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VP Bank Group

Strategy Report

Stakeholders' Report

Segments

Corporate Governance

Financial Report 2009
VP Bank Group

Financial Report 2009 der Verwaltungs- und
Privat-Bank Aktiengesellschaft, Vaduz

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Corporate Governance 2009

Corporate governance is the manner in which an enterprise is managed and controlled. VP Bank strives to conduct exemplary corporate governance in a manner that clearly defines and appropriately allocates the roles, competencies and areas of responsibility of the company's leadership and supervisory bodies. That applies in particular to the operational management as well as to the Board of Directors and its committees. It is also the objective of good corporate governance to avoid conflicts of interest between the individual stakeholder groups. That requires a high degree of transparency, because even the best internal structures cannot foster trust unless they are communicated to the outside world. It is VP Bank Group's desire to offer its stakeholders an insight into its decision-making and control processes.

This report describes the basic principles underlying the corporate governance of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, as required by the revised Directive on Information Relating to Corporate Governance (DCG) of SIX Swiss Exchange dated March 29, 2006, as well as the relevant laws of Liechtenstein.

In Switzerland, new provisions of the Code of Obligations (CO) entered into force on January 1, 2007 (Art. 663b^{bis} CO). Under those provisions, disclosures must be made of the compensation paid by the company to members of the Board of Directors and senior management, as well as the financial interests those persons hold in the company.

Accordingly, the Admission Board of SIX Swiss Exchange adapted the DCG and abrogated Points 5.3 through 5.9 of the Directive dated April 17, 2002.

As a Liechtenstein corporation, VP Bank is not subject to the Swiss Code of Obligations. The regulations of SIX Swiss Exchange Ltd. provide that companies whose shares are listed on the Exchange but not in their own home country must apply the provisions of Art. 663b^{bis} CO correspondingly. The relevant details are shown in Section 5.2 on page 59 as well as in the notes to the annual financial statements of the parent company (see pages 181 f).

Unless otherwise indicated, the disclosures herein are valid as at December 31, 2009.

1. Group structure and shareholder base

1.1 Group structure

1.1.1 Description of the Group's operating structure

Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (hereinafter referred to as VP Bank), is a joint-stock company constituted in accordance with Liechtenstein law. It is the parent company of VP Bank Group. The organization chart on page 10 shows the Group's operating structure and reflects the organization of VP Bank Group.

¹ Senior management of the parent company is referred to as Group Executive Management (GEM). It performs the function of managing the parent company as well as the Group as a whole. In this section, we normally use the term "GEM".

The subsidiary companies and material shareholdings included in the scope of consolidation are listed in the annual financial statements, together with their name, registered office, share capital and percentage of share capital held (see Financial Report, page 152). Members of the parent company's Group Executive Management (GEM)¹ are represented on the Boards of Directors of the consolidated companies. As a general rule, either the CEO or another member of the GEM acts as Board Chairman of the subsidiary company.

1.1.2 Listed companies included in the scope of consolidation

The bearer shares of VP Bank, Vaduz, are listed on SIX Swiss Exchange; the registered shares of the company are not listed.

	Symbol	ISIN	Security number	Year-end closing price in CHF	Market value in CHF million
Registered shares (unlisted)	VPBN	LI0010737596	1.073.759	9.50	57
Bearer shares (listed)	VPB	LI0010737216	1.073.721	100.70	535 ^A

Total (market capitalization of the bearer shares plus market value of the registered shares)

592

^A Market capitalization of the listed bearer shares as at Dec 31, 2009

No other listed companies are included in the scope of consolidation.

1.2 Significant shareholders

As at December 31, 2009, the following shareholders declared that they own more than 10 percent of the share capital² of VP Bank or exercise more than 3 percent of the voting rights³.

Shareholders	Registered shares	Bearer shares	Voting rights	Voting rights as % of total	Ownership of total share capital in %
Stiftung fürstlicher Kommerzienrat Guido Feger, Vaduz	4,452,447	1,026,406	5,478,853	48.4 %	24.9 %
U.M.M. Hilti-Stiftung, Schaan	658,370	530,058	1,188,428	10.5 %	10.1 %

² Principality of Liechtenstein Law on the Disclosure of Significant Shareholdings in an Exchange-listed Company (Disclosure Act), Art. 2.

³ Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), Art. 20.

During the period under review, there were no disclosure reports within the context of Art. 20 SESTA or Art. 2 of the Disclosure Act. No binding shareholder agreements exist.

1.3 Cross-shareholdings

VP Bank has entered into no cross-shareholdings with other companies involving share capital or voting rights.

2. Capital structure

2.1 Capital

The share capital of VP Bank amounts to CHF 59,147,637 and is divided into 6,004,167 fully paid-up registered shares with a par value of CHF 1.00 each, as well as 5,314,347 bearer shares with a par value of CHF 10.00 each (see Financial Report, page 144).

	Balance as at December 31, 2009	
	Number	Share capital in CHF
Registered shares	6,004,167	6,004,167
Bearer shares	5,314,347	53,143,470
Total	11,318,514	59,147,637

2.2 Authorized and conditional capital

VP Bank has neither authorized nor conditional capital pending.

2.3 Changes in capital

The share capital of VP Bank has not changed during the past three years. Total shareholders' equity of VP Bank for the past three financial years (as at the given balance sheet date) has developed as follows:

In CHF 1,000	12/31/2007	12/31/2008	12/31/2009
Share capital	59,148	59,148	59,148
Legal reserves	239,800	239,800	239,800
Other reserves	256,189	316,189	316,588
Provisions for general banking risks	237,150	63,150	71,400
Retained earnings	125,625	15,057	61,387
Total	917,912	693,344	748,323

2.4 Shares and participation certificates

The bearer shares of VP Bank are freely tradable on SIX Swiss Exchange. The registered shares are not listed. Both share categories carry the membership rights provided for in the Liechtenstein Persons and Companies Act (PGR) and the company's Articles of Incorporation. Each registered share (par value of CHF 1.00) and each bearer share (par value of CHF 10.00) grants the holder the right to one vote at the Annual General Meeting of VP Bank, irrespective of the par value of the share.

VP Bank has issued no participation certificates.

2.5 Profit-sharing certificates

VP Bank has issued no profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

The recording and transfer of registered shares is regulated in detail in Art. 7 of the Articles of Incorporation¹. The registered shares are entered into the share register with a precise description of the owner according to name, citizenship and address. Only those registered shareholders are entitled to exercise the membership rights of the company. The Board of Directors may refuse entry into the share register for compelling reasons.

2.7 Convertible bonds and warrants/options

VP Bank has issued neither convertible bonds nor warrants/options based on its shares.

¹ The Articles of Incorporation can be accessed via the Internet at: www.vpbank.com – Investors – Publications.

3. Board of Directors

The Board of Directors (BoD) bears responsibility for determining the medium to long-term strategic direction of VP Bank Group. It is responsible for the overall management, supervision and control of the company.

Liechtenstein law provides for a clear separation of duties between the uppermost management, the supervision and control exercised by the Board of Directors, and the operational management. Accordingly, the Board of Directors of VP Bank consists exclusively of non-executive members (i.e. members not actively involved in management).

3.1 Members of the Board of Directors

The Board of Directors of VP Bank consists of seven members, none of whom has belonged to the GEM of VP Bank or any Group company during the past three financial years.

As a bank, VP Bank maintains business relationships with numerous domestic and foreign companies. This applies also to the members of the Board of Directors as well as to individuals or legal entities that are closely related to the Board members.

The following table provides information as to the name, age, functions, joining date and remaining term of office of the Board members:

Name	Year of birth	Functions	Joined Board of Directors in	Elected until AGM in
Hans Brunhart	1945	Chairman ^{1,4}	1994	2012
Dr. iur. Guido Meier	1948	Vice Chairman ²	1989	2010
Lic. oec. Markus Thomas Hilti	1951	Board member ²	1992	2010
Roland Feger	1956	Board member ⁴	2001	2010
Walo Frischknecht	1946	Board member ³	2002	2011
Prof. Dr. Beat Bernet	1954	Board member	2002	2011
Dr. iur. Daniel H. Sigg	1956	Board member	2008	2011

¹ Chairman of the Committee of the Board of Directors

² Member of the Committee of the Board of Directors

³ Chairman of the Audit & Risk Management Committee

⁴ Member of the Audit & Risk Management Committee

Hans Brunhart (born March 28, 1945; citizen of Liechtenstein) has been the Chairman of the Board of Directors since April 1996, as well as Chairman of the Committee of the Board of Directors and member of the Audit & Risk Management Committee of VP Bank. Other (Board) mandates: SFS Holding AG, Heerbrugg.

Educational background: studied German philology at the universities of Freiburg (CH) and Basel.

Professional background: since 1972, Head of the Liechtenstein National Library and State Archives. On March 27, 1974, he was appointed by His Serene Highness Prince Franz Josef II von und zu Liechtenstein to the post of Deputy Head of the Government and on April 26, 1978, to the post of Head of the Government of the Principality of Liechtenstein. Hans Brunhart exercised the function of Head of Government during four terms of office until 1993. Other activities and vested interests: Hans Brunhart is the owner of ECAG Euroconsult AG, Schaan, established in 1993.

Dr. iur. Guido Meier (born January 8, 1948; citizen of Liechtenstein) is Vice Chairman of the Board of Directors and a member of the Committee of the Board of Directors of VP Bank. Educational background: studied law at the University of Basel; graduated with a doctorate degree in 1977; admission to the bar in 1979.

Professional background: Allgemeines Treuunternehmen (ATU), Vaduz (Chairman of the Council of Trustees); law office of Meier & Kieber Attorneys-at-Law AG, Vaduz. Other activities and vested interests: 1985 through 1993, part-time judge at the Liechtenstein Constitutional Court; 1993 through 1997, Member of Parliament. Guido Meier is Chairman of the Liechtenstein Institute, president of the Board of Trustees of the Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz (see Point 1.2), as well as Chairman of the Council of Trustees of Allgemeines Treuunternehmen (ATU).

Lic. oec. Markus Thomas Hilti (born January 3, 1951; citizen of Liechtenstein) is a member of the Committee of the Board of Directors of VP Bank.

Educational background: studied business administration, majoring in finance and accounting, at the University of St. Gallen; graduated as lic. oec. HSG.

Professional background: Coopers & Lybrand, White Plains N.Y. (auditor); Hilti Western Hemisphere, Tulsa (USA, finance), product management and sales); until 1989, member of senior management at Hilti Western Hemisphere (responsible for product management, purchasing, development, quality assurance as well as head of the company's factory in Tulsa).

Other activities and vested interests: from 1990 through 2009, Markus Thomas Hilti was Administrative Fiduciary and since 2009 Protector of the Martin Hilti Familientreuhänderschaft, Schaan, as well as a trustee of U.M.M. Hilti-Stiftung, Schaan (see Point 1.2).

Roland Feger (born December 26, 1956; citizen of Liechtenstein) is a member of the Audit & Risk Management Committee of VP Bank.

Educational background: Swiss Federal Examination in Accounting; diploma as Swiss federally certified fiduciary expert. Professional background: Activities in the field of finance and accounting at various companies in Switzerland and Liechtenstein; management functions within Allgemeines Treuunternehmen (ATU), Vaduz, (accounting, administration and organization); since 2000, Chairman of the Directorate of Allgemeines Treuunternehmen (ATU), Vaduz. Other activities and vested interests: Member of the Board of Trustees of Stiftung Fürstlicher Kommerzienrat Guido Feger (see Point 1.2), as well as Chairman of the Directorate of Allgemeines Treuunternehmen (ATU).

Walo Frischknecht (born October 7, 1946; Swiss citizen) is Chairman of the Audit & Risk Management Committee of VP Bank.

Further (board) mandates: Clientis AG, Bern (Vice Chairman and Head of the Audit Committee); Carpen AG, Zurich (Chairman of the Board of Directors); Fundus Treuhand AG, Zurich (Chairman of the Board of Directors); Allhost Holding, Lachen/SZ; Treuhand-Personalstiftung, Vaduz; Stiftung für Kinder- und Jugendpsychiatrie, Schwyz.

Educational background: Diploma in business administration KSZ; Swiss Certified Public Accountant; Swiss Certified Expert in Accounting and Controlling; Controller's Diploma of the Controller-Akademie, Gauting, Germany.

Professional background: PricewaterhouseCoopers, Zurich; Revision AG, Zurich; Bank Leu AG, Zurich (auditor and Head of Accounting and Controlling), Leu Holding AG, Zug; BZ Trust AG, Wilen (Group Controller); BZ Bank, Wilen (Chairman of General Management); since 2003, independent management consultant (Walo Frischknecht & Partner GmbH, Lachen).

Other activities and vested interests: None.

Prof. Dr. Beat Bernet (born December 7, 1954; Swiss citizen)

Further (board) mandates: RUF Datensysteme AG, Schlieren (Chairman of the Board of Directors); Zuger Kantonalbank, Zug (Chairman of the Bank Council); Bernet & Partner AG, Zug (Chairman of the Board of Directors).

Educational background: Studied economics majoring in business administration, banking and accounting at the University of Zurich; graduated as Dr. oec. publ. in 1981; post-doctoral thesis at the University of St. Gallen (HSG) in 1995.

Professional background: 1996 appointed as full professor for business management with emphasis on banking at the University of St. Gallen; director at the Swiss Institute for Banking and Finance of the University of St. Gallen.

Other activities and vested interests: Development of an international consulting organization for banks and financial service companies (servicing more than 120 banks in ten countries); management of international large-scale projects in the areas of banking strategy and banking technology.

Dr. iur. Daniel H. Sigg (born September 22, 1956; Swiss citizen, resident of New York)

Further (board) mandates: Bellevue Group AG, Zurich; various investment funds.

Educational background: Law studies at the University of Zurich; received Dr. iur. degree in 1984.

Professional background: BEA Associates / Credit Suisse Asset Management (Member of Senior Management and CFO); UBS (Global Head of Institutional Asset Management); Times Square Capital Management Inc. (President); DHS International Advisors LLC (consultant in the field of financial services).

Other activities and vested interests: Board member and treasurer of the Swiss Institute, New York; board member and member of the finance committee of the Resurrection Episcopal Day School, New York.

3.2 Other activities and vested interests

The other activities of the Board members and any relevant vested interests can be found in the biographies shown in Point 3.1.

3.3 Cross-involvement

There are no interlocking directorates among the Board members of VP Bank and any other listed companies.

3.4 Elections and term of office

Details concerning the election and terms of office of the current members of the Board of Directors can be found in the analysis shown in Point 3.1. Pursuant to Art. 16 of the Articles of Incorporation, the Board of Directors comprises at least five members who are elected for a term of three years. The members of the Board of Directors are elected individually (re-election is permitted).

From among its members, the Board of Directors elects the Chairman and Vice Chairman for a term of three years (re-election is permitted).

3.5 Internal organization

The internal organization and work method of the Board of Directors are set out in the Articles of Incorporation (Arts. 17 through 19) and in the Organization and Business Rules (OBR), Sections 2 through 4.¹

In collaboration with the GEM, the Board of Directors verifies annually the company's strategy for compliance with the Articles of Incorporation and OBR, and establishes the medium- and long-term objectives as well as the management guidelines of VP Bank Group. At the proposal of the GEM, the Board of Directors decides on the annual budget (parent company and at Group level), on strategically important projects, individual company and consolidated financial statements, as well as on important personnel issues.

3.5.1 Allocation of tasks within the Board of Directors

The Chairman, or in his absence the Vice Chairman, conducts on behalf of the Board of Directors the direct supervision and control of the GEM. In order to be able to fulfill its duties in an optimal manner, the Board of Directors is supported by two committees: the Committee of the Board of Directors and the Audit & Risk Management Committee.

3.5.2 Composition, tasks and area of responsibility for each member of the Board of Directors

The tasks, responsibilities, rights and obligations of the Committee of the Board of Directors (Nomination & Compensation Committee) and the Audit & Risk Management Committee are laid down in Section 3 of the OBR. In addition, the function of the Audit & Risk Management Committee is regulated in detail in a specific set of rules.

Minutes are kept on the matters addressed by both committees at their respective meetings and are forwarded for the attention of the Board of Directors, the GEM, the statutory auditors and the Internal Audit department².

Within the framework of a standard agenda item addressed at the following Board meeting, the chairmen of both committees inform the Board of Directors and GEM about all important matters.

Committee of the Board of Directors (Nomination & Compensation Committee)

The Committee of the Board of Directors currently comprises three members: Hans Brunhart (Chairman), Dr. Guido Meier and Markus Thomas Hilti. The Committee of the Board of Directors also functions as the Nomination & Compensation Committee.

Pursuant to Section 3.2 OBR, the Committee of the Board of Directors is primarily responsible for the following:

- assisting the Chairman in the fulfillment of his management and coordination tasks as well as the entire Board of Directors in issues concerning corporate governance, organization and the monitoring of business developments;
- preparing key strategic matters for the attention of the Board of Directors (new business areas, acquisitions, cooperative ventures, etc.);
- reviewing the strategy implementation (strategy controlling) for the attention of the Board of Directors.

In its capacity as Nomination & Compensation Committee, the Committee of the Board of Directors also attends to the following tasks:

- defining the criteria for the election of Board members; performing the evaluation and submission of proposals to the Board of Directors;
- submitting proposals to the Board of Directors concerning the composition of the Committee of the Board of Directors and Audit & Risk Management Committee;
- preparing and submitting proposals for the post of CEO and, in collaboration with the CEO, the composition of the GEM, including conditions of employment and compensation;
- dealing with fundamental issues concerning human resources policy (e.g. salary and bonus systems, management development, successor planning, staff welfare benefits, etc.) for the attention of the Board of Directors;
- submitting proposals to the Board with regard to the compensation paid to the Chairman and the other Board members.

Audit & Risk Management Committee

The Audit & Risk Management Committee currently comprises Walo Frischknecht (Chairman), Hans Brunhart and Roland Feger. The Audit & Risk Management Committee assists the Board of Directors in fulfilling the tasks assigned to it under the Banking Act with regard to the overall management, supervision and control of the parent company and of VP Bank Group. Pursuant to Section 3.3 OBR, the Audit & Risk Management Committee is responsible in particular for the following tasks:

¹ OBR is available in German only: www.vpbank.com – Investors – Publications.

² «Internal Audit» is a general term – at the parent company and VP Bank Group level, it is referred to as «Group Internal Audit»; at the subsidiaries, «Internal Audit».

- critically assessing financial reporting (individual company and consolidated financial statements, statement of cash flows, interim financial statements, etc.) as well as discussing the related matters with the CFO, the Head of Group Internal Audit and representatives of the company's statutory auditing firm;
- deciding whether the individual company and consolidated financial statements can be recommended to the Board of Directors for submission to the Annual General Meeting of shareholders;
- assessing the functional capability of the internal control system, including risk and cash management;
- evaluating the measures taken to ensure compliance with and enforcement of legal and internal regulations;
- judging the quality of the internal and external auditors, as well as the collaboration between the two, in particular through examination of the reports from Group Internal Audit and the statutory auditors;
- defining the audit plan of Group Internal Audit, as well as taking note of and discussing the audit planning of the Group Auditors and the statutory auditors;
- assessing the performance, compensation and independence of the external auditors, especially in terms of the compatibility of their auditing activities with any consulting mandates they may have;
- submitting proposals to the Board of Directors for the appointment of the Head of Group Internal Audit.

3.5.3 Work methods of the Board of Directors and its committees

At the invitation of the Chairman, the Board of Directors normally meets eight to ten times per year for half-day meetings as well as for one full-day executive retreat. Generally, the meetings consist of two parts: the first is devoted to advisory discussions which members of the GEM attend to present their proposals and exchange information, and a second decision-making part during which the Board of Directors arrives at its resolutions. In order for the Board to be informed on a first-hand basis, the CEO also attends at the second part.

If necessary for the Board of Directors and its committees to address specific topics, further individuals can be called upon (managers of VP Bank Group, representatives of the statutory auditors, as well as internal or external specialists and consultants).

During the 2009 financial year, the Board of Directors held eight half-day ordinary meetings as well as one extraordinary meeting. In addition, the Board and GEM jointly conducted a full-day

strategy workshop. With the exception of two meetings, each with one absence, the Board meetings were held with a full complement of members.

As a general rule, the Committee of the Board of Directors (Nomination & Compensation Committee, NCC) holds six to ten half-day meetings per year. The CEO normally takes part in these NCC meetings in an advisory capacity.

In 2009, the NCC held eleven meetings. A separate meeting was held for the purpose of exchanging information with GEM members as well as arriving at agreements on their individual goals, performance assessments and the determination of compensation.

The Audit & Risk Management Committee usually holds six to ten half-day meetings per year, with the meeting dates being set to accommodate the needs arising from specific tasks (closing of accounts, financial reporting, auditors' reports, etc.). The CFO and Head of Group Internal Audit each take part in these meetings. At these meetings, there is an exchange of information with the GEM regarding the quality of internal control systems and other matters. For the purpose of addressing audit-specific topics, representatives of the external auditing firm (as a general rule, the Auditor in Charge) are invited to attend. In 2009, the Audit & Risk Management Committee met for six ordinary half-day meetings as well as three extraordinary meetings.

Chairman Emeritus

Fürstlicher Kommerzienrat Dr. Heinz Batliner, Vaduz, has been Chairman Emeritus of VP Bank since 1996. The Board of Directors bestowed this honorary title on him for his outstanding services on behalf of VP Bank. From 1961 to 1984, Dr. Heinz Batliner was General Manager and Head of the Management Board, and from 1990 through 1996 Chairman of the Board of Directors.

International Advisory Board

The International Advisory Board of VP Bank is a body that performs a consulting and representational function on behalf of the Bank. Once a year, the International Advisory Board gathers at a meeting that centers on a future-oriented issue of relevance to VP Bank.

Members of the International Advisory Board

Hans Brunhart,	Chairman, Princely Counsel, Balzers (LI), Chairman of the Board of VP Bank
David Beattie,	former Ambassador of the United Kingdom to Switzerland and Liechtenstein (London, GB)
Franz A. Blankart,	Prof. Dr., State Secretary (rtd.), Pampigny (CH)
Alain Hirsch,	Prof., Honorary Professor of Law at the University of Geneva; attorney at law with Schellenberg Wittmer, Geneva (CH)
Max E. Katz,	Chief Financial Officer and member of the Executive Board of Kuoni Reisen Holding AG, Rüschtikon (CH)
Matthias Kleinert,	Advisor to the Chairman, Daimler AG, Stuttgart (DE)
Michael Kohn,	Dr. h.c. sc. techn., Chairman Emeritus of the Arbeitskreis Kapital und Wirtschaft (akw), Zurich (CH)
Daniel Cardon de Lichtbuer,	Chairman Emeritus of Banque Bruxelles Lambert (BBL), Overijse (BE)
H.S.H. Prince Nikolaus von und zu Liechtenstein,	Ambassador of the Principality of Liechtenstein to Brussels (BE)
Hubert A. Pandza,	financial and management consultant; former Business Group Director for Russia and Central Asia for the European Bank for Reconstruction and Development, London (GB) and CEO of Deutsche Bank Moscow, Frankfurt (DE)
Daniel N. Regolatti,	former CFO of the Nestlé Group, Bottmingen (CH) ¹
Heinrich Treichl,	Dr., former General Manager and Chairman of the Board of Management at Creditanstalt-Bankverein, Vienna (AT)
Tjerk E. Westerterp,	former President of the European Options Exchange, Ulvenhout (NL)

3.6 Definition of areas of responsibility

The Board of Directors is the corporate body in charge of overall management, supervision and control of the GEM. It bears ultimate responsibility for the strategic direction of VP Bank Group.

The authorities and obligations of the Board of Directors are laid down in detail in Art. 17 of the Articles of Incorporation as well as in Section 2.2 through 2.4 OBR. The tasks and authorities of the two Board committees are described in Section 3 OBR.

The Board of Directors has delegated responsibility for the operational management of VP Bank, Vaduz, as well as for the overall management, supervision and control of the subsidiary companies of VP Bank Group² to the GEM of the parent company. The tasks and competencies of the GEM are described in the Articles of Incorporation (Art. 21) and OBR. The function of senior management of the parent bank is regulated in detail in Section 5.1 and 5.2, par. 1 and 2 OBR, and that of Group-level management in Section 5.2, par. 3 and 4 OBR.

The separation of functions between the Board of Directors and the GEM can also be seen in the graphic presentation of the internal organization (see chapter "Structure of VP Bank Group", page 10).

3.7 Information and control instruments vis-à-vis management

The Board of Directors and its committees have at their disposal various information and control instruments for managing and supervising the activities of the GEM. Among those instruments are the strategy process, medium-term planning, the budgeting process and internal reporting, in particular that generated by the Management Information System (MIS).

¹ Until November 9, 2009

² Exception: IGT Intergestions Trust reg., Vaduz, which reports directly to the BoD.

The members of the Board of Directors regularly receive (i.e. at least on a monthly basis) the relevant reports, most importantly the monthly management reports, controlling and risk-controlling reports, as well as periodic reports on the quarterly, semi-annual and annual financial statements (consolidated and individual company accounts). They also include quantitative and qualitative information, as well as budget variances, benchmark comparisons, period-specific and multi-year comparisons, key performance indicators for management, and risk analyses, all of which cover the parent company, the subsidiaries and the Group in general. These reports enable the Board of Directors to gain a picture of significant developments and the risk situation at VP Bank at all times. The reports that lie within the scope of the Audit & Risk Management Committee are addressed by that body and corresponding proposals are forwarded to the Board of Directors for approval. The latest reports undergo a comprehensive review at each Board meeting.

Verifying and controlling the implementation of the company's strategy is a task of the Committee of the Board of Directors.

A further key instrument to assist the Board of Directors in fulfilling its supervisory and control function is the Internal Audit unit, which conducts its activities in compliance with the internationally recognized standards of the Swiss Institute for Internal Auditing (SIIA) and the Institute of Internal Auditors (IIA). The duties and powers of Internal Audit are laid down in a specific set of rules. As an independent body, it examines in particular the internal control systems, management processes and risk management.

In addition, the Chairman of the Board receives all minutes of the GEM meetings. He also exchanges information with the CEO on a regular basis (weekly) as well as with the other GEM members.

4. Senior management

Senior management is responsible for the operational management of the parent bank as well as VP Bank Group as a whole and is therefore referred to as the Group Executive Management (GEM). Its authorities and tasks are set out in OBR as well as in the job descriptions of the individual GEM members. The Chief Executive Officer (CEO) bears responsibility for overall management and Group-wide coordination.

GEM members meet once a week for a half-day session. In addition, further meetings and seminars are held to address strategy and internal company development as well as annual planning, budgeting and other topics of current importance.

4.1 Members of senior management

As at December 31, 2009, the Group Executive Management team (GEM) consisted of the following individuals:

Name	Year of birth	Funktion	Joined VP Bank	GEM Member since
Fredy Vogt	1958	Chief Executive Officer (CEO) ad interim Chief Financial Officer (CFO)	1987	1996
Georg Wohlwend	1963	Head of Intermediaries business unit	1994	1998
Ernst Näf	1958	Head of Private Banking Clients business unit	2003	2003
Gerhard Häring	1962	Head of Banking Services unit	2000	2005

On August 25, 2009, Adolf E. Real stepped down from his post as Chief Executive Officer (CEO). Subsequently, Deputy CEO Fredy Vogt assumed the function of CEO on an ad interim basis.

Fredy Vogt (born September 11, 1958; citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since 1996. He is Chief Financial Officer (CFO) of VP Bank as well as VP Bank Group. Fredy Vogt, who until August 25, 2009, had simultaneously held the position of Deputy CEO, took over as ad interim CEO on that date. He is also Head of the Corporate Center and bears responsibility for the Group Finance, Group Treasury, Group Legal Services & Compliance, Group Human Resources Management, Corporate Development, Corporate Communication and Group Marketing central staff functions (see chapter "Segments", page 45). Educational background: Fredy Vogt is a Swiss Federally Certified Expert in Accounting and Controlling as well as a Swiss Certified Public Accountant.

Professional background: Liechtensteinische Landesbank, Vaduz; AREVA AG, Vaduz (trust auditor); joined VP Bank in 1987 (Deputy Head of Internal Audit; Head of Controlling as of 1990); since 1996, GEM member (responsible for finance, corporate clients and intermediaries, trading, real estate and security); CFO since 2003 and CEO ad interim since August 25, 2009.

Other activities and vested interests: Fredy Vogt serves as Chairman of the Board of Trustees of the Treuhand-Personalstiftung, Vaduz (pension fund).

Georg Wohlwend (born May 26, 1963, citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since 1998. He is the Head of the Intermediaries business unit of VP Bank (see chapter "Segments", page 41) as well as the Fund Solutions competence center, and is Chairman of the Board of IFOS Internationale Fonds Service Aktiengesellschaft, Vaduz. Educational background: studied business information management (lic. oec.) at the University of Zurich; postgraduate studies at the Swiss Banking School; continuing education program of the Martin Hilti Foundation in Tulsa (USA). Professional background: Department of Informatics at the University of Zurich (collaboration in the implementation of a prototyping tool); joined VP Bank in 1994 (Internal Organization department); 1996, Head of Internal Organization; as of 1998, GEM member (Production and Information Technology units); since 2003 Head of the Trust Banking business unit and, as of July 1, 2008, Head of the Intermediaries business unit. Other activities and vested interests: Georg Wohlwend is a member of the Council of the Liechtenstein University of Applied Sciences.

Ernst Näf (born August 3, 1958, Swiss citizen) has been a member of the GEM of VP Bank, Vaduz, since September 1, 2003. Upon joining VP Bank, he became Head of the Private Clients business unit; in conjunction with the July 1, 2008, reorganization, he was named Head of the newly formed Private Banking Clients business unit (see chapter "Segments", page 39). Educational background: Swiss Certified Banking Specialist; graduate of the Swiss Banking School; graduate of the Senior Executive Development Program of Columbia University, New York City (USA). Professional background: various positions and management functions at Swiss Bank Corporation (in Switzerland and abroad) and (after the merger of UBS/SBC) at UBS AG, Zurich; as of 1998 at UBS AG, Zurich, as Managing Director of the Private Banking Germany business unit; joined VP Bank in 2003 as Head of Private Clients (today, the Private Banking Clients business unit).

Gerhard Häring (born November 9, 1962, citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since July 1, 2005. He is Head of the Banking Services unit (see chapter "Segments", page 43). Education: Information management specialist (KV Basel and SBC Basel); Advanced Executive Program of the Swiss Banking School. Professional background: Swiss Bank Corporation, Basel (development of options, foreign exchange and liquidity projects); Swiss Volksbank, Bern (mandate to develop database and analysis concepts); Swiss Volksbank, Zurich (consulting mandate); BNP, Basel (Head of IT Development); UBS, Luxembourg (consulting mandate); Bank für Handel und Effekten, Zurich (Head of IT and Organization unit); MMI Unternehmensberatungs AG, Zurich (member of

senior management); Syseca (Switzerland) AG, Zurich (general manager); joined VP Bank in 2000 as Head of the Information Technology department; since July 1, 2005, Head of the Banking Services unit.

4.2 Other activities and vested interests

The other activities of the GEM members and any relevant vested interests can be found in the biographies shown in Point 4.1.

4.3 Management contracts

VP Bank has no management contracts with third parties that involve the delegation of management functions.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the share ownership programs

In its function as the Nomination & Compensation Committee, which is exclusively composed of independent members of the Board of Directors (see section 3.5.2, page 54), the Committee of the Board of Directors proposes to the Board the principles and rules for the compensation of the Chairman, Directors and GEM, as well as the amount of remunerations paid to members of both of those corporate bodies. The Board of Directors approves the aforementioned principles and rules and determines the amount of total compensation payable to Board and GEM members.

5.1.1 Board of Directors

Members of the Board of Directors receive compensation for the duties and responsibilities conferred on them by law and pursuant to Art. 20 of the Articles of Incorporation. This is determined annually by the Board of Directors at the proposal of the Committee of the Board of Directors in its capacity as Compensation Committee. It is distributed to the members of the Board of Directors on a graduated basis according to their function in the Board of Directors and its committees or in other corporate bodies (e.g. the pension fund). Three-quarters of this compensation is paid in cash, and one-quarter in the form of freely disposable VP Bank bearer shares, the number of which is determined by the current market price at the time of grant. At VP Bank, there are no agreements pertaining to "golden parachutes" for members of the Board of Directors.

5.1.2 Senior management (Group Executive Management)

A long-term, value-oriented compensation model applies to the GEM and second-level management members of VP Bank. Under this model, the compensation paid to members of senior management consists of the following:

1. A fixed base salary that is contractually agreed between the Committee of the Board of Directors (in its function as Nomination & Compensation Committee) and the members of Group Executive Management. In addition to the base salary, VP Bank will pay proportionate contributions to cadre insurance and the pension fund.
2. A variable performance-based component (Short-Term Incentive, STI), which is dependent on the annual profit of VP Bank Group as well as individual achievement of targets and is paid annually in cash.
3. A variable long-term management share ownership scheme (Long-Term Incentive, LTI) with grants in the form of VP Bank bearer shares. On August 20, 2009, the Board of Directors decided to modify the existing LTI, whereby the fundamental principles of the scheme still apply. In this regard, the focus is on added value (economic profit), the principle of "Pay for performance", as well as the long-term commitment of management to receiving a variable compensation component in the form of VP Bank shares. The most significant change versus the previous five-year plan is represented by the change to a three-year, rolling performance period. The number of shares granted upon termination of the plan is directly dependent on the trend in economic profit of VP Bank Group. More or fewer shares will be granted in reflection of that financial trend, with the related factor ranging from a minimum of 0.5 to a maximum of 2.0 (previously 2.5). The monetary value of the compensation paid in the form of shares at the end of the plan is also dependent on the current market price of VP Bank bearer shares. The shares required to cover the LTI stock ownership plan will come either from the holdings of VP Bank Group or by means of open-market purchases of the shares.

At VP Bank, there are no agreements on severance compensation for acting members of Group Executive Management. In connection with the departure of Adolf E. Real from the GEM and in reflection of his 26 years of activity on behalf of VP Bank, a termination grant was agreed in the amount of CHF 975,000.

5.2 Transparency of compensation, shareholdings and loans pertaining to issuers domiciled abroad

As a SIX-listed issuer domiciled abroad, VP Bank discloses information on compensation, shareholdings and loans within the context of Section 5.2 of the Commentary on the Corporate Governance Directive dated September 20, 2007, i.e. corresponding to Art. 663b^{bis} of the Swiss Code of Obligations. The details in this regard can be found in the Financial Report and individual company accounts of Verwaltungs- und Privat-Bank AG, Vaduz, (see page 181 f).

6. Shareholders' participation rights

6.1 Voting rights and representation restrictions

Each registered share and bearer share grants the holder the right to one vote at the Annual General Meeting of VP Bank, irrespective of the par value of such shares. Each shareholder may either attend in person or be represented by another shareholder by means of a written proxy. There are no voting rights restrictions or statutory group clauses.

6.2 Statutory quorums

Amendments to the Articles of Incorporation regarding a change in the relationships of bearer shares to registered shares (Articles of Incorporation, Art. 4 par. 2) as well as to the provisions governing the restriction of registration of registered shares (Articles of Incorporation, Art. 7 par. 2) require at least a two-thirds majority approval via the voting rights of all shares issued by VP Bank (Articles of Incorporation Art. 14 par. 4).

6.3 Convocation of the Annual General Meeting of shareholders

Convocation of the Annual General Meeting is made in accordance with the provisions of law and the Articles of Incorporation (Art. 11).

6.4 Agenda

The agenda for the Annual General Meeting is based upon the provisions of law and those of the Articles of Incorporation (Arts. 11 to 14).

6.5 Inscriptions into the share register / invitation to the Annual General Meeting

Registered shares are entered into the share register with the name, citizenship and address of the owner. Only registered shareholders are entitled to exercise membership rights vis-à-vis the company. The deadline for registration and entitlement to participate (as per the Articles of Incorporation, Art. 11 par. 1) is 21 days prior to the date of the Annual General Meeting.

Registered shareholders who have been entered into the share register by that deadline, as well as bearer shareholders whose shares are held in the custody of VP Bank, receive an invitation to the Annual General Meeting as well as the related agenda, sent to the address known to VP Bank at the time of dispatch. Upon returning their reply card, shareholders receive an entry pass together with the relevant voting material.

The invitation to the Annual General Meeting is also published in Liechtenstein newspapers and the Swiss financial press.

7. Changes of control and defense measures

The provisions of the Stock Exchange Act concerning public takeover offers apply only to companies whose registered office is in Switzerland. Accordingly, the Articles of Incorporation of VP Bank contain no clauses governing the duty to make an offer or changes in control.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Ernst & Young AG, Bern, have acted as auditors of Verwaltungs- und Privat-Bank Aktiengesellschaft since 1956 (in accordance with PGR¹) and since 1994 as Group auditors of VP Bank Group. In addition, Ernst & Young AG executes the mandate as statutory auditors within the context of the Liechtenstein Banking Act (Art. 37 ff. BankA). The auditor in charge², Stefan Fuchs, has been responsible for the VP Bank mandate since 2007 (Annual General Meeting of April 27, 2007) and the senior auditor, Christian Bögli, has been involved in this mandate since July 2008.

8.2 Auditing fees

During the 2009 financial year, Ernst & Young AG charged VP Bank Group fees in the amount of CHF 1.92 million (prior year: CHF 1.73 million) for services rendered in connection with the audits of the annual financial statements of VP Bank and the Group subsidiaries (with the exception of Proventus Treuhand und Verwaltung AG), as well as the audit of the consolidated financial statements of VP Bank Group.

8.3 Additional fees

Ernst & Young AG also rendered auditing-related services to VP Bank in the amount of CHF 0.19 million (previous year: CHF 0.53 million). The services invoiced include support and audits relating to:

- IT project accompaniment and project review in the system changeover from Penta to Avaloq;
- Services in connection with various regulatory issues.

Checks were also carried out to ensure compliance with Liechtenstein law on due diligence and Swiss money laundering legislation.

8.4 Informational instruments pertaining to the external audit

The Audit & Risk Management Committee reviews the multi-year audit planning as well as the planned annual auditing activities and, in a specific agenda item, discusses these issues with the auditor in charge of the external auditing firm and the Head of Group Internal Audit. The Audit & Risk Management Committee attaches particularly great value to a risk-oriented approach in the planning and conduct of the audit, as well as a reasonable degree of coordination between the external auditors and the Internal Audit unit.

All reports by the auditors are reviewed at meetings of the Audit & Risk Management Committee and external auditors. In 2009, the external auditors were present at all meetings of the Audit & Risk Management Committee in which external audit-related items were on the

¹ Persons and Companies Act of the Principality of Liechtenstein (PGR).

² VP Bank deems the "lead auditor" under DCG to be the "auditor in charge".

agenda. In addition, the auditor in charge attended a Board of Directors meeting to present and discuss the audit report prescribed under the Banking Act.

The Audit & Risk Management Committee evaluates and forms an opinion on the effectiveness and independence of the external auditors on an annual basis. As a part of this, it relies on the documentation generated by the external auditors; for example, the report prescribed under BankA, the "management letter", as well as oral and written statements of position on specific aspects and technical issues in connection with accounting and the audit. In addition, an annual systematic assessment is conducted on the basis of checklists and comparisons of compensation paid within the industry, which in turn is used as the foundation for a proposal to the Board of Directors for the attention of the Annual General Meeting with regard to the election of statutory auditors and Group auditors.

9. Information policy

All publications of VP Bank required by law are made in a legally binding manner in the official Liechtenstein publication media (Articles of Incorporation, Art. 25 Point 1).

VP Bank informs shareholders and capital-market participants in an open, comprehensive and timely manner. Its information policy is based on the principle of equal treatment of all capital market participants.

VP Bank informs shareholders and capital market participants by means of detailed annual and semi-annual reports, which are prepared for VP Bank Group in accordance with International Financial Reporting Standards (IFRS), as well as via media releases concerning the latest changes and developments at VP Bank. As a company listed on SIX Swiss Exchange, VP Bank is also subject in particular to the obligation to publicize immediately any price-sensitive facts (ad hoc publicity obligation).

Agenda

Annual General Meeting: April 30, 2010

Semi-annual report 2010: August 31, 2010

Annual Press & Analyst Conference: March 15, 2011

Investors and other interested parties can find additional information on the Bank, as well as the Articles of Incorporation, OBR, etc. at the website www.vpbank.com.

Contact

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