law are as follows:

Available-for-sale financial assets

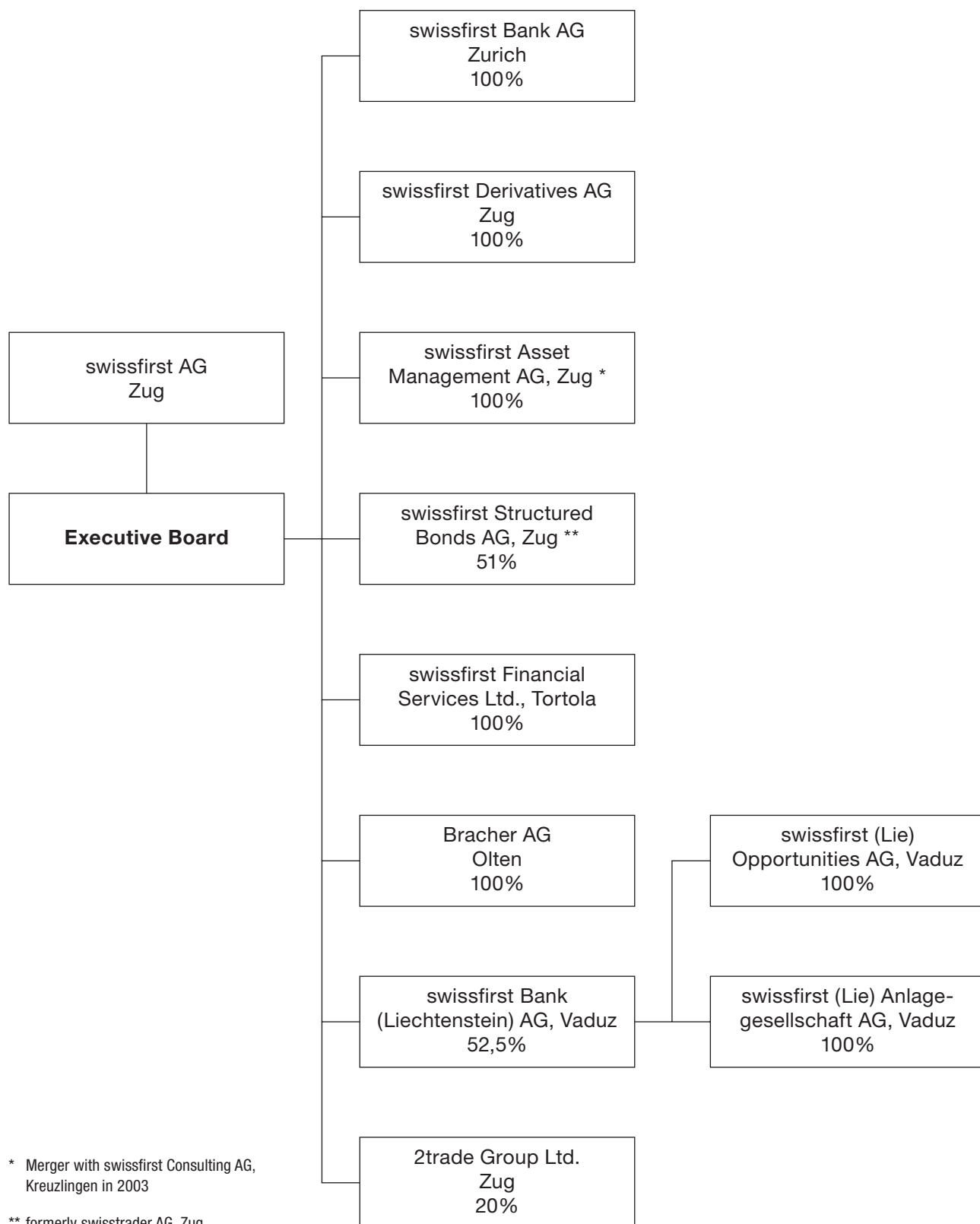
Under IFRS, available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets are recognized in shareholders' equity, less related deferred taxes, until the financial asset is sold, collected or otherwise disposed of, or its value is deemed to be impaired. As soon as an available-for-sale financial asset is deemed to be impaired, the cumulative unrealized loss previously carried in shareholders' equity is recognised in the income statement for the reporting period as a value adjustment. Under Swiss law, these kinds of financial assets are measured at the lower of cost or market. Write-downs to market value, any reversals of previously recognised impairment losses as well as disposal gains and losses are recognised in "other income".

Extraordinary income

According to IFRS, almost all items of income and expense are allocated to ordinary operating activities. Extraordinary items are therefore rare. In accordance with Swiss law, income and expenses are classified as extraordinary if they are not recurring or not related to operational activities.

30. Events after the balance sheet date

No events have occurred since the balance sheet date of December 31, 2003 that would have a material impact on the consolidated financial statements.





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 / pages 9 to 37) of swissfirst Ltd for the year ended 31 December 2003.

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


Silvio Fischer

Zürich, 1 April 2004

Information on Corporate Governance

1. Group Structure

The group structure is given on page 38 of the Annual Report. The shares of swissfirst AG, Zug, are listed on the main board of the SWX Swiss Exchange under the security number 337681 (ISIN: CH0003376818). The company's market capitalization as of December 30, 2003 amounted to CHF 625.0 m (December 31, 2002: CHF 701.25 m). The other group companies are not listed. The swissfirst Group does not hold any interests in other listed companies exceeding 5% nor are there any cross shareholdings. Significant shareholders of swissfirst AG are listed in Note 26 (page 35) of the consolidated financial statements.

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

swissfirst Group has not outsourced any significant business activities.

2. Capital Structure

The share capital of swissfirst AG amounts to CHF 5.0 m (prior year CHF 5.1 m), divided into 5,000,000 bearer shares (prior year 5,100,000 bearer shares) with a par value of CHF 1.0 each, plus conditional share capital of a maximum of CHF 0.25 m, corresponding to 250,000 bearer shares. The conditional capital is not subject to any time limitations and is reserved for employee stock ownership plans (see Note 4, page 49). There is no authorized capital.

There are no privileged or preferential share categories and no restrictions regarding registration in the share register. There are no limitations on the transferability of the bearer shares nor are there any restrictions on voting rights.

swissfirst AG has not issued any participation certificates or non-voting equity certificates.

The general meeting is entitled at any time to convert bearer shares into registered shares or registered shares into bearer shares by amending the Articles of Association.

The number of treasury shares is given in Note 3 (page 49) of the holding company's statutory financial statements.

During the past three reporting years there was a reduction in nominal share capital from CHF 5.1 m to CHF 5.0 m. This reduction in share capital was decided by the general meeting of shareholders on May 10, 2003. The statement of shareholders' equity is given on page 12 of the Annual Report.

Information on options issued by swissfirst AG can be found in Note 12 (page 21) and Note 28 (page 36) of the consolidated financial statements.

There are no outstanding warrant or convertible bonds.

3. Board of Directors

The Board of Directors comprises the following persons (as of December 31, 2003):

Dr. Roland Oswald, Chairman,

Swiss citizen (board member since 1999)

- Business and economics degrees, University of St. Gallen and Neuchâtel
- Member of the Executive Board of Zuger Kantonalbank until 1999

Hans E. Buck, Vice Chairman,

Swiss citizen (board member since 1999)

- Business and economics degree, University of Zurich (lic. oec.)
- Member of the Executive Board of ABN AMRO Bank (Schweiz) until 2001

Karl Ludwig Göldner,

German citizen (board member since 2003)

- Banking education; 1989–2000 Chief Executive of Deutsche Bank (Suisse) AG
- Managing Partner, Private Partners AG, Zurich, since 2000

Hans Kaufmann,

Swiss citizen (board member since 1999)

- Business and economics degree, University of Zurich (lic. oec.)
- Chief economist at Julius Bär & Co. AG until 1999, currently an independent entrepreneur and member of the National Council

Hans-Ulrich Singer,

Swiss citizen (board member since 1997)

- Business education
- Director of a pension fund and trustee at several pension foundations and a 'Pillar 2' pension foundation

Mr. Rolf P. Erb resigned from the Board of Directors as of November 12, 2003.

The directors do not sit on the boards of any other listed companies. None of the directors are engaged in any other significant duties nor do they have any major business commitments.

All directors are impartial and do not perform any executive functions within swissfirst. None of the directors have ever sat on the Executive Board of swissfirst AG or any of the group subsidiaries. None of the directors have any significant business connections.

Only persons who are shareholders of swissfirst are eligible to stand for election to the Board of Directors. Directors are elected for a term of one year and may be re-elected. There are no age limitations.

If the Board of Directors consists of more than one director, it shall constitute itself and elect 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. Four meetings of the Board of Directors were convened in 2003.

Resolutions are passed by a majority of the votes cast. In the event of a tie vote, the Chairman has the casting vote. No quorums are specified. Circular resolutions are permitted as long as no member requests oral deliberation.

The Board of Directors deals with all matters that are not conferred upon another body of the company by law or the Articles of Association. In particular, the Board of Directors is responsible for:

- the top-level management of the company, issuing guidelines and directives as necessary and establishing organizational structures;
- arranging the accounting system, financial controlling and financial planning to the extent required for managing the company;
- appointing and dismissing the persons entrusted with executive management and representation of the company;
- supervision of the persons entrusted with executive management, in particular with respect to compliance with the law, the Articles of Association, organizational rules and directives;
- preparing the annual report, preparing the General Meeting and executing its resolutions;
- informing judicial authorities in the event of excessive indebtedness;
- passing resolutions regarding the subsequent payments for shares that are not fully paid up;
- ratifying capital increases and any ensuing amendments of the Articles of Association;
- appointing the persons authorized to represent the company.

The Board of Directors is informed about the course of business on a regular basis. In particular, it shall have the following tools at its disposal:

- quarterly figures
- budget comparisons
- key figures on risks (credit risks, market risks and liquidity risks)
- concentration of risk notifications

Three of the five members of swissfirst AG's Board of Directors also sit on the Board of 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.

The Committee of the Board of Directors convenes as often as deemed necessary; there were five meetings in fiscal 2003. In addition, members of the Committee of the Board of Directors participate in selected meetings on special bank matters.

4. Executive Board

The Executive Board comprised the following persons (as of December 31, 2003):

Thomas Matter,

CEO (since company establishment, 1994)

- high school in Switzerland (Wirtschaftsgymnasium) and in Middleburg, Florida
- banking education at UBS Basel, equity and derivatives trader at UBS
- various brokerage and trading positions at Merrill Lynch until 1993

Dr. Werner Erismann,

General Counsel (since joining in 1999)

- Legal degree, 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 and economics degree, University of St. Gallen (lic. oec.)
- Swiss Certified Accountant
- at PricewaterhouseCoopers until 2000

Mirko Sangiorgio, CIO (since 1.1.2003)

- Business high school (Wirtschaftsgymnasium)
- Degree in business administration (School of Economics and Business Administration in Bern)
- Various executive positions at Swiss private banks, last at Pictet & Cie., Geneva, until 2001

No member of the Executive Board is engaged in any other significant activities or functions in management or governing bodies nor do they have any major business commitments.

All members of the Executive Board are Swiss citizens.

5. Remuneration, shareholdings, and loans

The Board of Directors decides – in response to proposals from the Executive Board – on compensation, share ownership programs and loans granted to the directors and members of the Executive Board.

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 in excess of CHF 100,000 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 an extension. As a rule, interest is based on 3-month LIBOR rates plus a risk-related margin.

The loans granted by swissfirst Bank AG to corporate bodies are listed in Note 3.13 (page 68) of the Bank's financial statements.

As at December 31, 2003 the members of the Board of Directors held a total of 10,740 shares (prior year 61,483) of swissfirst AG and the members of the Executive Board held a total of 1,092,170 shares (prior year 1,048,545).

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

Two members of the Executive Board own a total of 3,450,000 call options (security number 1740479) acquired at market prices that entitle them to purchase 345,000 shares of swissfirst AG (exercise price CHF 150, expiry date 19.12.08, American style, subscription ratio 1-for-10). The members of the Board of Directors do not own any options on swissfirst AG shares.

In 2003, the directors of swissfirst AG and swissfirst Bank AG received the following remuneration:

Dr. Roland Oswald	CHF 23,300
Hans E. Buck	CHF 25,400
Karl Ludwig Göldner	CHF 10,900
Hans Kaufmann	CHF 16,200
Rolf P. Erb (until 12.11.03)	CHF 10,600
Hans-Ulrich Singer	CHF 10,900
Total	CHF 97,300

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 25,400. None of the directors received any shares or options.

The directors did not receive any additional compensation.

The members of the Executive Board received the following remuneration (salaries plus bonuses before deduction of social contributions and taxes) for services rendered in fiscal 2003:

Thomas Matter	CHF 233,400 and 1,750 swissfirst AG shares
Dr. Werner Erismann	CHF 408,400
Daniel Hefti	CHF 233,400 and 3,250 swissfirst AG shares
Mirko Sangiorgio	CHF 483,400

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

None of the members of the Board of Directors or Executive Board who gave up their functions received a severance package.

6. Rights of shareholders

The participatory rights of 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. Each bearer share is entitled to one vote at the General Meeting. There are no shares with preferential voting rights. A shareholder can only be represented by proxy by another shareholder. 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. General Meetings shall be called by the Board of Directors or the corporate bodies and persons designated by 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 are subject to the provisions of the law.

7. Dividend policy

In the proposal to the General Meeting regarding the appropriation of profit for 2002, the first-time payment of a dividend was proposed and subsequently passed. The gross dividend payment amounted to CHF 1.00 per share. swissfirst AG intends to distribute profits on a continuous basis (in the form of dividends or similar payments) in the future. The Board of Directors is proposing the payment of a gross dividend of CHF 1.20 per share in the appropriation of 2003 profit.

8. Change of control and defense 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 December 31, 2004, after which 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 Price-

waterhouseCoopers (“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 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 the 1997 financial year.

Total audit fees of CHF 254,773 were paid to PwC for the 2003 financial year. PwC invoiced a further CHF 118,769 for other services rendered.

DT’s audit fees totalled CHF 112,657 in 2003. It invoiced a further CHF 2,260 for other services rendered.

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 reports are sent to the responsible regulatory 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 IFRS accounting standards. These are made available on the website 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.

Contact addresses are listed on the final page of the Annual Report.

Holding Company

swissfirst AG

Board of Directors	Dr. Roland Oswald, Zug	Chairman
	Hans E. Buck, Stetten	Vice Chairman
	Karl-Ludwig Göldner, Rüschlikon	Member
	Hans Kaufmann, Wettswil	Member
	Hans-Ulrich Singer, Camboinhas-Niterói, Brasil	Member

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

Balance sheet

	31.12.2003	31.12.2002
	CHF	CHF
Assets		
Current assets		
Due from banks	25,112,388	25,146,951
Securities	124,170,150	83,705,750
Loans	0	500,000
Prepaid expenses and accrued income	45,225	46,807
Other assets	416,601	503,687
	149,744,364	109,903,195
Fixed assets		
Participating interests	44,995,924	47,297,827
	44,995,924	47,297,827
Total assets	194,740,288	157,201,022
Due from group companies	25,000,000	25,500,000
Liabilities and shareholders' equity		
Current liabilities		
Due to banks	42,272,242	12,525,481
Accounts payable	0	4,873
Deferred income	206,600	437,400
Other liabilities	98,338	39,165
Valuation adjustments and provisions	164,508	185,118
	42,741,688	13,192,037
Total liabilities	42,741,688	13,192,037
Shareholders' equity		
Share capital	5,000,000	5,100,000
Legal reserves		
– General reserve	38,976,933	38,626,933
– Reserve for own shares	22,325,000	17,575,000
Unallocated reserves	20,000,000	0
Unappropriated profit		
– Retained earnings brought forward	39,075,371	71,248,751
– Profit for the year	26,621,296	11,458,301
	151,998,600	144,008,985
Total liabilities and shareholders' equity	194,740,288	157,201,022
Due to group companies	42,272,242	12,525,481

Profit and loss account for the year ending 31 December

	2003	2002
	CHF	CHF
Net interest income		
Interest income	1,267,070	1,196,508
Interest expenses	-114,640	-651
	1,152,430	1,195,857
Net income from commissions business		
Commissions income	1,411,609	1,862,264
Commissions expenses	-887	-3,400
	1,410,722	1,858,864
Net income from securities business		
Income from securities	971,452	-23,747,986
Other operating income		
Net income from sale of financial investments	0	94,616
Income from participating interests	29,178,664	34,935,000
	29,178,664	35,029,616
Operating expenses		
Personnel expenses	-60,000	-64,603
Other operating expenses	-178,748	-234,228
	-238,748	-298,831
Gross operating profit	32,474,520	14,037,520
Depreciation	-5,950,567	-2,510,212
Extraordinary income	112,343	-29,007
Taxes	-15,000	-40,000
Profit for the year	26,621,296	11,458,301

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

	31.12.2003	31.12.2002
	CHF	CHF
1. Assets pledged to meet own obligations		
<i>Securities (own shares)</i>		
Call-options to September 2003	0	343,750
Call-options to June 2004	2,500,000	2,750,000
Total	2,500,000	3,093,750

The shares are held as security to cover options.

	31.12.2003	31.12.2002
	CHF	CHF
2. Significant participating interests: percentage of nominal value (NV) held		
Company		
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
51% of NV (CHF 5,000,000) of swissfirst Structured Bonds AG, Zug (formerly swisstrader AG; 100% interest)	2,450,000	100,000
100% of NV (USD 10,000) of swissfirst Financial Services Ltd., BVI	16,300	16,300

	31.12.2003	31.12.2002
	CHF	CHF
3. Own shares		
Position: 50,000 shares (0.98% of total) at CHF 94.90 each		4,745,000
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
Position: 122,500 shares (2.40% of total) at CHF 137.50 each	16,843,750	16,843,750
Cancellation of 100,000 shares at CHF 140.00 each	-14,000,000	
Purchase of 150,000 shares at CHF 125.00 each	18,750,000	
Adjustment of book value	- 31,250	
Position: 172,500 shares (3.45% of total) at CHF 125.00 each	21,562,500	

A total of 20,000 own shares are held as cover for options.

100,000 shares were cancelled in 2003 for the purpose of reducing nominal share capital by CHF 100,000.

4. 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
5. Major shareholders		
<i>At 31.12.2003, the following major shareholders were known to swissfirst AG:</i>		
Thomas Matter, Zug	20	1,003,428
Rumen Hranov, Zollikon	10	512,005

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

Allocation of retained earnings

	2003	2002
	CHF	CHF
Allocation of retained earnings proposed by the Board of Directors		
Retained earnings brought forward	82,707,052	84,078,751
Dividend on eligible capital	-4,881,681	0
Allocation to free reserves	-20,000,000	0
Subtotal of earnings to be carried forward	57,825,371	84,078,751
Release of reserves for own shares	14,000,000	0
Cancellation of own shares	-14,000,000	0
Increase in treasury shares	-18,750,000	-12,830,000
Earnings to be carried forward	39,075,371	71,248,751
Profit for the year	26,621,296	11,458,301
Amount available for allocation	65,696,667	82,707,052
Proposed allocation of retained earnings:	65,696,667	82,707,052
Dividend on eligible capital	-6,000,000	-4,881,681
Allocation to free reserves	-20,000,000	-20,000,000
Earnings to be carried forward	39,696,667	57,825,371



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Report of the statutory auditors
to the general meeting of
swissfirst Ltd
Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 46 to 50) of swissfirst Ltd for the year ended December 31, 2003.

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


Pascal Portmann


Silvio Fischer

Zürich, 31 March 2003

Bank

Bank

swissfirst Bank AG

Board of Directors	Hans E. Buck, Stetten Dr. Roland Oswald, Zug Hans Kaufmann, Wettswil	Chairman Vice Chairman Member
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Executive Board	Thomas Matter, CEO Daniel Hefti, CFO Dr. Werner Erismann Mirko Sangiorgio Marco Massarotti Giuseppe Manieri
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Balance sheet at 31.12.2003

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Assets			
Cash and other liquid assets	57,367	179,422	-122,055
Due from banks	166,847	204,984	-38,137
Due from customers	344,748	256,884	87,864
Mortgages	5,250	6,345	-1,095
Securities and precious metals trading portfolios	15,056	93,332	-78,276
Financial investments	20,334	20,571	-237
Fixed assets	10,111	10,757	-646
Prepaid expenses and accrued income	3,817	943	2,874
Other assets	61,434	44,355	17,079
Total assets	684,964	817,593	-132,629
Total subordinated debts	0	0	0
Total due from group companies and qualified participants	42,340	12,525	29,815
Liabilities and shareholders' equity			
Due to banks	80,734	299,705	-218,971
Other amounts due to customers	404,844	245,058	159,786
Deferred income	21,389	44,400	-23,011
Other liabilities	31,322	102,487	-71,165
Valuation adjustments and provisions	21,218	18,580	2,638
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	58,053	39,616	18,437
Profit for the year	18,094	18,437	-343
Total liabilities and shareholders' equity	684,964	817,593	-132,629
Total subordinated liabilities	25,000	25,000	0
Total due to group companies and qualified participants	32,143	25,237	6,906
Off-balance-sheet business			
Contingent liabilities	35,251	423	34,828
Derivative financial instruments			
– contract volume	1,165,935	2,653,500	-1,487,565
– positive replacement values	50,598	21,932	28,666
– negative replacement values	34,025	63,894	-29,869
Fiduciary transactions	277,204	399,263	-122,059

Profit and loss account 1.1.2003–31.12.2003

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
a) Operating income and expenses from banking business			
<i>Net interest income</i>			
– Interest and discount income	7,839	8,796	-957
– Interest and dividend income from trading portfolios	0	51	-51
– Interest and dividend income from financial investments	782	572	210
– Interest expenses	-3,706	-4,406	700
<i>Subtotal: Net interest income</i>	<i>4,915</i>	<i>5,013</i>	<i>-98</i>
<i>Net commission and service fee income</i>			
– Commission income from lending business	71	22	49
– Commission income from securities and investment business	49,660	46,546	3,114
– Commission income from other services	1,366	367	999
– Commission expenses	-3,939	-2,771	-1,168
<i>Subtotal: Net commission and service fee income</i>	<i>47,158</i>	<i>44,164</i>	<i>2,994</i>
<i>Trading operations</i>			
Net trading income	10,263	6,566	3,697
<i>Other ordinary income</i>			
– Income from the sale of financial investments	0	0	0
– Income from participating interests	0	0	0
– Income from property	104	72	32
– Sundry ordinary income	56	152	-96
– Sundry ordinary expenses	0	0	0
<i>Subtotal: Other ordinary income</i>	<i>160</i>	<i>224</i>	<i>-64</i>
<i>Operating expenses</i>			
– Personnel expenses	-16,517	-17,489	972
– Other operating expenses	-7,838	-8,871	1,033
<i>Subtotal: Operating expenses</i>	<i>-24,355</i>	<i>-26,360</i>	<i>2,005</i>
Gross operating profit	38,141	29,607	8,534

→ continued on next page

Profit and loss account 1.1.2003–31.12.2003 (continued from page 55)

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
b) Profit for the year			
<i>Gross operating profit</i>	38,141	29,607	8,534
Depreciation and write-offs on fixed assets	-847	-3,260	2,413
Valuation adjustments, provisions and losses	-12,940	-1,392	-11,548
<i>Profit before extraordinary items and taxes</i>	24,354	24,955	-601
Extraordinary income	100	215	-115
Extraordinary expenses	0	-3	3
Taxes	-6,360	-6,730	370
Profit for the year	18,094	18,437	-343
c) Allocation of retained earnings			
Profit for the year	18,094	18,437	-343
Retained earnings brought forward	58,053	39,616	18,437
Unappropriated profit	76,147	58,053	18,094
Allocation of retained earnings			
– Allocation to the general legal reserve	0	0	0
– Allocation to other reserves	0	0	0
Retained earnings carried forward	76,147	58,053	18,094

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	18,094			18,437		
Depreciation on fixed assets	847			3,260		
Valuation adjustments and provisions	3,413	775		1,190	12,122	
Prepaid expenses and accrued income		2,874		790		
Deferred income		23,011		21,809		
Cash flow from operating result	22,354	26,660	-4,306	45,486	12,122	33,364
Cash flow from transactions in shareholders' equity	0	0	0	0	0	0
Intangible fixed assets		201			409	
Cash flow from fixed assets	0	201	-201	0	409	-409
Due to banks over 90 days	401			11,962		
Due from banks over 90 days	1,386				2,136	
Inter-bank transactions	1,787	0	1,787	11,962	2,136	9,826
Other amounts due to customers	159,786			112,245		
Due from customers		87,864			98,025	
Mortgage business	1,095			1,640		
Transactions with customers	160,881	87,864	73,017	113,885	98,025	15,860
Securities and precious metals trading portfolios	78,276				76,565	
Financial investments	237				10,050	
Capital market	78,513	0	78,513	0	86,615	-86,615
Other assets		17,079			38,756	
Other liabilities		71,165		84,946		
Other balance sheet items	0	88,244	-88,244	84,946	38,756	46,190
Cash flow from banking transactions	241,181	176,108	65,073	210,793	225,532	-14,739
Cash and other liquid assets	122,055				174,234	
Due from banks in less than 90 days	36,751			158,964		
Due to banks in less than 90 days		219,372			2,946	
Cash and cash equivalents	158,806	219,372	-60,566	158,964	177,180	-18,216
Total sources of funds	422,341			415,243		
Total applications of funds		422,341	0		415,243	0

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 68.7 staff (full-time equivalents) as at 31 December 2003 (previous year: 65.9). 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 Control 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 Control 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 (at least once a year) to the authorized body for assessment.

Monitoring by Risk Controlling and by the Credit Committee: Risk Controlling receives 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 legal 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 13.6 m (previous year: CHF 14.7 m). The average holdings of debt securities (12 end-month values) amounted to CHF 4.5 m (previous year: none).

The foreign currency position for the bank as a whole is managed by the forex trading unit. In the year under review, the average gross foreign currency position (12 end-month values) was CHF 1.4 m (previous year: CHF 1.9 m).

Interest rate risks arising from on- and off-balance sheet business are measured by the Risk Control department on a monthly basis using Modified Duration figures and changes in the market value of shareholders' equity. In 2003, the sensitivity of shareholders' equity at month-end was consistently below 1.1%. This means that changes in the cash value of shareholders' equity with a parallel 1% movement in the interest rate level remained below 1.1%.

The Risk Control 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 Control monitors compliance with the legal 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.

1.5.6 Outsourcing

Monetary and security account transactions (SIC, SECOM) are processed in collaboration with BBP Biveroni Batschlet Partners AG, Baden (BBP) and some of the required technical infrastructure has been outsourced to BBP.

2. Accounting and valuation principles

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 closing 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: 1.2372
- EUR: 1.5592
- GBP: 2.2069
- JPY: 1.1571

2.4 Individual items in the financial statements

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.

Accounts receivable are deemed impaired when it is unlikely that the debtor will be able to fulfil his future obligations. Impaired receivables are valued on an individual basis and the corresponding impairment is offset by an individual valuation adjustment. The valuation adjustment is calculated based on the difference between the carrying value of the receivable and the prospective amount recoverable, taking into consideration net proceeds from the disposal of any available collateral.

Loans are deemed impaired at the latest when the contractual payments of principal and/or interest have been in arrears for 90 days or more. Outstanding interest that is more than 90 days overdue is no longer considered recoverable and carried directly to valuation adjustments and provisions. Loans are deemed non-performing when the recoverability of the interest due is so doubtful that an accrual is no longer meaningful.

Securities trading portfolio

The securities in the trading portfolio are shown at market value on the balance sheet date. Gains and losses on re-valuation 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.

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

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.

All replacement values of contracts concluded on behalf of swissfirst or as an agent are stated in the balance sheet, except in the following cases:

- Covered options that that are completely covered throughout the entire term by the writer's performance obligations as provided for in the contract and for which the cover is within the Bank's power;
- Transactions in which the counterparty is disclosed by name to the clients.

The Bank did not use any derivatives for risk-hedging purposes during the year under review.

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 Bank AG's occupational pension scheme.

Taxes

Taxes are calculated and recorded based on the taxable results of the financial year. Taxes on capital are likewise included. Tax liabilities are booked as accrued expenses.

Year-on-year changes

There were no changes to the accounting principles compared with the previous year.

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
Loans				
Due from customers		335,107	9,641	344,748
Mortgage loans				
– Residential property	5,250	0	0	5,250
Total loans	5,250	335,107	9,641	349,998
<i>Prior year</i>	<i>6,374</i>	<i>252,239</i>	<i>4,616</i>	<i>263,229</i>
Off-balance sheet				
Contingent liabilities	0	35,251	0	35,251
Total off-balance sheet	0	35,251	0	35,251
<i>Prior year</i>	<i>0</i>	<i>423</i>	<i>0</i>	<i>423</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
Doubtful debts				
Reporting year	5,897	1,992	3,905	3,905
<i>Prior year</i>	<i>2,875</i>	<i>1,356</i>	<i>1,519</i>	<i>1,519</i>

The increase in the net amount of outstanding doubtful debts compared to the prior year is attributable to the deterioration in the credit standing of several borrowers.

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
Debt instruments	7,739	6,687	1,052
– listed	7,739	6,687	1,052
– not listed	0	0	0
Equities	7,317	86,645	-79,328
– of which own shares	0	0	0
Precious metals	0	0	0
Total securities and precious metals trading portfolios	15,056	93,332	-78,276
– of which securities eligible as collateral for central bank borrowings	0	0	0

3.2.2 Financial investments

	Book value		Fair value	
	Reporting year	Prior year	Reporting year	Prior year
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Debt instruments	20,334	20,571	21,402	21,636
– of which valued according to the accrual method	20,334	20,571	21,402	21,636
– of which valued at lower of cost or market	0	0		
Equities	0	0		
Precious metals	0	0		
Property	0	0		
Total financial investments	20,334	20,571	21,402	21,636
– of which securities eligible as collateral for central bank borrowings	16,370	16,693		

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
Total participating interests	0		0
Property			
– Bank premises	14,890	-5,710	9,180
– Other property	1,000	-250	750
Other tangible fixed assets	10,905	-10,452	453
Intangible fixed assets	409	-35	374
Total fixed assets	27,204	-16,447	10,757
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 values of derivative financial instruments				
– Contracts with bank acting on own behalf				
– Trading portfolios	44,393	27,820	19,018	60,980
– Balance-sheet structure management	0	0	0	0
– Contracts with bank acting as agent	1,523	1,523	2,865	2,865
Total derivative financial instruments	45,916	29,343	21,883	63,845
Indirect taxes	15,506	1,505	22,425	38,458
Sundry assets and liabilities	12	474	47	184
Total of other assets and liabilities	61,434	31,322	44,355	102,487

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	8,900
			750
		-414	39
201		-153	422
201	0	-847	10,111
			14,919
			8,520
			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
Pledged assets				
Due from banks:				
– time deposits	32,000	0	2,000	0
– margin accounts	2,198	2,198	3,223	3,223
Securities trading portfolios:	0	0	33,600	8,600
Financial assets:				
– securities	18,634	2,258	17,099	2,474
Tangible fixed assets (real estate):				
– Pledge of mortgage notes on own property for refinancing limit	9,000	5,250	9,000	5,250
Total pledged assets	61,832	9,706	64,922	19,547

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
Provisions for deferred tax liabilities	0			
Valuation adjustments and provisions for default risk (credit risk) and other risks				
Valuation adjustments and provisions for default risk (credit risk)	4,065	-7		
Valuation adjustments and provisions for other business risks	0			
Other provisions	14,515	-694		
Total valuation adjustments and provisions for default risk (credit risk) and other risks	18,580	-701	0	0
Total valuation adjustments and provisions	18,580	-701	0	0
less: valuation adjustments directly offset against assets	0			
Valuation adjustments and provisions (balance sheet figure)	18,580	-701	0	0
Reserves for general banking risks	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
Total share capital	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	
direct				
swissfirst AG, Zug	21,600	100	21,600	100
indirect				
Thomas Matter, Zug		20		20
Rumen Hranov, 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
		0
	-74	3,984
		0
3,413		17,234
3,413	-74	21,218
3,413	-74	21,218
		0
3,413	-74	21,218
		0

3.11 Statement of shareholders' equity

	CHF 1'000
Shareholders' equity at beginning of reporting year	
Paid-up share capital	21,600
General legal reserve	4,320
Other reserves	23,390
Unappropriated profit	58,053
Total shareholders' equity at beginning of reporting year (prior to allocation)	107,363
+ Profit for the year	18,094
Total shareholders' equity at end of reporting year (prior to allocation)	125,457
of which	
– Paid-up share capital	21,600
– General legal reserve	4,320
– Other reserves	23,390
– Unappropriated profit	76,147

3.12 Maturity structure of current assets and liabilities

	On sight	Callable	Due within 3 months	Due within 3 to 12 months
Current assets				
Cash and other liquid assets	57,367			
Due from banks	133,197		32,900	750
Due from customers	8,269	185,444	106,335	44,300
Mortgage loans				5,250
Securities in trading portfolios	15,056			
Financial investments	53			1,700
Total current assets	213,942	185,444	139,235	52,000
<i>Prior year</i>	<i>551,133</i>	<i>0</i>	<i>28,529</i>	<i>94,544</i>
Liabilities				
Due to banks	41,991	1,501	15,280	21,962
Other amounts due to customers	298,424	492	80,928	
Total liabilities	340,415	1,993	96,208	21,962
<i>Prior year</i>	<i>316,958</i>	<i>38,174</i>	<i>143,070</i>	<i>16,311</i>

3.13 Due to and from affiliated companies and loans granted to governing bodies

	Reporting year	Prior year
	CHF 1,000	CHF 1,000
Due from affiliated companies	8,918	2,945
Due to affiliated companies	45,309	104,319
Loans to the members of the bank's governing bodies	9,048	9,971
<i>of which:</i>		
<i>– of which to three members (prior year: two members) of the Executive Board and persons associated with them</i>	8,392	2,446
<i>– to non-executive members of the parent company's Board of Directors and persons associated with them (Prior year: one member)</i>	0	309

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.

The loans to governing bodies are security-backed loans granted to four persons (prior year: four persons).

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
				57,367
				166,847
		400		344,748
				5,250
				15,056
	18,541	40		20,334
	18,541	440	0	609,602
	<i>76,356</i>	<i>10,976</i>	<i>0</i>	<i>761,538</i>
				80,734
	25,000			404,844
	25,000	0	0	485,578
	<i>30,250</i>	<i>0</i>	<i>0</i>	<i>544,763</i>

3.14 Balance sheet by domestic and foreign 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
Assets						
Cash and other liquid assets	57,367		57,367	179,422		179,422
Due from banks	120,780	46,067	166,847	193,672	11,312	204,984
Due from customers	216,981	127,767	344,748	115,825	141,059	256,884
Mortgages	5,250		5,250	6,345		6,345
Securities and precious metals trading portfolios	5,084	9,972	15,056	55,681	37,651	93,332
Financial investments	15,478	4,856	20,334	15,715	4,856	20,571
Tangible fixed assets	10,111		10,111	10,757		10,757
Prepaid expenses and accrued income	3,817		3,817	943		943
Other assets	57,725	3,709	61,434	43,247	1,108	44,355
Total assets	492,593	192,371	684,964	621,607	195,986	817,593
Liabilities and shareholders' equity						
Due to banks	53,776	26,958	80,734	202,095	97,610	299,705
Other amounts due to customers	242,675	162,169	404,844	179,351	65,707	245,058
Deferred income	21,389		21,389	44,400		44,400
Other liabilities	30,303	1,019	31,322	73,680	28,807	102,487
Valuation adjustments and provisions	21,218		21,218	18,580		18,580
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	58,053		58,053	39,616		39,616
Profit for the year	18,094		18,094	18,437		18,437
Total liabilities & shareholders' eq.	494,818	190,146	684,964	625,469	192,124	817,593

3.15 Assets by countries/groups of countries

	Reporting year		Prior year	
	Actual	% share	Actual	% share
	CHF 1,000		CHF 1,000	
Assets				
Europe	607,903	88.7	700,755	85.7
Switzerland	492,593	71.9	621,607	76.0
Germany	9,684	1.4	29,140	3.6
Belgium	22,456	3.3	2,855	0.3
France	68	0.0	0	0.0
Gibraltar	899	0.1	0	0.0
Greece	0	0.0	1,992	0.2
UK	3,135	0.5	612	0.1
Guernsey	1	0.0	2	0.0
Isle of Man	294	0.0	0	0.0
Italy	899	0.1	14	0.0
Jersey	4,153	0.6	6,687	0.8
Liechtenstein	8,530	1.2	5,546	0.7
Luxembourg	1,228	0.2	0	0.0
Netherlands	1,935	0.3	1,934	0.2
Norway	6	0.0	0	0.0
Austria	56,602	8.3	26,340	3.2
Poland	1	0.0	0	0.0
Sweden	797	0.1	0	0.0
Slovenia	4,071	0.6	3,635	0.4
Spain	19	0.0	13	0.0
Hungary	532	0.1	378	0.0
North America	20,231	3.0	32,543	4.0
Caribbean	44,469	6.5	66,818	8.2
Latin America	6,429	0.9	9,992	1.2
Africa	15	0.0	0	0.0
Asia	5,914	0.9	7,477	0.9
Oceania	3	0.0	8	0.0
Total assets	684,964	100.0	817,593	100.0

3.16 Balance sheet by currencies

CHF 1,000	Currencies translated into CHF				Total
	CHF	EUR	USD	Others	
Assets					
Cash and other liquid assets	56,842	457	66	2	57,367
Due from banks	96,254	19,814	26,012	24,767	166,847
Due from customers	298,634	8,265	10,451	27,398	344,748
Mortgage loans	5,250				5,250
Securities and precious metals trading portfolios	14,566			490	15,056
Financial investments	20,334				20,334
Tangible fixed assets	10,111				10,111
Prepaid expenses and accrued income	3,352	72	5	388	3,817
Other assets	61,434				61,434
Total balance sheet assets	566,777	28,608	36,534	53,045	684,964
Claims from spot and forward forex transactions and forex options		20,172	81,047	38,216	
Total assets		48,780	117,581	91,261	
Liabilities and shareholders' equity					
Due to banks	26,889	13,979	5,498	34,368	80,734
Other amounts due to customers	339,215	22,650	33,301	9,678	404,844
Deferred income	21,034	33	3	319	21,389
Other liabilities	31,315	6	1		31,322
Valuation adjustments and provisions	21,218				21,218
Share capital	21,600				21,600
General legal reserve	4,320				4,320
Other reserves	23,390				23,390
Retained earnings b/f	58,053				58,053
Profit for the year	18,094				18,094
Total balance sheet liabilities	565,128	36,668	38,803	44,365	684,964
Liabilities from spot and forward forex transactions and forex options		12,138	78,561	46,439	
Total liabilities and shareholders' equity		48,806	117,364	90,804	
Net position per currency		-26	217	457	648
Gross currency position					700

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	1,251	0	1,251
Performance bonds	34,000	423	33,577
Total	35,251	423	34,828

4.2 Breakdown of confirmed credits

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

4.3 Derivative instruments outstanding

	positive replacement values	negative replacement values	Contract volume
	CHF 1,000	CHF 1,000	CHF 1,000
Analysis of derivatives by contract type			
Foreign exchange/precious metals			
Forward contracts	5,354	4,188	224,126
Options (OTC)	176	176	26,693
Options (exchange traded)	288	288	2,433
Total foreign exchange/precious metals	5,818	4,652	253,252
Equities			
Forward contracts	18	0	564
Options (OTC)	43,519	28,138	751,684
Options (exchange traded)	1,243	1,235	160,435
Total equities	44,780	29,373	912,683
Total for reporting year	50,598	34,025	1,165,935
– less positions in which the counterparty was disclosed:	-4,682	-4,682	-470,640
Total as per balance sheet	45,916	29,343	695,295
<i>Prior year</i>	21,883	63,845	2,642,544
Analysis of derivatives based on counterparty credit standing			
Banks and derivative exchanges	9,922	3,192	448,801
Brokers	338	502	10,798
Clients, secured	40,338	30,331	706,336
Clients, unsecured	0	0	0
Total for reporting year	50,598	34,025	1,165,935

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
– Fiduciary deposits	229,154	350,983	-121,829
– Fiduciary loans	48,050	48,280	-230
Total fiduciary transactions	277,204	399,263	-122,059

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 Breakdown of net trading income

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Foreign currency trading	3,194	3,490	-296
Securities trading	7,069	3,076	3,993
Total net trading income	10,263	6,566	3,697

5.3 Breakdown of personnel expense

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Salaries	14,222	15,337	-1,115
Contributions to AHV, IV, ALV and other compulsory social benefits	1,134	979	155
Contributions to employee pension plans	762	719	43
Other personnel expenses	399	454	-55
Total personnel expenses	16,517	17,489	-972

5.4 Breakdown of operating expense

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Premises costs	287	735	-448
IT costs, machinery, furniture, motor vehicles and other fixtures and fittings	2,776	3,132	-356
Sundry operating expenses	4,775	5,004	-229
Total other operating expenses	7,838	8,871	-1,033

5.5. Significant losses

These losses pertain to several liability cases that had not been completely settled as of the balance sheet date. These were therefore charged in full to the profit and loss statement of the reporting year in accordance with prudent accounting practice.

6. Other information

6.1 Client assets

	Reporting year	Prior year	Difference
	CHF 1,000	CHF 1,000	CHF 1,000
Assets under advisory mandates	2,725,564	2,283,194	442,370
Assets under management mandates	168,080	168,234	-154
Total client assets	2,893,644	2,451,428	442,216



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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of cash flows and notes / pages 54 to 75) of swissfirst Bank Ltd for the year ended 31 December 2003.

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

Silvio Fischer

Zurich, 11 March 2004

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