2004

ANNUAL REPORT

VP BANK

The English version of the VP Bank annual report was translated from the German version which shall be binding in case of disparities.

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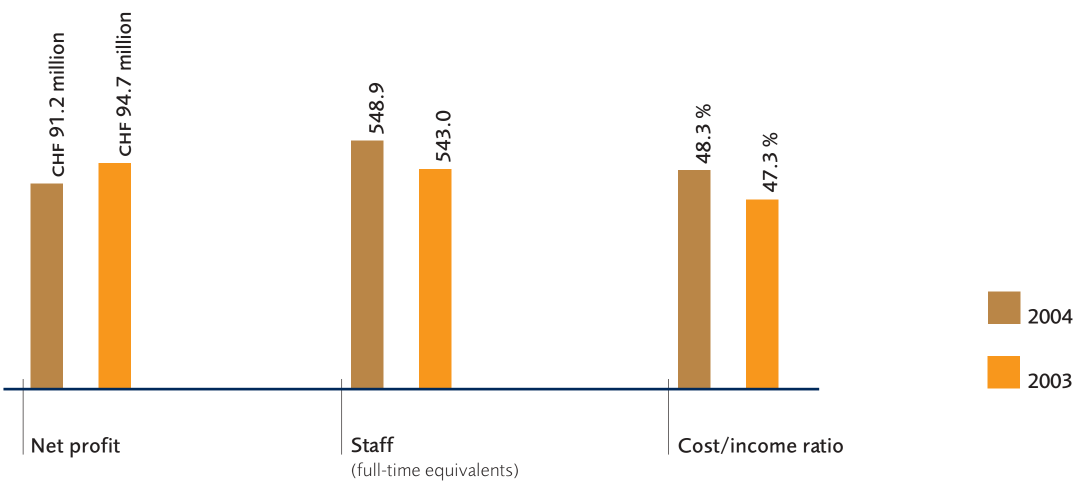


Key figures VP Bank Group

	2004	2003	Change in %
Key balance sheet figures in CHF million			
Total assets	7,888.8	8,170.7	-3.5
Due from banks	3,986.7	4,512.2	-11.6
Due from customers	2,725.7	2,600.0	4.8
Due to customers	6,684.9	6,983.0	-4.3
Total shareholders' equity	790.8	744.2	6.3
Shareholders' equity ratio (in %)	10.0	9.1	10.1
BIS tier 1 capital ratio (in %, excl. net profit)	15.4	14.3	7.6
Key income statement figures in CHF million [1]			
Total operating income	260.4	264.5	-1.5
Net interest income	99.0	109.4	-9.4
Net fee and commission income	122.4	111.9	9.4
Net trading income	22.0	19.4	13.8
Operating expenses	125.9	125.0	0.7
Net profit	91.2	94.7	-3.7
Client assets under management in CHF million [1]	**26,108.1**	**25,808.7**	**1.2**
On-balance-sheet customer deposits	6,818.0	7,159.4	-4.8
Fiduciary transactions	1,540.5	1,650.1	-6.6
Client accounts	17,749.6	16,999.2	4.4
Key figures			
Foreign assets as percentage of total assets	57.1	58.0	-1.6
Return on equity (in %)	11.5	12.7	-9.4
Cost/income ratio (in %)	48.3	47.3	2.3
Staff (full-time equivalents, excluding trainees) [2]	548.9	543.0	1.1
Total operating income per employee in CHF 1,000	474.5	487.1	-2.6
Total operating expenses per employee in CHF 1,000	229.4	230.2	-0.4
Net profit per employee in CHF 1,000	166.2	174.4	-4.7
Per-share figures VP Bank in CHF [3]			
Basic earnings per bearer share	15.42	16.02	-3.7
Basic earnings per registered share	1.54	1.60	-3.7
Dividend per bearer share	6.00 [4]	5.00	20.0
Dividend per registered share	0.60 [4]	0.50	20.0
Net dividend yield (in %)	3.1	2.4	29.1
Shareholders' equity per bearer share	133.70	125.81	6.3
Shareholders' equity per registered share	13.37	12.58	6.3
Price of bearer shares	187.00	200.00	-6.5
Price of registered shares	18.00	19.75	-8.9
Highest price of bearer shares	224.00	206.00	8.7
Lowest price of bearer shares	159.50	111.00	43.7
Market capitalization (in CHF million)	1,106	1,183	-6.5
Price/earning ratio per bearer share	12.12	12.49	-2.9
Price/earning ratio per registered share	11.67	12.33	-5.4

[1] Detailed information on the business units can be found in the Financial Report 2004, page 88, as well as in the Annual Report 2004, page 35.
[2] In accordance with legal provisions, apprentices have been accounted for at 50% in total staff
[3] Based on outstanding shares on the balance sheet date: 5,914,764
[4] Subject to approval by the General Meeting

01 | Financial Year 2004

“Disciplined on the path to...

Financial Year
2004

01

Hans Brunhart
Chairman of the Board

Adolf E. Real
Chief Executive Officer (CEO)


01
Financial Year
2004
...success”

Success factors reinforced – basis for growth established

Dear Shareholders,
Ladies and Gentlemen

We are pleased to present you the VP Bank Group's Annual Report for 2004 and related financial statements. The political and economic environment developed erratically during the period under review and was also shaped by various risks throughout the world. Nevertheless, current economic data lend confidence to the assumption that 2004 laid the foundation for further improvements in the business climate.

In the 2004 financial year, the VP Bank Group recorded a gross profit of CHF 134.5 million (2003: CHF 139.4 million), which represents a 3.5 percent decline versus the previous year. Net profit stood at CHF 91.2 million (2003: CHF 94.7 million), 3.7 percent lower than the prior-year level.
Net interest income fell by 9.4 percent to CHF 99.0 million (2003: CHF 109.4 million). The decrease was mainly attributable to a lower balance sheet total as well as costs associated with the hedging of interest risks.
Net fee and commission income, on the other hand, rose by 9.4 percent to CHF 122.4 million (2003: CHF 111.9 million), primarily due to increased revenues from investment fund products. Net trading income grew by 13.8 percent to CHF 22.0 million (2003: CHF 19.4 million), whereas other income fell in comparison to the previous year by 28.7 percent to CHF 17.0 million (2003: CHF 23.8 million). The changes in net trading and other income are mainly attributable to trading results and the elimination of value adjustments that were no longer necessary.

Despite the increase in front-office staff, operating expenses remained stable in comparison to the previous year, rising by an insignificant 0.7 percent to CHF 125.9 million (2003: CHF 125.0 million).
The Group's cost/income ratio stood at 48.3 percent (2003: 47.3 percent) and thus once again remained below the 50 percent level.
The consolidated balance sheet total of CHF 7.9 billion as at December 31, 2004, was 3.5 percent lower than in the previous year (31.12.2003: CHF 8.2 billion).
On the balance sheet date, the VP Bank Group had shareholders' equity of CHF 790.8 million (2003: CHF 744.2 million). With a BIS tier 1 ratio of 15.4 percent (2003: 14.3 percent), the shareholders' equity ratio is approximately double the legal requirement.
Client assets under management in 2004 rose by 1.2 percent to CHF 26.1 billion (2003: CHF 25.8 billion).
The latter development was not in line with our expectations, but we continue to stand by our established goal in this regard and are convinced that the foundation for achieving that target has been laid by the activities undertaken during the year under review.

On the whole, we consider the results of the 2004 financial year to be satisfactory. In particular, the apportionment of revenues demonstrates that the VP Bank Group's business model has proven its worth under varying business conditions and contributed to the achievement of stable results, while creating synergies in terms of providing a total service to clients.

Dividend increase

The parent Bank in Vaduz recorded a net profit of CHF 80.9 million (2003: CHF 78 million). The Board of Directors will propose at the April 29, 2005, annual shareholders meeting that the dividend be increased to CHF 6.– per bearer share and CHF 0.60 per registered share (previous year: CHF 5.– per bearer share and CHF 0.50 per registered share). The net result will be an attractive dividend for shareholders and a sufficient funding of reserves. Given the securities market environment and higher level of shareholders' equity, the Board of Directors considers its proposal to be a balanced means of generating value for all stakeholders. The payout ratio will amount to 39.0 percent (2003: 31.3 percent), and the dividend yield will be a net 3.1 percent (2003: net 2.4 percent).

2004 in retrospect – Success factors reinforced

Over the past five years, the VP Bank Group – and the financial industry in general – has been confronted with tremendous challenges in terms of global networking, technological evolution and changing client expectations. Added to that were heightened regulatory influences at the domestic and international level, whereby the changes within Liechtenstein's financial center were of particular significance to the VP Bank Group.

We resolutely oriented our strategy to the new circumstances right from the start. We established the Private Clients division within our business model as a distinct business unit separated from our intermediaries activities, and combined these two key pillars with our Corporate Clients and Personal Banking divisions to create a market position that has proven to be successful and future-oriented even in challenging times.

Maintaining a low cost basis and expanding the marketing organization are major principles of this strategy. The two are closely interlinked, given that low overhead contributes significantly to financing activities in the market that have become necessary as a consequence of changed circumstances. International studies and comparisons between private banks reveal that VP Bank holds a leading position in terms of cost management.

The priority is to strengthen the Bank's presence and activities in our target markets. By launching a new brand two years ago, VP Bank created a fresh and attention-getting image for itself. This in turn has been the basis for reinforcing our presence in the marketplace. Last year, VP Vermögensverwaltung GmbH opened for business in Munich. Its mission is to cater to the needs of German clients locally and provide them with the full services of the VP Bank Group. VP Bank will open a representative office in Moscow in the first quarter of 2005, having already received official approval in late 2004. Russia as well as Central and Eastern Europe represent growth markets with great potential. Our presence in Moscow should contribute to a better understanding of the special characteristics of these new markets and meeting the necessary compliance requirements, while supporting our successful business activities in the region.

Both VP Vermögensverwaltung GmbH in Munich and the representative office in Moscow are integral parts of a market penetration strategy that coordinates and strengthens the client-acquisition efforts of the entire VP Bank Group.

As a third element in the creation of a solid base for its future development, VP Bank in 2004 began a full analysis of its operational procedures within the framework of the "Business Excellence" program. Its aim was to orient procedures to internationally recognized standards, optimize quality, ensure process viability and systematize the deployment of resources. All of those factors are essential to the quality of our customer service. Independent rankings have attested to the Bank's excellence in terms of cultivating client relationships. Business Excellence should significantly enhance the progress that has been made to date. [1]

At the end of the 2004 financial year, André Ruppli, Executive Board member and Chief Investment Officer, left VP Bank to pursue new professional challenges. Over the past years, Mr. Ruppli played a key role in the successful overhaul of the Bank's asset and liability management process, as well as in expanding the Investment Management division. VP Bank thanks Mr. Ruppli for his commitment and professionalism. The division is being headed on an ad interim basis.

[1] See pages 29ff, 'Business Excellence'.

Strategy takes circumstances into account

Conditions within the financial markets and financial services industry described earlier will have ongoing consequences over the coming years. An additional factor is the more stringent regulatory framework; current international trends do not seem headed towards liberalization in this regard. From the vantage point of the VP Bank Group and Liechtenstein's financial industry, there are in fact two aspects to the latter development. Adoption of international regulations has created greater clarity and legal certainty for financial services companies in Liechtenstein, and acceptance of Liechtenstein as a financial center has increased significantly as a result. That effect will be further enhanced through agreements reached between Liechtenstein and the European Union regarding taxation of interest income.

These circumstances have been incorporated into the strategic orientation of the VP Bank Group. Aside from its existing offshore business – a proven and expandable core activity that will continue to be fostered – the Group will significantly broaden its onshore asset management activities on behalf of private clients.

Far from being temporary in nature, the Business Excellence program is a long-term undertaking aimed at systematically improving established processes and procedures, and hence quality, through the application of recognized standards.

Particular weight will continue to be placed on cost management. VP Bank's strategy envisions an independent future for our Group. Its financing efforts must also be in line with that objective, by ensuring that investments necessary to meet the challenges can in fact be made. It remains a goal of VP Bank to maintain its low cost/income ratio of less than 50 percent, even though expansion of our marketing organization will continue to require considerable funding.

The foundation of the VP Bank Group's strategy is its vision of ranking among the best private banks. That claim must be backed up in every contact with clients, employees, shareholders and the general public. Thus the VP Bank brand is more than just a means of communication; it also represents the standard for all of the Bank's activities and is a basis for the focused development of its corporate culture. Client satisfaction and employee commitment, two decisive elements in the development of the entire organization, are measured periodically and steered proactively by setting new targets.

Outlook for 2005 – Basis for growth established

Our activities in 2005 will be geared to these fundamental objectives. In addition to opening the representative office in Moscow, Group-wide market penetration efforts will be resolutely pursued and reinforced on new fronts.

Analyzing the findings of a broad-based client satisfaction survey will contribute to systematic improvement in our key performance indicators. As our objectives make clear, particular emphasis will be placed on increasing the amount of client assets under management. In terms of increasing our gross margin, further efforts will be made to continue the favorable trend of the past year.

We are convinced that the VP Bank Group, both in its strategic orientation and as a private bank, will hold its own in a competitive environment. This can be expected as a result of the excellent quality of the Bank's services, and its international network of relationships. The focus of our efforts on strategically decisive issues and opportunities will contribute favorably to the Group's development.

Sincere gratitude

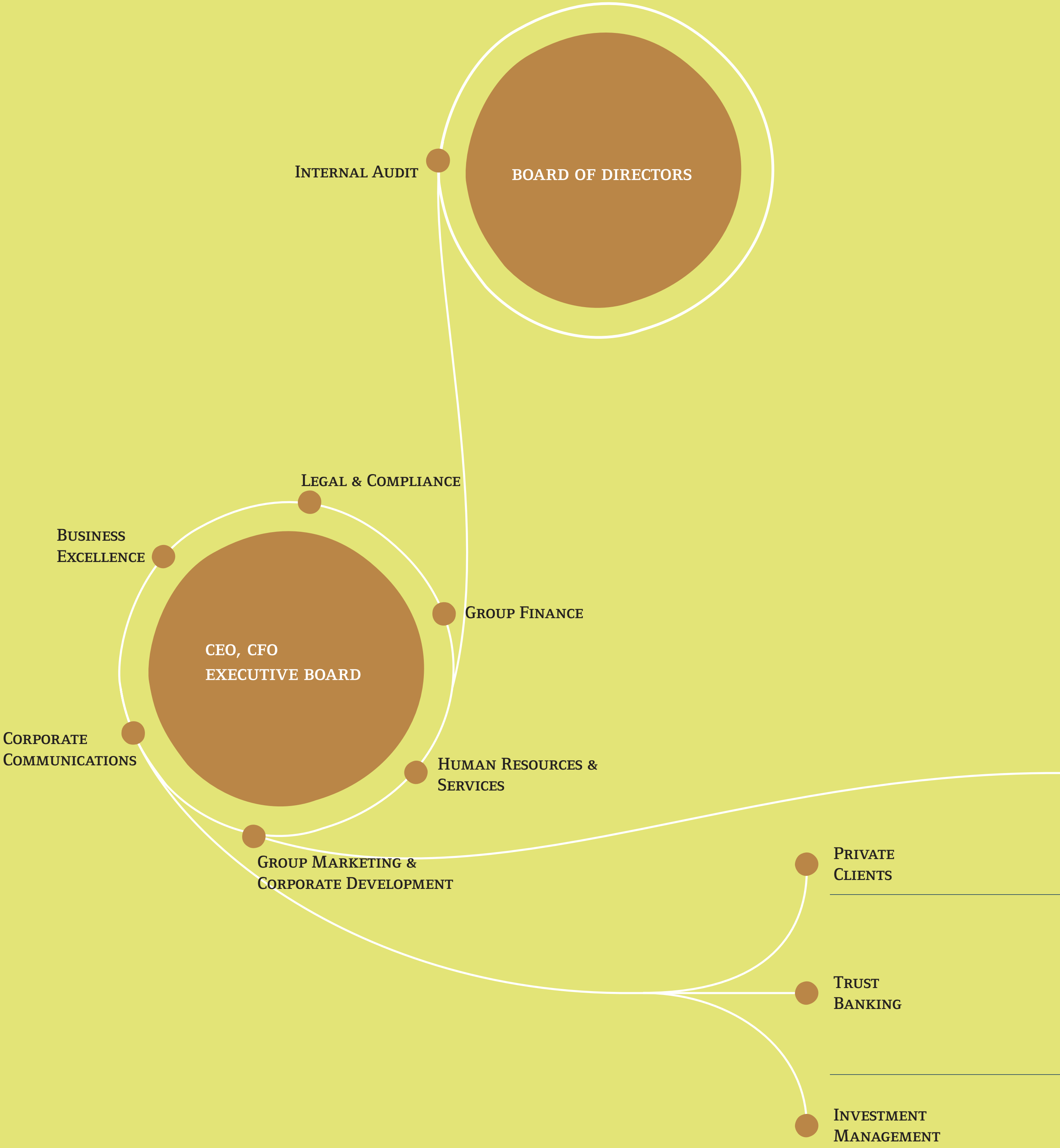
In the 2004 financial year, the VP Bank Group covered an important stretch along the road to achieving its strategic goals. That was only possible through the support of its stakeholders. We would like to thank our clients for the abiding trust they have placed in VP Bank yet again during the past year. The success of our organization is heavily dependent on the commitment of our employees and, on behalf of the entire Board of Directors and Executive Board, we would like to express our sincere gratitude to each and every one of them, as well as to the members of our International Advisory Board for their competent counsel.

And not least of all, our thanks go to you, our valued shareholders, for your support of our goals and trust in our work. Both of those factors are key to our confidence in the future.

Hans Brunhart
Chairman of the Board

Adolf E. Real
Chief Executive Officer (CEO)

01 Financial Year 2004



Structure of the VP Bank Group

	Liechtenstein	Zurich	Luxembourg	BVI	Munich
Personal Banking	●				
Private Banking	●	●	●	●	●
Intermediaries	●	●	●	●	
Corporate Clients	●				
IT	●				
Capital Management Group	●				
Production	●				

Board of Directors

At the annual shareholders meeting on April 30, 2004, the terms of office of Board members Dr. Guido Meier, Roland Feiger and Markus Thomas Hilti expired. They stood for reelection and the General Meeting elected each of them to an additional three-year term of office.

The Board of Directors will propose at the annual shareholders meeting on April 29, 2005, that Prof. Dr. Beat Bernet, Dr. Matthias Donhauser and Walo Frischknecht, whose terms of office will expire, each be reelected to an additional three-year term of office.

Markus Thomas Hilti
Hans Brunhart
Guido Meier
Roland Feger
Matthias Donhauser
Beat Bernet
Walo Frischknecht
(l. to r.)

Chairman
Hans Brunhart [1, 2]
Balzers
Fürstlicher Rat

Honorary Chairman
Dr. Heinz Batliner
Vaduz
Fürstlicher Kommerzienrat

Secretary's office
Angelika Stöckel

Vice Chairman
Dr. iur. Guido Meier [1]
Vaduz
Attorney-at-Law and Chairman of the Board of Trustees of the Allgemeines Treuunternehmen (ATU), Vaduz

Prof. Dr. Beat Bernet
Ebertswil
Director of the Institute for Banking and Finance, University of St.Gallen

Dr. iur. Matthias Donhauser
Vaduz
Attorney-at-Law

Roland Feger [2]
Buchs
Chairman of the Executive Board of the Allgemeines Treuunternehmen (ATU), Vaduz

Walo Frischknecht [2]
Wilen
Consultant

lic. oec. Markus Thomas Hilti [1]
Schaan
General Manager of the Martin Hilti Family Trust, Schaan

1 Member of the Committee of the Board of Directors
2 Member of the Audit Committee

Executive Board

At the end of 2004, André Ruppli, Chief Investment Officer and a member of the Executive Board, left VP Bank to pursue new professional challenges. Over the past years, Mr. Ruppli played a key role in the successful overhaul of the Bank's asset and liability management process, as well as in expanding the Investment Management division.

Fredy Vogt
Adolf E. Real
Ernst Näf
Georg Wohlwend
(l. to r.)

Adolf E. Real
dipl. Ing. ETH, MBA
Chief Executive Officer

Fredy Vogt
Certified Bookkeeper/Controller,
Certified Accountant
Chief Financial Officer

Ernst Näf
Certified Banking Specialist
Head of Private Clients

Georg Wohlwend
lic. oec.
Head of Trust Banking

Business Divisions and Central Staff Functions

Organization chart

Thomas Pixner
Private Banking

Werner Wessner
Personal Banking

Günther Kaufmann
Intermediaries

Herbert Risch
Corporate Clients

Gerhard Häring
IT

Günther Hotz
Capital Management Group

Andreas Zimmerli
Production

Martin Brander
Business Excellence

Kim-My Schefer
Corporate Communications

Thomas Frommelt
Group Marketing & Corporate Development

Karl Walch
Human Resources & Services

George M. Isliker
Group Finance

Thomas Ritter
Legal & Compliance

Subsidiaries and Auditors

Management VP Bank (Schweiz) AG Zurich	**Stefan Gugger, Dr.** President	**Daniel Hug**[1] Member of the Board of Management
Management VP Bank (Luxembourg) S.A. Luxembourg	**Hans Gerner** Member of the Board of Management	**Yves de Vos** Member of the Board of Management
Management VP Bank and Trust Company (BVI) Ltd. British Virgin Islands	**Peter Reichenstein, Dr.** Managing Director	
Management VP Bank Fondsleitung AG Vaduz	**Peter Bargetze** President	**Wolfgang Mayer** Member of the Board of Management
Management IFOS Internationale Fonds Service AG Vaduz	**Wolfgang Mayer** President	**Peter Bargetze** Member of the Board of Management
Management IGT Intergestions Trust reg. Vaduz	**Viktor Büchel** General Manager	
Management VP Vermögensverwaltung GmbH Munich	**Franz Wamsler** General Manager	
Management Representative Office Moscow	**Markus Huber** Representative	
Internal Audit	**Lorenz Benz** Head Internal Audit	**Nikolaus Blöchlinger** Deputy Head
External Auditors	**Ernst & Young AG, Bern**	

[1] As of May 1, 2005

International Advisory Board

Hans Brunhart
Fürstlicher Rat
Chairman

Rolf Kormann, Dr. iur.
Vice Chairman
Former President of the Executive Board of VP Bank Aktiengesellschaft, Vaduz/FL

David Beattie
Former Ambassador of the United Kingdom to Switzerland and Liechtenstein, London/GB

Alain Hirsch, Prof.
Avocat Professeur honoraire de l'Université de Genève, Conseil de Schellenberg Wittmer, Genève/CH

Max E. Katz
Chief Financial Officer and Member of the Executive Board, Kuoni Reisen Holding AG, Adliswil/CH

Matthias Kleinert
Advisor to the Chairman, DaimlerChrysler AG, Stuttgart/D

Michael Kohn, Dr. h.c. sc. Techn.
Honorary Chairman of the Arbeitskreis Kapital und Wirtschaft (akw), Zurich/CH

Daniel Cardon de Lichtbuer
Honorary Chairman of the Board of Directors of Banque Bruxelles Lambert (BBL), Overijse/B

H. S. H. Prince Nikolaus von und zu Liechtenstein
Ambassador of the Principality of Liechtenstein at the European Union, Brussels/B

Adolf E. Real
Chief Executive Officer of VP Bank Aktiengesellschaft, Vaduz/FL

Daniel N. Regolatti
Former Finance Director, Nestlé Group, Vevey/CH

Heinrich Treichl, Dr.
Former General Manager and President of the Board of Management, Creditanstalt-Bankverein, Vienna/A

Tjerk E. Westerterp, Drs.
Former President of the European Options Exchange, Amsterdam/NL

02 | Business Excellence

“Perfection lies in...

02

Business Excellence

02 Business Excellence

Business Excellence – belonging to the best

In early 2004, VP Bank institutionalized Business Excellence (BEX) as a Central Staff function and became a member of the European Foundation for Quality Management (EFQM). Business Excellence is more than just an organizational unit – it is a proven concept and a corporate philosophy based on the EFQM model. It is also a total quality model that simultaneously fosters client orientation, increased quality and the effectiveness of business processes.

EFQM: The European model for excellence

The EFQM model is a results-oriented corporate management tool. Its criteria address "enablers" and overall results in equal measure. The term "enablers" refers to those functions within a company that make it possible to achieve excellent results in the first place. Criteria pertaining to results are not only financial in nature, but also encompass non-financial quantities that are relevant to achieving excellent performance. Results are measured, compared to a benchmark, carefully scrutinized and, if necessary, adapted in a process of continual improvement. The EFQM model is convincing for the following reasons:

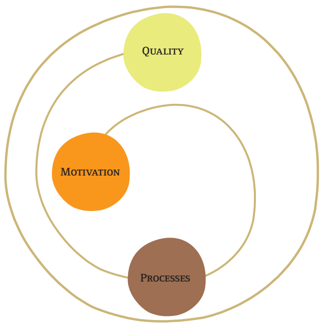
- it is based on a management system that is holistically focused on key success factors, hence it is clearly results-oriented;
- it takes employees into account and creates leeway for innovations;
- it facilitates the identification of priorities, the optimal deployment of resources, as well as the enhancement of quality.

02 Business Excellence

The VP Bank Excellence Program

In setting up its "Business Excellence" program for achieving the highest possible quality, VP Bank has tailored the EFQM model to accommodate the Bank's specific circumstances. The program adopts a holistic perspective that covers all areas of corporate management. To achieve business excellence, VP Bank as an organization must:

- develop a comprehensive grasp of all aspects of management and resolutely pursue the Bank's established goals;
- increasingly integrate appropriate procedures and results-orientation in the management process;
- accord the highest priority to continual learning, innovation and improvement;
- include all of the company's stakeholders.



Implementing Business Excellence is a demanding, ongoing task that requires a substantial investment of time, energy and perseverance. This is reflected in the example set by Banc Internacional d'Andorra – Banca Mora. Becoming the first bank to win the European Quality Award for Business Excellence took no less than seven years of effort.

In 2004, VP Bank laid the foundation for the establishment, operation and full understanding of Business Excellence. By devising and subsequently conducting self-assessments in specific departments, the Bank produced a status report that revealed a number of strengths as well as various areas in which there is potential for improvement. The bottom-up approach of this procedure is supplemented with targets determined by the Executive Board.

The three success factors

Quality, motivation and processes are the decisive success factors for Business Excellence at VP Bank.

- Quality constitutes the basis of customer satisfaction, and it is the most important differentiating characteristic in a highly competitive marketplace. It is an indispensable prerequisite for achieving sustainable, outstanding results. Quality must be just as evident in the professionalism of the Bank's financial advice as it is in the related business processes. Group-wide quality assurance gains expression through the relentless effort to become better – and then, better still.
- Motivation on the job is a prerequisite for employee satisfaction and commitment. It is also necessary for critically assessing quality and processes, as well as for paving the way for innovations. Motivation is a decisive factor in achieving favorable results and encouraging even greater performance.
- Processes must be considered, supported and executed well. Process management means tackling assignments methodically and structuring the company in a process-oriented manner. Its objective is to deploy human and financial resources in ways that make processes operate more effectively.

In its effort to foster long-term, consistent thinking in this regard, as well as to imbue a thorough understanding of what management actually is, VP Bank has drawn up a process map that splits all business activity first into subprocesses and then into individual tasks (e.g. processes related to human resources, clients, investment and innovation). Networking and steering these business processes is ultimately the task of the Executive Board.

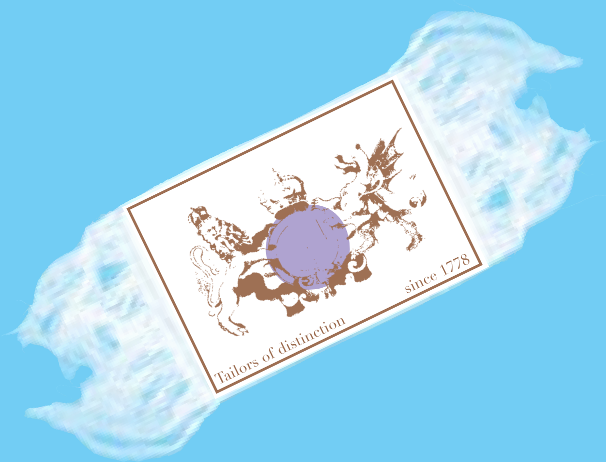
The next steps

The next steps involve achieving internal empowerment, thinking and acting in a process-oriented manner and, within the framework of the EFQM "Levels to excellence" program, being awarded its first level of certification: the "Commitment to Excellence".

Excellence means more than just being good. It means standing out from the rest, by doing completely usual things in an unusually fine way. The effort is worth it. Economic studies conducted in the USA reveal that companies which have implemented the Excellence model exhibit higher earnings and productivity, better relative share performance and more vigorous job creation than their competitors.

www.efqm.org
www.esprix.ch

03 | Segments



Segments 03

“Tailor-made quality”

03 Segments

> “Creating value through structure”

Segment reporting per business division

2004 in CHF 1,000	Private Clients	Trust Banking	Investment Management	Corporate Center incl. subsidiaries	Group total
Operating income	55,181	84,292	65,642	55,334	260,449
Operating expenses[1]	21,098	25,017	31,942	80,447	158,504
Business division results before tax	**34,083**	**59,275**	**33,700**	**-25,113**	**101,945**
Income tax expense					8,812
Net profit before minority interests					**93,133**
Minority interests					1,908
Net profit					**91,225**
Additional information					
Client assets under management (in CHF billion)	7.6	9.9	3.2	5.4	26.1
Staff (number of employees)	74	112	140	276	602
Staff (full-time equivalents)	71.4	108.2	128.0	241.3	548.9

2003 in CHF 1,000	Private Clients	Trust Banking	Investment Management	Corporate Center incl. subsidiaries	Group total
Operating income	46,404	72,645	82,331	63,075	264,455
Operating expenses[1]	19,052	25,913	30,224	89,983	165,172
Business division results before tax	**27,352**	**46,732**	**52,107**	**-26,908**	**99,283**
Income tax expense					1,561
Net profit before minority interests					**97,722**
Minority interests					2,990
Net profit					**94,732**
Additional information					
Client assets under management (in CHF billion)	7.4	9.8	3.3	5.3	25.8
Staff (number of employees)	74	105	141	274	594
Staff (full-time equivalents)	72.6	102.6	127.7	240.1	543.0

[1] Including depreciation, amortization, value adjustments, provisions and losses

03 Segments

Private Clients

Ernst Näf
Member of the Executive Board

Structure and strategy

The Private Clients division comprises the Private Banking and Personal Banking business units. This separation of business activities reflects the differing intensity and complexity of private individuals' specific advisory needs. Two key objectives are pursued in this regard. The first is to nurture the business relationship with existing clients in the endeavor to gain a larger share of their manageable assets. The second is to broaden the client base and thus increase the amount of assets under management. Both of these goals stem directly from VP Bank's overall corporate strategy, which is aimed at achieving above-average growth in the private client business.

Activities

Each private client has a distinctly personal investment objective. In order to meet the multifaceted and often complex needs of private clients, VP Bank works together with them to identify individually tailored solutions that fulfill their ambitions and expectations. An intensified and targeted approach to providing financial advice, combined with a systematic assessment of client needs, can enhance both the quality of advice and the bond with the client.

Market

- VP Bank will continue to focus its activities on the Bank's traditional target markets – Switzerland, Germany, Austria, Italy, the Benelux countries, and the Principality of Liechtenstein – and this despite the fact that competition in those markets remains fierce and the regulatory environment will become even more stringent.
- For VP Bank, the growing Eastern European market has gained significance in recent years. With the opening of a representative office in Moscow, the Bank will be breaking new ground and underscoring its interest in this region. Competent advice, individuality, continuity, as well as links with financial centers such as Liechtenstein, Luxembourg and Switzerland will all help this subsidiary to differentiate itself from competitors.

Review of 2004

- The Private Clients division operated successfully during the past financial year. Its most important goal – intensifying existing client relationships – was met in a gratifying manner and led to the "return on client assets" increasing by 12 basis points.

Segment results

in CHF 1,000	**2004**	2003	Change in %
Operating income	55,181	46,404	18.9
Operating expenses[1]	21,098	19,052	10.7
Business division result before tax	**34,083**	**27,352**	**24.6**
Client assets under management (in CHF billion)	7.6	7.4	2.7
Staff (full-time equivalents)	71.4	72.6	-1.7

[1] Including depreciation, amortization, value adjustments, provisions and losses

- As planned, VP Vermögensverwaltung GmbH in Munich commenced operations on December 1, 2004, and on the balance sheet date employed three individuals. Two or three additional relationship managers will be reinforcing the team of advisors in Munich during the first quarter of 2005. With this new company, VP Bank has created a basis for servicing clients locally in the greater Munich region and making the entire range of the VP Bank Group's products and services available to them.
- In December 2004, VP Bank was granted permission to open a new representative office in Moscow. For VP Bank, this new office represents an ideal platform for offering its full range of services to a growing number of clients in the Eastern European region. It is also an "outpost" for gaining greater insight into the special characteristics of this emerging market.

Results

- The division's operating income rose to CHF 55.2 million (2003: CHF 46.4 million). This increase is mainly attributable to the intensification of client relationships and high level of penetration with sophisticated products. Net fee and commission income rose in the 2004 financial year by 30.6 percent, whereas the partial reallocation of short-term client funds into equities led to a decline in net interest income. Nevertheless, operating income increased by 18.9 percent versus the previous year. Despite the start-up costs for the Munich and Moscow offices, operating expenses rose by a mere 10.7 percent to CHF 21.1 million (2003: 19.1 million). The most significant cost element was IT-related expense, which increased by CHF 1.2 million.
  The business division result before tax amounted to CHF 34.1 million, a 24.6 percent increase over the previous year (2003: CHF 27.4 million).
- At the end of 2004, the Private Clients division employed 71.4 individuals (2003: 72.6) expressed in full-time equivalents. Thanks to increased productivity, higher profitability was achieved with essentially the same staff.
- At the end of the 2004 financial year, client assets under management amounted to CHF 7.6 billion (2003: CHF 7.4 billion).

Outlook

- The division's top priority for the 2005 financial year will be to broaden the client base and acquire new assets. That applies in particular to Germany and Eastern Europe, where targeted investments have been made to establish VP Vermögensverwaltung GmbH in Munich and open the new representative office in Moscow.
- The Private Clients division will resolutely continue to pursue its structured advisory process, along with closely related measures for continuing education and technical support. Its aim is to enhance even further VP Bank's credibility as a first-rate private bank, as well as to increase the return on client assets.

03 Segments

Trust Banking

Georg Wohlwend
Member of the Executive Board

Structure and strategy

Included in the Trust Banking division are the operationally unrelated Intermediaries, Corporate Clients and Information Technology (IT) business units. VP Bank's intermediary clients are mainly fiduciaries, attorneys and asset managers. A strategic goal for VP Bank in this client segment is to expand its Swiss business, primarily in Zurich, Basel and Ticino. In the Corporate Clients unit, VP Bank is striving to achieve a higher level of penetration in its core markets. Costs associated with the IT unit are appropriated among the other business units in accordance with the services rendered and hence are only reflected proportionately in the Trust Banking division's results.

Activities

- VP Bank offers its intermediary clients the full range of traditional banking services, such as securities and foreign exchange trade execution, money transfers and borrowing facilities. With the "Data Professional Feed" tool, the Bank has a fully electronic platform at its disposal that is specially designed to meet the needs of intermediary clients.
- The Corporate Client unit's activities essentially comprise the Bank's mortgage banking and commercial banking business. The related advisory services are aimed at determining, in collaboration with clients, the optimal means of financing their needs and making appropriate facilities available to them.
- In its effort to save clients time and expense, VP Bank has introduced an advisory concept that involves regular visits to intermediary and corporate clients.

Segment results

in CHF 1,000	**2004**	2003	Change in %
Operating income	84,292	72,645	16.0
Operating expenses [1]	25,017	25,913	-3.5
Business division result before tax	**59,275**	**46,732**	**26.8**
Client assets under management (in CHF billion)	9.9	9.8	1.0
Staff (full-time equivalents)	108.2	102.6	5.5

[1] Including depreciation and amortization, value adjustments, provisions and losses

Market

- The Trust Banking division has intentionally taken a regional approach to defining its target markets. In the intermediaries business segment, the focus is on Liechtenstein and Switzerland, and in terms of corporate clients, on Liechtenstein and Eastern Switzerland. This concentration enables market-specific know-how to be exploited optimally and relationships with clients to be nurtured on a basis of partnership.
- The competitive environment is characterized by more aggressive competition and increasing pressure on margins. Pricing policy, which only several years ago was a secondary consideration, is progressively gaining in significance. VP Bank wishes to differentiate itself less via the price of its advice and services than by their quality. Top-rate service and continuity in customer care are highly estimated by intermediary and corporate clients – and VP Bank has a comparative advantage in this regard.

Review of 2004

- The Trust Banking division developed well this past financial year and recorded successes in attracting new funds.
- Yet again in 2004, customer care was one of the Trust Banking division's focal points. A specially tailored Customer Relationship Management (CRM) process was introduced in this client segment. CUBE, an electronic tool developed in-house, systematically compiles all client-relevant information, including data pertinent to compliance and due diligence. CRM will contribute to the heightened quality of our advice, while enabling the related processes to be more systematically and efficiently handled.
- Because clients gain direct benefit from the competency of their advisors, the division once again conducted sales-training courses for its relationship managers in 2004. These seminars addressed professional know-how as well as interpersonal skills.

- VP Bank attaches considerable priority to fostering face-to-face contact with its intermediary and corporate clients at numerous functions and events.
- Investments in the amount of CHF 6.4 million flowed mainly into the IT area. These funds served to refine the electronic platforms such that the "Data Professional Feed", e-banking and CUBE applications are precisely tailored to specific client segments.

Results

- The division recorded an increase in operating income to CHF 84.3 million (2003: CHF 72.6 million). At the same time, operating expenses eased to CHF 25.0 million (2003: CHF 25.9 million). The division's result before tax therefore experienced a disproportionate increase to CHF 59.3 million (2003: CHF 46.7 million).
- In 2004, Trust Banking hired four additional relationship managers and, as a result of internal personnel shifts, the IT unit gained reinforcement for its internet and intranet activities. Thus on the basis of full-time equivalents, the division employed 108.2 individuals (2003: 102.6).
- At the end of 2004, client assets under management stood at CHF 9.9 billion (2003: CHF 9.8 billion). The loan volume increased by CHF 0.1 billion to CHF 2.0 billion. As a result of the Bank's conservative lending policy and improved loan quality, existing value adjustments for credit risks in the amount of CHF 12.4 million were reversed. That stood in contrast to the creation of roughly CHF 7 million worth of new valuation adjustments for credit risks.

Outlook

- The key priority for the Intermediaries business unit will be a systematic cultivation of the Swiss market. While VP Bank is already well represented in Geneva in this regard, Zurich, Basel and Ticino still afford potential.
- The division's growth strategy also applies in terms of corporate clientele, whereby creditworthiness will have priority over mere volume. The central task will be to adapt lending processes and credit rating methodology to accommodate "Basel II".
- To provide clients with even more proactive service, collaboration between the division's relationship managers and the Front Advisory Desk of the Investment Management division is to be intensified. The ultimate synergy effects and performance improvements will accrue to the benefit of clients.

Investment Management

Structure and strategy

VP Bank reorganized its Investment Management division effective as of October 2004. As a part of this change, the Client Investment Management business unit was integrated into the new Capital Management Group (CMG) unit. Investment Management now comprises the Capital Management Group and Production business units, as well as the Product Management, Client Risk Management and Asset Management functions.[1]
Costs associated with the Production unit are appropriated among the other business units and hence are only reflected proportionately in the Investment Management division's results.

Activities

- The Capital Management Group business unit is responsible for managing the assets of private and institutional clients. It also bears responsibility for implementing investment strategy, conducting the Bank's trading and advisory activities, as well as managing the Group's balance sheet and own financial resources.
- In its back-office function, the Production unit processes all of the Bank's transactions and renders additional internal services.
- The scope of tasks for which Client Risk Management is responsible encompasses the quantification, supervision and proactive management of market and operational risks inherent to investment funds and portfolio management mandates.
- Product Management is involved in the development and optimization of the Bank's products and services. Its activities center fully on client needs, along with market and regulatory requirements.

[1] The IFOS Internationale Fonds Service Aktiengesellschaft and VP Bank Fondsleitung Aktiengesellschaft are included in the Corporate Center division.

Review of 2004

The Investment Management division was confronted with a challenging market environment. In particular, the generally low level of interest rates pressured margins in interest-related activities. However, commission and trading income rose. André Ruppli, Head of the Investment Management division and member of the Executive Board, left VP Bank at the end of the year.

- The Capital Management Group unit introduced a professional instrument for administering foreign exchange and cash positions. Thanks to targeted enhancement of the risk management systems, balance sheet management was conducted successfully: the Bank's financial resources were invested optimally within the defined limits. In addition, the Front Advisory Desk (FAD) was expanded further in its function as an interface between Investment Management and the relationship managers.
- In 2004, Product Management focused on the development and optimization of products and services mainly in the area of account-related services and money transfers. The team created a product database and implemented measures to heighten the efficiency of structural and procedural processes.
- Client Risk Management was introduced at the beginning of the past financial year. The related risk management systems measure absolute quantities such as "value at risk" as well as relative risk indicators and "tracking errors" (deviation risks). This new methodology allows simulation of portfolio adjustments, which in turn makes it possible to manage risks more proactively and thereby achieve higher performance for clients. VP Bank also initiated a project to implement the internationally recognized Global Investment Performance Standards (GIPS) in order to provide even greater transparency in how it reports the performance of VP Bank investment funds and portfolio management mandates.

Results

- The Investment Management division's operating income declined to CHF 65.6 million (2003: CHF 82.3 million), mainly due to lower profit from interest-related activities and financial investments. Operating expenses rose to CHF 31.9 million (2003: CHF 30.2 million) and the business division result before tax stood at CHF 33.7 million (2003: CHF 52.1 million).
- The number of employees, expressed in full-time equivalents, remained essentially unchanged at 128.0 (2003: 127.7).
- Client assets under management in the amount of CHF 3.2 billion (2003: 3.3 billion) also remained at practically the same level recorded for the previous year.

Outlook

- In 2005, the Investment Management division will strive to optimize the Bank's investment processes even further.
- Product Management will continue to focus the product and pricing strategy on the Bank's key products in order to offer clients an attractive range of investment opportunities and differentiated pricing models. In so doing, VP Bank pursues the goal of "open architecture" and will optimize its existing products in a manner that keeps them consistently oriented on changing market needs and requirements.

Segment results

in CHF 1,000	**2004**	2003	Change in %
Operating income	65,642	82,331	-20.3
Operating expenses[1]	31,942	30,224	5.7
Business division result before tax	**33,700**	**52,107**	**-35.3**
Client assets under management (in CHF billion)	3.2	3.3	-3.0
Staff (full-time equivalents)	128.0	127.7	0.2

[1] Including depreciation, amortization, value adjustments, provisions and losses

03 Segments

Corporate Center

Adolf E. Real
Chief Executive Officer (CEO)

Fredy Vogt
Chief Financial Officer (CFO)

Structure and strategy

The Central Staff offices, Internal Audit unit and activities of the Group's subsidiary companies represent the constituent parts of the Corporate Center. Four Central Staff offices report directly to the CEO: Business Excellence, Corporate Communications, Group Marketing & Corporate Development, and Human Resources & Services. The CFO bears responsibility for the Group Finance and Law & Compliance units. Internal Audit reports directly to the Chairman of the Board of Directors. In their specific business fields, the subsidiaries of VP Bank pursue the same strategic objectives as the corresponding business units of the entire Group.

Subsidiaries

VP Bank (Switzerland) AG, domiciled in Zurich, is primarily engaged in private banking activities and caters to the needs of wealthy individuals from various predominantly European countries. In addition, it offers banking services for intermediaries such as asset managers, attorneys, fiduciaries, etc.
In May 2004, Urs Müller stepped down from the Executive Board of VP Bank (Switzerland) AG. Daniel Hug will succeed him as of May 1, 2005.

VP Bank (Luxembourg) S.A. is the only bank in Luxemburg to have a Liechtenstein-based parent entity. With its core competencies in private banking, the investment fund business and money market activities, this subsidiary focuses its efforts mainly on the Benelux countries.
The business of VP Bank (Luxembourg) S.A. has developed favorably and now makes a notable contribution to the Group's results. The subsidiary's performance during the first semester of 2004 was particularly outstanding.

VP Bank and Trust Company (BVI) Ltd., domiciled in the British Virgin Islands, is a joint venture with Allgemeine Treuunternehmen (ATU), Vaduz. It encompasses a bank and a trust company, the core competencies of which are in the trust, investment fund and insurance businesses. The strategy of VP Bank and Trust Company (BVI) Ltd. is likewise to make available to wealthy private clients the entire spectrum of VP Bank services – from banking, to the structuring of companies, to establishing trusts and foundations for inheritance and succession purposes.

In addition to these banking subsidiaries, VP Bank has three affiliates without bank status. Based on the revenues they generate, their contribution to gross income is considerably less significant.

- VP Bank Fondsleitung AG, Vaduz, develops and administers its own investment funds on behalf of VP Bank.
- IFOS Internationale Fonds Service AG, Vaduz, provides the full range of services involved in founding and administering investment funds. It offers investment opportunities mainly for asset managers, insurance companies and pension funds.
- IGT Intergestions Trust reg., Vaduz, focuses on the establishment and administration of companies and foundations both in Liechtenstein and abroad.

Segment results

in CHF 1,000	**2004**	2003	Change in %
Operating income	55,334	63,075	-12.3
Operating expenses [1]	80,447	89,983	-10.6
Business division result before tax	**-25,113**	**-26,908**	**6.7**
Client assets under management (in CHF billion)	5.4	5.3	1.9
Staff (full-time equivalents)	241.3	240.1	0.5
Of which, subsidiary companies			
Operating income	56,980	58,964	-3.4
Operating expenses [1]	40,037	41,598	-3.8
Result before tax	**16,943**	**17,366**	**-2.4**
Client assets under management (in CHF billion)	5.2	5.2	0.0
Staff (full-time equivalents)	149.2	148.6	0.4
Corporate Center excluding subsidiaries			
Operating income	-1,646	4,111	-140.0
Operating expenses [1]	40,410	48,385	-16.5
Result before tax	**-42,056**	**-44,274**	**5.0**
Client assets under management (in CHF billion)	0.2	0.1	100.0
Staff (full-time equivalents)	92.1	91.5	0.7

[1] Including depreciation, amortization, value adjustments, provisions and losses

Central Staff offices[1]

Group Marketing & Corporate Development and Corporate Communications:

- The strategy process has been optimized continually and successfully over the past years. It is based on a three- to five-year time horizon. The strategic objectives are defined by the Board of Directors and Executive Board and approved after feedback from the Division Heads has been taken into account.
- Two years ago, VP Bank launched its new brand and now takes a professional approach to brand management. In so doing, VP Bank is coming closer to its goal of developing a higher level of recognition beyond Liechtenstein's borders.

Human Resources & Services

- The business-specific and interpersonal skills of employees are key elements in providing professional and individualized client advice. For that reason, VP Bank makes substantial investments in the training and continuing education of its staff – the parent Bank budget for those purposes amounted to CHF 0.8 million in the past year. Not included in that total is the cost of time away from work for learning purposes.
- VP Bank conducts a biennial survey to gain insight into the level of its employees' satisfaction, commitment and sense of belonging. The most recent poll taken in June 2004 revealed several areas where there was need for action. Management, in collaboration with employees, has since then initiated measures aimed at fostering the corporate culture in a more conscientious manner. The next survey will be conducted in 2006.
- The 6.2 percent personnel turnover rate at the parent bank during the past year was lower than the industry average.
- VP Bank works together with universities, in particular with the Liechtenstein University of Applied Sciences. The Bank offers young students the opportunity to gain practical experience, and maintains regular contacts with young people who have the potential to become the Bank's next generation of talented professionals.
- In the first quarter of 2004, 230 back office and central staff employees took up occupancy of the new VP Bank building in Triesen (FL). With this new facility, VP Bank is emphasizing its trust in Liechtenstein as a financial center, as well as VP Bank's role as a key employer in the region.

Group Finance

- During the past year, VP Bank further expanded its internal and external financial reporting. In particular, it refined the Bank's financial-data-based management information system (MIS) and intensified the related in-house advisory process.

Law & Compliance

- VP Bank takes all action necessary to comply with regulatory requirements and implement relevant directives.

[1] See pages 29ff, 'Business Excellence'.

Results

Corporate Center (excluding subsidiary companies)

- The Corporate Center, excluding the Group subsidiaries, recorded an operating result of CHF -1.6 million (2003: CHF 4.1 million). Operating expenses declined to CHF 40.4 million (2003: CHF 48.4 million), which led to a result before tax of CHF -42.1 million (2003: CHF -44.3 million).
- Income from investment activities amounted to CHF 7.4 million following the previous year's level of roughly CHF 40 million. The decline is attributable to extraordinary expenditures for the Bank's new office building in Triesen (FL) in 2003.
- Staff, expressed in full-time equivalents, remained essentially unchanged at 92.1 individuals (2003: 91.5).

Subsidiary companies

- The consolidated operating income generated by the Group's subsidiary companies decreased to CHF 57.0 million (2003: CHF 59.0 million), while operating expenses also declined to CHF 40.0 million (2003: CHF 41.6 million). The result before taxes remained practically the same at CHF 17.0 million (2003: CHF 17.4 million), thus accounting for 16.6 percent of the VP Bank Group's total result before taxes.
- Client assets under management at the end of 2004 amounted to CHF 5.2 billion (2003: 5.2 billion).
- Based on full-time equivalents, the total staff at the Group's subsidiaries amounted to 149.2 individuals (2003: 148.6).

Only the financial statements of the VP Bank Group are comparable on an IFRS basis. Results of the subsidiary companies are reported solely on a consolidated basis. VP Bank (Switzerland) AG and VP Bank (Luxembourg) S.A. publish their own separate annual reports.

Outlook

- As of its 2005 semi-annual report, VP Bank will be presenting its financial statements in a manner that is more transparent for the Bank's shareholders and other stakeholders. These adjustments will be made to reflect the latest IFRS accounting principles.
- To further enhance internal transparency and thus facilitate value-oriented management, the Bank's management information system and key performance indicators will be refined.
- Another project in 2005 will focus on turning risk controlling at VP Bank into a Group-wide risk management system.
- As a result of the revised Due Diligence Ordinance, the Law & Compliance unit will establish an electronic monitoring mechanism for all business transactions by mid-2005. In a parallel move, it will initiate measures to create a new foundation for the issuance of internal directives.
- VP Bank (Switzerland) AG will gain a new Executive Board member as of May 1, 2005, with Daniel Hug filling the existing vacancy caused by the departure of Urs Müller.
- Both in the banking and investment fund businesses, regulatory requirements – such as the EU tax on interest income – will represent important challenges.

Segments

03

“Openness…

focus

...is the focal point"

Corporate Governance 04

04 Corporate Governance

Corporate Governance

This report describes the principles that underlie management and control at the uppermost level of Verwaltungs- und Privat-Bank AG, Vaduz, in compliance with Liechtenstein law as well as the Directive Governing Information on Corporate Governance (DCG) of the SWX Swiss Exchange that entered in force on April 17, 2002.
Unless indicated otherwise, the information included herein reflects the status as at December 31, 2004.

1. Group structure and shareholders

Verwaltungs- und Privat-Bank AG, Vaduz (hereinafter 'VP Bank' or, alternatively, 'the company'), is constituted as a joint-stock company under Liechtenstein law as the parent company of the VP Bank Group.

1.1 Group structure

The organization chart shown on pages 22 and 23 reflects the operative group structure of the VP Bank Group.
The subsidiaries included in the scope of consolidation, as well as the entities in which the VP Bank Group holds a significant financial interest, are listed in the annual report by name, head office, share capital and percentage ownership (see page 111 of the Financial Report).

1.2 Significant shareholders

The following shareholders have reported owning shares that represent 5 percent or more of the voting rights of VP Bank (rules governing the disclosure of shareholdings as per Art. 20 SESTA[1], or qualified shareholders >10 percent as per Art. 3a lit. h FL-BankL[2]):

Shareholders	Total votes	Voting rights as % of total	% ownership of total share capital
Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz	5,478,853	48.4	24.9
Martin Hilti Familien treuhänderschaft, Schaan	1,255,579	11.1	11.2

[1] Swiss Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act)
[2] Principality of Liechtenstein Law on Banks and Finance Companies (Banking Act)

To the best knowledge of VP Bank, among the aforementioned significant shareholders there exist no binding shareholder agreements or any other arrangements with regard to the shares they hold in VP Bank or the exercise of any related share rights.

No transactions requiring disclosure under Art. 20 SESTA were made in the year under review.

1.3 Cross-shareholdings

VP Bank has no cross-ownership of share capital or voting rights with any other companies.

2. Capital structure

2.1 Capital

The share capital of VP Bank totals CHF 59,147,637.– represented by 6,004,167 fully paid-in registered shares each with a par value of CHF 1.–, as well as 5,314,347 bearer shares each with a par value of CHF 10.– (see table under point 2.3 herein and page 75 of the Financial Report).
VP Bank has no outstanding participation certificates or dividend-right certificates.

The bearer shares of VP Bank are listed on the SWX Swiss Exchange. The bearer and registered shares of VP Bank carry the following ISIN and security numbers:

	ISIN	Security number
Bearer shares	LI0010737216	1.073.721
Registered shares (not listed)	LI0010737596	1.073.759

2.2 Authorized and conditional capital

No resolutions or regulations currently exist under which VP Bank could increase its conditional or authorized capital within the context of DCG.

2.3 Changes in capital

Based on the resolutions adopted at the extraordinary shareholders meeting on May 15, 2003, the share capital of CHF 85,500,000.– was reduced to CHF 59,147,637.– through the elimination of 5,167,333 registered shares (par value CHF 1.–) and 2,118,503 bearer shares (par value CHF 10.–)

(see Arts. 4 and 5 of the articles of incorporation). The following table illustrates this change:

	Status up to May 15, 2003 Number	Capital in CHF	Status as at December 31, 2004 Number	Capital in CHF
Registered shares	11,171,500	11,171,500.–	6,004,167	6,004,167.–
Bearer shares	7,432,850	74,328,500.–	5,314,347	53,143,470.–
Total	**18,604,350**	**85,500,000.–**	**11,318,514**	**59,147,637.–**

During the past three years, the capital of VP Bank underwent changes as follows:

in 1,000 CHF	31.12.2002	31.12.2003	31.12.2004
Share capital	85,500	59,148	59,148
Legal reserves	239,800	239,800	239,800
Other reserves	408,090	58,189	106,189
Provisions for general banking risks	137,150	137,150	237,150
Net profit	2,027	78,203	81,553
Total	**872,567**	**572,490**	**723,840**

2.4 Shares

The bearer shares of VP Bank are freely tradable on the SWX Swiss Exchange, whereas the registered shares are not listed. Both share categories carry the membership rights as stipulated by the Liechtenstein Civil and Company Code ('CCC') as well as VP Bank's articles of incorporation. Holders of registered shares (par value of CHF 1.–) as well as holders of bearer shares (par value of CHF 10.–) are entitled to vote at the annual shareholders meeting, regardless of the respective par value of such shares.

2.5 Dividend-right certificates

Since the conversion of its dividend-right certificates in 2000, VP Bank has issued no dividend-right certificates, participation certificates or similar securities.

2.6 Limitations on transferability, and nominee registrations

Pursuant to the provisions of Art. 7 of the company's articles of incorporation, the transfer of registered shares and their entry into the share register is limited to Liechtenstein citizens or associations domiciled in Liechtenstein whose membership rights are exercised by a majority of Liechtenstein citizens and whose beneficial owners comprise a majority of Liechtenstein citizens.

In the year under review, no exceptions were made with regard to these restrictions. Any change to the aforementioned limitations requires a two-thirds majority vote of all shares that have been issued by the company.

2.7 Convertible bonds and warrants/options

VP Bank has issued no convertible bonds or warrants/options.

3. Board of Directors

The Board of Directors bears responsibility for determining the medium- and long-term strategic orientation of the VP Bank Group. It is responsible for the overall management, supervision and control of the company. Liechtenstein law prescribes that there be a clear separation between the functions performed by a company's board of directors (i.e. overall management, supervision and control) and the operative functions performed by management. Accordingly, the Board of Directors of VP Bank consists solely of non-operative members (i.e. individuals not actively involved in managing the day-to-day business dealings of the company).

3.1 Members of the Board of Directors

The Board of Directors of VP Bank comprises seven members, none of whom during the past three financial years was a member of the management of VP Bank or any Group subsidiary company. No significant business connections exist that could impair the decision-making independence of the individual Board members or that of the company or its governing bodies. The following summary provides details on the name, age, function, date of appointment and remaining term of office of each member of the Board of Directors:

Hans Brunhart (born March 28, 1945; citizen of Liechtenstein) has been Chairman of the Board 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 of directors) mandates: SFS Holding AG, Heerbrugg/SG; Hilcona AG, Schaan; CapitalLeben Versicherung AG, Schaan.

Education: Studied German philology at the universities of Freiburg/CH and Basel.

Professional background: Since 1972, head of Liechtenstein's National Library and National Archives.
On March 27, 1974, he was named by His Serene Highness Prince Franz Josef II of Liechtenstein to the position of Deputy Head of the Government Council and, on April 26, 1978, Head of the Government Council of the Principality of Liechtenstein. Mr. Brunhart held the latter post during four terms of office until 1993.

Other activities and vested interests: Hans Brunhart is the owner of ECAG Euroconsult AG, Schaan, which was founded in 1993.

Dr. Guido Meier (born January 8, 1948; citizen of Liechtenstein) is Vice Chairman of the Board of Directors as well as a member of the Committee of the Board of Directors of VP Bank.

Education: Studied law at the University of Basel; received doctorate of jurisprudence degree in 1977; passed bar exam in 1979.

Name	Born	Function	Appointed to Board in	Term of office until AGM in
Hans Brunhart	1945	Chairman[1,2]	1994	2006
Dr. Guido Meier	1948	Vice Chairman[1]	1989	2007
lic. oec. Markus Thomas Hilti	1951	Member[1]	1992	2007
Dr. Matthias Donhauser	1958	Member	1996	2005
Roland Feger	1956	Member[2]	2001	2007
Walo Frischknecht	1946	Member[2]	2002	2005
Prof. Dr. Beat Bernet	1954	Member	2002	2005

[1] Member of the Committee of the Board of Directors
[2] Member of the Audit & Risk Management Committee

Professional background: From 1985 through 1993, Liechtenstein Federal Court judge on a part-time basis; from 1993 to 1997, Federal Parliament representative; Allgemeines Treuunternehmen ATU, Vaduz (Chairman of the Board of Trustees); Advokaturbüro Meier attorneys at law, Vaduz (partner).

Other activities and vested interests: President of the Liechtenstein Institute; member of the Board of Trustees of Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz (see Point 1.2, 'Significant shareholders').

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

Education: Studied business administration, majoring in finance and accounting; graduated with a degree as lic. oec. HSG.

Professional background: Coopers & Lybrand, White Plains N.Y. (auditor); Hilti Western Hemisphere, Tulsa/USA (corporate finance, product management and sales); until 1989, member of Senior Management of Hilti Western Hemisphere (bore responsibility for product management, procurement, development and quality assurance, as well as headed that company's Tulsa facility).

Other activities and vested interests: Since 1990, Markus Hilti has been general manager of the Martin Hilti Familientreuhänderschaft, Schaan (see Point 1.2, 'Significant shareholders').

Dr. Matthias Donhauser (born June 20, 1958; citizen of Liechtenstein) has been a member of VP Bank's Board of Directors since 1996.

Other (board of directors) mandates: Ivoclar Vivadent AG, Schaan (Vice Chairman); Neutrik AG, Schaan.

Education: Studied law at the University of Vienna School of Law; received iuris utruisque doctorate in 1983), studied at the London School of Economics, graduating with 'Master of Laws' degree in 1987.

Professional background: legal internship at the Liechtenstein Federal Court and various other internships; Ivoclar Vivadent AG, Schaan (legal counsel and head of the legal department); since 1989, independent law practice in Vaduz.

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

Education: Federal examination in accountancy; Certified Fiduciary Expert.

Professional background: Worked in the field of finance and accounting at various companies in Switzerland and Liechtenstein; held various management positions in accounting, administration and organization at ATU, Vaduz. Since 2000, Chairman of the Directorate of Allgemeine Treuunternehmen ATU, Vaduz.

Other activities and vested interests: Member of the Board of Trustees of Stiftung Fürstlicher Kommerzienrat Guido Feger (see Point 1.2, 'Significant shareholders').

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

Other (board of directors) mandates: Fundus Treuhand AG, Zurich (Chairman of the Board of Directors); Allhost Holding, Wilen/SZ; Honegger Treuhand AG, Pfäffikon/SZ.

Education: Certified Business Economist KSZ; Certified Public Accountant; Certified Bookkeeper/Controller; certification as a controller from the Controller-Akademie, Gauting (Germany).

Professional background: Price Waterhouse, Zurich; Revision AG, Zurich; Bank Leu AG, Zurich (auditor and head of accounting and controlling department); Leu Holding AG, Zug; BZ Trust AG, Wilen (Group Controller); BZ Bank, Wilen (Chairman of the Management Board); since 2003, independent management consultant (Walo Frischknecht & Partner GmbH, Wilen).

Other activities and vested interests: Canton Schwyz Board of Education (Vice Chairman).

Prof. Dr. Beat Bernet (born December 7, 1954; Swiss citizen) has been a member of the Board of Directors of VP Bank since 2002.

Other (board of directors) mandates: RUF Datensysteme AG, Schlieren/ZH (Chairman of the Board of Directors); Bank Council of the Zug Cantonal Bank, Zug (Vice Chairman).

Education: Studied economics with major emphasis on management, banking and accounting at the University of Zurich; received Dr. oec. publ. degree in (1981); lectured at the University of St. Gallen (HSG) in 1995.

Professional background: In 1996, named Professor of Economics with special focus on banking at the University of St. Gallen; Director of the Swiss Institute for Banking and Finance at the University of St. Gallen.

Other activities and vested interests: Prof. Beat Bernet built up an international consulting organization focused on banking and finance that today caters to more than 120 banks in ten countries. He also heads a number of major international projects in the areas of banking strategy and banking technology, and is the proprietor of the management consulting firm Bernet & Partner AG, Zug.

3.2 Other activities and vested interests

The outside activities of Board members and any vested interests they may have can be ascertained from the biographies shown under Point 3.1.

As is customary for a bank, VP Bank maintains business relationships with numerous domestic and international companies. That also applies with regard to the natural persons and legal entities with whom the Board members are closely related. These business relationships in no way impair the independence or objectivity of the members of the Board of Directors.

3.3 Cross-involvement

No interlocking directorates exist among the Board members of VP Bank AG and any other listed companies.

3.4 Elections and term of office

Details on the election and terms of office for current members of the Board of Directors can be found in the table included in Point 3.1. Pursuant to Art. 16 of the company's articles of incorporation, the Board of Directors comprises a minimum of five members, each of whom is elected to a three-year term of office. Re-election is permissible.

The Board elects the Chairman and Vice Chairman from among its members for a term of office of three years. Re-election is permissible. The majority of Board members must be citizens of Liechtenstein.

3.5 Internal organizational structure

The internal organization of the Board of Directors is governed by Arts. 16-19 of the articles of incorporation, as well as by the company's Organization and Business Rules (hereinafter, 'OBR').

Pursuant to the provisions of the articles of incorporation and OBR, the Board of Directors decides on the overall strategy, the medium- and long-term objectives, as well as the management guidelines of the VP Bank Group. At the proposal of the Board of Management, the Board of Directors decides on the annual budget (consolidated and at Group level), significant projects, individual company accounts and group financial statements, as well as important personnel-related issues.

3.5.1 Allocation of tasks within the Board of Directors

The Chairman of the Board, or in his absence the Vice Chairman, conducts on behalf of the Board the direct supervision and control of the Board of Directors. To assist the Board in fulfilling its tasks in an optimal manner, it is supported by two committees: the Committee of the Board of Directors and the Audit & Risk Management Committee.

3.5.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

The tasks, authorities, rights and obligations of the Committee of the Board of Directors and the Audit & Risk Management Committee are laid out in the OBR, and additionally for the Audit & Risk Management Committee in a separate set of regulations.

As a rule, the respective committees meet five to ten times each year for half-day sessions.

Minutes are taken of the matters addressed at each meeting and provided to the Board of Directors, the Executive Board, the statutory auditors as well as the internal auditors (AUD). In addition, the Chairman of the Board provides information on important matters to the Board of Directors and Executive Board at the immediately following Board meeting.

Committee of the Board of Directors

The Committee of the Board of Directors (CBD), which among other things performs the tasks of a compensation committee, currently comprises three members: Hans Brunhart (chair), Dr. Guido Meier and Markus Thomas Hilti. The tasks and authorities of the CBD encompass primarily the following:

- determining the work program of the Board of Directors;
- performing periodic strategy controlling activities;
- establishing the fundamental principles of the company's personnel policy;
- setting the conditions for employment as well as implementing the MbO process for members of the Executive Board (EB);
- enacting the Rules of Conduct;
- governing Executive Board members' acceptance of mandates from third-party companies, as well as any public, political or social positions they may be offered;
- ruling on matters and transactions that are reserved for the decision of the CBD
- submitting a proposal to the Board of Directors regarding the compensation of Board Members.

Audit & Risk Management Committee

The functions of the Audit & Risk Management Committee (ARC) of VP Bank are in keeping with the Swiss Code of Best Practice as promulgated by economiesuisse. The tasks accomplished by the ARC on behalf of he Board of Directors are solely of a preparatory and advisory nature, and encompass in particular:

- critically assessing the Group's financial reporting;
- deciding whether the individual company accounts and consolidated financial statements can be recommended to the Board of Directors for presentation to the General Meeting;
- judging the functional capability of the internal control system;
- assessing the measures aimed at ensuring compliance with legislative in-house rules and regulations;
- examining the quality and efficacy of internal and external auditors, among other things by scrutinizing the reports and determinations (AUD) as well as taking note of the audit plan (statutory auditors);
- assessing the performance, compensation and independence of the external auditors;
- submitting to the Board of Directors proposed nominees for the position of Head of Internal Audit.

Current members of the ARC are Walo Frischknecht (chair), Hans Brunhart and Roland Feger. Their respective term of office is three years, and re-election is permissible.

3.5.3 Work methods of the Board of Directors and its committees

In the 2004 financial year, the Board of Directors met for eight (seven full-day and one half-day) sessions, as well as for a one-day strategy workshop. One half-day meeting was devoted to discussing the principal tasks and problems associated with Board practices, as well as determining the goals and topics to be addressed by the Board in 2005. In addition, each of the committees held a total of seven half-day meetings.
The agendas for BoD, CBD and ARC meetings are set by their respective chairs. The Board of Directors and its committees encourage a regular exchange of ideas and opinions with the operative management of the company. As a general rule, the members of the Executive Board and Head of Internal Audit take part in the BoD meetings. Moreover, the CEO regularly participates in meetings of the CBD, and the CFO as well as the Head of Internal Audit attend those of the ARC. In addressing specific topics, other members of the Executive Board or management personnel, the lead auditor of the statutory auditors, as well as in-house or external specialists and consultants are called upon in an advisory capacity.

3.6 Definition of areas of responsibility

The Board of Directors bears ultimate responsibility for determining the strategic orientation of the VP Bank Group. In keeping with the applicable legal provisions, the Board of Directors (except in the case of IGT, Vaduz, as per OBR) has delegated to the parent bank's Executive Board responsibility for the operative business management of VP Bank, as well as the overall management, supervision and control of the VP Bank Group's subsidiary companies.

The functional separation in this regard can be ascertained from the organization chart (see pages 18ff of the Annual Report).

3.7 Information and control instruments for the supervision of the Executive Board

The Board of Directors of VP Bank and its committees have at their disposal the following information and control instruments for supervising the Executive Board's activities:

- regular verbal and written reports from the Executive Board pertaining to the Group's current course of business;
- monthly reports on the individual company accounts of the parent bank and subsidiaries, with comparisons to budgeted and prior-year amounts, as well as information on the consolidated figures of the VP Bank Group;
- monthly reports on asset and liability management, risk management and risk controlling, as well as securities held in the company's proprietary trading account;
- the Internal Audit department, which works in accordance with internationally recognized standards of the Swiss Association for Internal Auditing (SVIR/SAIA);
- the Audit & Risk Management Committee, which assesses and approves the audit plan, audit activities and related reporting, as well as monitors the implementation of agreed-upon improvements.

4. Executive Board

The Executive Board is responsible for the operative management of the parent bank, and simultaneously manages the business activities of the Group. Its authorities and tasks are defined in the OBR and functional descriptions that have been drawn up for each member of the Executive Board. The Chief Executive Officer bears responsibility for the overall management and interdivisional coordination of the Group.

The members of the Executive Board meet at least once a week for half-day sessions.

4.1 Members of the Executive Board

As at December 31, 2004, the Executive Board comprised the following individuals:

Name	Born	Function	Joined VP Bank in	EB member since
Adolf E. Real	1954	Chief Executive Officer	1983	1989 (CEO since 1998)
Fredy Vogt	1958	Chief Financial Officer	1987	1996
Georg Wohlwend	1963	Head of Trust Banking Division	1994	1998
André Ruppli [1]	1960	Head of Investment Management Division	2001	2001
Ernst Näf	1958	Head of Private Clients Division	2003	2003

[1] André Ruppli left VP Bank at the beginning of the 2005 financial year

Adolf E. Real (born July 31, 1954; citizen of Liechtenstein) has been a member of the Executive Board since January 1, 1989, and has held the position of Chief Executive Officer of VP Bank, Vaduz, since May 1, 1998.

Education: Studied agronomy at Zurich's Federal Polytechnic Institute (Dipl. Ing. ETH) and business administration (in banking) at the University of St. Gallen; received a Master of Business Administration (MBA) degree from San Diego State University, USA; completed the Advanced Management Program at Harvard Business School in Boston, USA.

Professional background: Mr. Real joined VP Bank in 1983; built up the Bank's Marketing and Organization department; assistant to the General Director; as of 1989, member of the Executive Board (responsible for the Processing division including the IT and Organization departments); CEO since 1998.

Other activities and vested interests: Adolf E. Real is a board member of the Liechtenstein Bankers Association.

Fredy Vogt (born September 11, 1958; citizen of Liechtenstein) has been a member of the Executive Board of VP Bank, Vaduz, since 1996. Mr. Vogt is Chief Financial Officer of VP Bank and the VP Bank Group, deputy to the CEO, as well as head of the subsidiary banks and the Group Finance and Law and Compliance central staff offices.

Education: Fredy Vogt is a Swiss chartered bookkeeper/controller and certified public accountant.

Professional background: Liechtensteinische Landesbank, Vaduz; AREVA AG, Vaduz (auditor in fiduciary department); joined VP Bank in 1987 (Deputy Head of Internal Audit Department; as of 1990, Head of Controlling); became member of the Executive Board in 1996 (responsibility for finance, corporate clients and intermediaries, trading, real estate and security); CFO since 2003.

Other activities and vested interests: Mr. Vogt currently holds office as Chairman of the Supervisory Board of Liechtenstein's AHV-IV-FAK foundation. In addition, he is Chairman of the Board of Trustees of Treuhand-Personalstiftung, Vaduz (a pension fund).

Georg Wohlwend (born May 26, 1963; citizen of Liechtenstein) has been a member of the Executive Board of VP Bank, Vaduz, since April 24, 1998. He is Head of the Trust Banking Division of VP Bank (see 'Segment reporting' on page 38ff).

Education: studied information management (lic. oec.) at the University of Zurich; post-graduate studies at the Swiss Banking School; continuing education program sponsored by the Martin Hilti Foundation in Tulsa (USA).

Professional background: Institute for Information Management at the University of Zurich (collaboration in the implementation of a prototyping tool); joined VP Bank in 1994 (Organization department) and was named head of that department in 1996; became member of the Executive Board in 1998 (responsibility for the Production and Information Technology departments); since 2003, Head of the Trust Banking Division.

Other activities and vested interests: Georg Wohlwend is a Council member of the Liechtenstein University of Applied Sciences.

André Ruppli (born April 30, 1960; Swiss citizen) was a member of the Executive Board of VP Bank, Vaduz, until the end of 2004. Mr. Ruppli headed the Investment Management Division (see 'Segment reporting' on page 41ff).

Education: Studied political science and history at Sophia University in Tokyo (Bachelor of Arts degree); subsequent studies in economics and political science at the University of Chicago (Master of Arts degree)

Professional background: Swiss Bank Corporation, London (analyst); Swiss Bank Corporation, Zurich (senior fund manager); Swiss Bank Corporation, Singapore; Deutsche Bank, Singapore and Dresdner Bank, Singapore (both positions as Chief Investment Officer in a managing function); Dresdner Private Banking International, Zurich (Global Chief Investment Officer).

Ernst Näf (born August 3, 1958; Swiss citizen) has been a member of the Executive Board of VP Bank, Vaduz, since September 1, 2003, and since then has headed the Bank's Private Clients Division (see 'Segment reporting' on page 36ff).

Education: Federally certified banking specialist; diploma from the Swiss Banking School; graduate of the Senior Executive Development Program at Columbia University, New York.

Professional background: Various functions and management positions at Swiss Bank Corporation (in Switzerland and abroad) and subsequently (following the merger of UBS/SBC) at UBS AG, Zurich; as of 1998, Managing Director of UBS AG's Private Banking Germany business unit.

4.2 Other activities and vested interests
The outside activities of the Executive Board members and any vested interests they may have can be ascertained from the biographies shown under point 4.1.

4.3 Management contracts
VP Bank has concluded no management contracts with third parties pertaining to the delegation of management functions.

5. Compensations, shareholdings and loans
5.1 Content and method of determining the compensation and share-ownership programs
Members of the Board of Directors receive compensation for assuming the obligations and responsibilities conferred upon them by law and the company's articles of incorporation. The relevant amount is determined annually by the full Board of Directors and, pursuant to the proposal of the CBD, distributed among its members according to the demands placed on them and the scope of their responsibility (Art. 20 of the articles of incorporation).

The Committee of the Board of Directors determines the salaries, bonuses and other monetary compensation for the members of the Executive Board. The Executive Board of VP Bank is remunerated on the basis of a multi-level compensation package, in which a portion of the total amount is an annually determined fixed salary and the two other portions are dependent upon the individual's performance and the annual financial results of VP Bank, respectively. The variable component of up to 30 percent of the individual's total compensation is based on the achievement of annually pre-established performance objectives and in reflection of the consolidated net profit. Any compensation for special tasks, such as having a seat on the board of a subsidiary company, is included in the individual's base salary.

5.2 Compensation for acting members of governing bodies
In the 2004 financial year, compensation (including bonuses as well as pension fund and cadre insurance contributions) was paid to members of the Executive Board in the following total amount:

	2004	2003
Total compensation	**TCHF 2,713**	**TCHF 2,426**
of which: Allotment of bearer shares (see Point 5.4) Market value upon receipt	TCHF 152	TCHF 200

Over the same period, compensation (including business expenses and employee contributions to AHV) was paid to the members of the Board of Directors (non-operative governing body, see Point 3) in the following total amount:

	2004	2003
Total compensation	**TCHF 915**	**TCHF 915**
of which: Allotment of bearer shares (see Point 5.4) Market value upon receipt	TCHF 161	TCHF 161

5.3 Compensation for former members of governing bodies
In the 2004 financial year, no compensation was paid to former members of the Board of Directors or Executive Board who departed in 2003 or any earlier year.

5.4 Share allotment in the year under review
In the 2004 financial year, members of the Board of Directors and Executive Board were allotted a total of 1,631 bearer shares of VP Bank (par value of CHF 10.–), of which Board members received 860 shares and members of the Executive Board

received 771 shares (previous year: BoD 805; EB 1,616 bearer shares).

No party closely related to these governing bodies received any allotment of shares.

5.5 Share ownership

In toto, members of the Board of Management and parties closely related to them held as at December 31, 2004, a total of 24,293 bearer shares of VP Bank AG, Vaduz (previous year: 31,122 shares).

In toto, members of the Board of Directors and parties closely related to them (albeit excluding the qualified shareholders indicated in Point 1.2, 'Significant shareholders') held as at December 31, 2004, a total of 68,600 registered shares and 59,818 bearer shares (i.e. 128,418 shares in toto) of VP Bank AG, Vaduz (previous year: 128,628 shares in toto).

5.6 Options

VP Bank has issued no options on its equity securities or any other derivative financial instruments to members of its governing bodies or parties closely related to them.

5.7 Additional fees and remunerations

In connection with purchased consulting services as well as agency services provided within the framework of normal banking activities, VP Bank also remunerates legal entities who could be deemed to be closely related to members of the company's governing bodies. Such payments correspond to customary conditions within the financial services industry and in the 2004 financial year amounted to TCHF 150.

5.8 Loans to members of governing bodies

As at December 31, 2004, the following loans were outstanding to members of the Board of Directors, Executive Board, as well as parties closely related to those individuals:

	Number of persons	Total loans (prior year in brackets)	Interest rate range	Term to maturity	Type of loan/ collateral
Executive Board and related parties	4 (5)	TCHF 5,092 (TCHF 5,946)	1 % – 3.5 %	Unlimited 2–5 years or in cases unlimited	Lombard fixed-rate mortgages
Board of Directors and related parties	4 (5)	TCHF 8,218 (TCHF 8,537)	1 % – 3.5 %	Unlimited 2–5 years or in cases unlimited	Lombard fixed-rate mortgages
Total		**TCHF 13,310**			

5.9 Highest total compensation

The highest total compensation (including employee contributions to AHV) paid by VP Bank to a single member of the Board of Directors in the 2004 financial year amounted to TCHF 338 in addition to an allotment of 425 bearer shares valued at a total of TCHF 80 (in the previous year, a total compensation of TCHF 338 paid in addition to an allotment of 400 bearer shares valued at a total of TCHF 80). Included in that total are also all directors' mandates at subsidiary companies and tasks preformed at third-party companies at the behest of VP Bank.

6. Shareholders' participation

6.1 Voting-rights and representation restrictions

Each registered and each bearer share of VP Bank AG, regardless of the respective par value, is entitled to one vote at the company's annual shareholders meeting. All shareholders may either attend in person or have their shares represented by some other shareholder by force of a written power of attorney (proxy). The company has enacted no voting-rights restrictions or statutory group clauses.

6.2 Statutory quorums

Amendments to the company's articles of incorporation with regard to a change in the relationships of bearer shares to registered shares (Art. 4 para. 2 of the articles of incorporation), as well as to the provisions governing the limitation on entry of registered shares into the company's share register (Art. 7 para. 2 of the articles of incorporation) require the approval of at least two-thirds of all outstanding VP Bank voting rights.

6.3 Convocation of the general meeting of shareholders

The convocation of a general meeting of shareholders occurs in accordance with valid legal provisions and the conditions laid down in Art. 11 of the company's articles of incorporation. The articles of incorporation can be accessed via the Internet at www.vpbank.com.

6.4 Agenda

The determination of the agenda at such meetings is made in accordance with valid legal provisions and the conditions laid down in Arts. 11 – 14 of the company's articles of incorporation.

6.5 Inscriptions into the share register/Invitation to the general meeting of shareholders

Holders of registered shares whose names have been recorded in the company's share register on the relevant deadline date (i.e. 21 days prior to the general meeting of shareholders as per Art. 11 para. 1 of the company's articles of incorporation), as well as holders of bearer shares whose securities are on deposit with VP Bank on said deadline, receive an invitation to the general meeting of shareholders and the related agenda posted to the address known to VP Bank at the time of shipment. By returning the enclosed response form, shareholders are issued entry passes along with the relevant voting material.

An invitation to the general meeting of shareholders is also published in Liechtenstein newspapers and the Swiss financial press.

7. Changes of control and defense measures

The provisions of SESTA governing public takeover offers are applicable to companies domiciled in Switzerland. Accordingly, the articles of incorporation of VP Bank contain no clauses pertaining to changes of control or to the obligation to make a full tender offer.

8. Auditors

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

Ernst & Young AG, Bern, have been the auditors of Verwaltungs- und Privat-Bank AG as per the Liechtenstein Civil and Company Code (CCC) since 1956, as well as group auditors of the VP Bank Group since 1994. Ernst & Young AG also executes the mandate as statutory auditors within the context of the Liechtenstein Banking Act (Art. 37 et seq. BankL).

The lead auditor has borne responsibility for the mandate since 2000.

8.2 Auditing fees

In the 2004 financial year, Ernst & Young charged the VP Bank Group fees in the amount of TCHF 1,494 (previous year: TCHF 1,345) for services rendered in connection with the statutory audit of VP Bank's annual financial statements and those of the Group's subsidiary companies, as well as the audit of the VP Bank Group's consolidated financial statements. Included in the latter are mandates to act as statutory auditors for the following companies:

- Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz
- VP Bank (Switzerland) AG, Zurich
- VP Bank (Luxembourg) S.A., Luxembourg
- VP Bank and Trust Company (BVI) Limited, Tortola

8.3 Additional fees

During the 2004 financial year, Ernst & Young also performed examinations at VP Bank in keeping with the provisions of Liechtenstein law governing professional due diligence. In addition, Ernst & Young provided further audit-related services to the VP Bank Group for a total charge of approximately TCHF 533 (previous year: TCHF 1,104). These audit-related services and investigations were provided, among other things, in connection with the implementation of various new regulatory provisions, a GAAP analysis of the SAS 70 requirements, preliminary work in anticipation of GIPS certification, and for a quality assurance control of the Internal Audit department in keeping with standards of the Institute of Internal Auditors (IIA).

8.4 Supervisory and control instruments pertaining to the audit

The Audit & Risk Management Committee assesses on an annual basis the performance, remuneration and independence of the statutory auditors and Group auditors, as well as submits to the Board of Directors a proposal as to which external auditing firm should be recommended for election at the annual general meeting of shareholders. The ARC also examines each year the planning, procedures and reporting related to the audit, and discusses those aspects with the lead auditor within the scope of Audit Committee meetings.

9. Information policy

The legally prescribed disclosures made by VP Bank acquire legal force by publication in Liechtenstein's official commercial notification media (Art. 25 para. 1 of the company's articles of incorporation).

VP Bank provides frank, transparent, comprehensive and timely information to shareholders and the capital markets. The information policy of VP Bank is focused on the principle of equal treatment of all capital market participants.

Aside from its detailed annual and semi-annual reports that are prepared in accordance with International Financial Reporting Standards (IFRS), VP Bank provides additional information to its shareholders and the capital markets by means of media releases that address current developments and changes at the company. As a company listed on the SWX Swiss Exchange, VP Bank is subject in particular to the obligation to disclose without delay any price-sensitive facts (ad hoc publicity obligation).

Agenda

2005 media and analyst conference	March 14, 2005
Annual shareholders meeting	April 29, 2005
2005 semi-annual report	August 30, 2005

Investors and other interested parties may access additional information on the company, as well as its articles of incorporation, at the Website www.vpbank.com.

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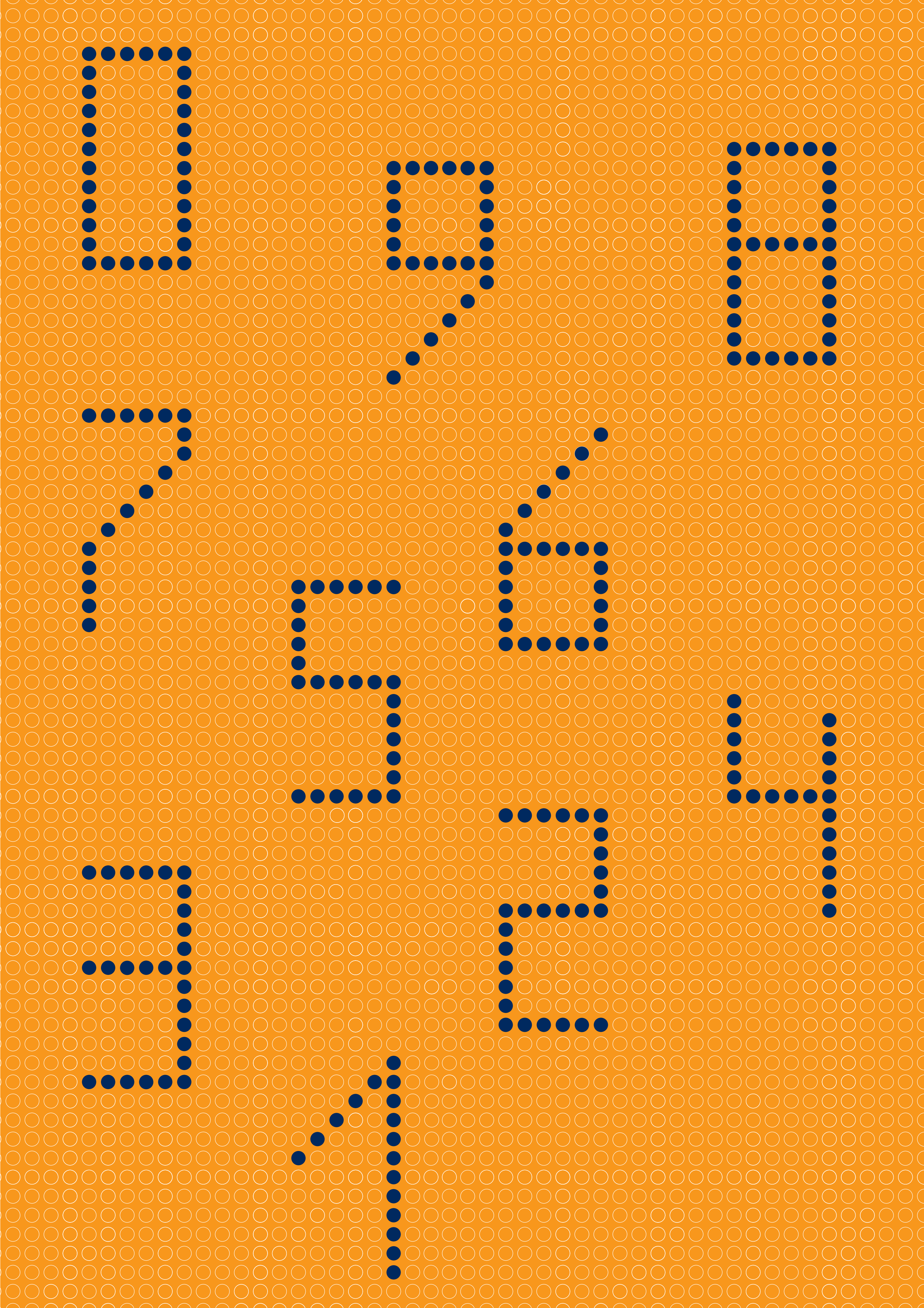
Financial Report
VP Bank Group

Financial Report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Understanding

“Clarity in numbers”

05

Financial Report
VP Bank Group

Consolidated financial statements of the VP Bank Group

Consolidated annual report of the VP Bank Group

Net profit in excess of CHF 91 million; increased dividend
For its 2004 financial year, the VP Bank Group recorded a net profit of CHF 91.2 million (2003: CHF 94.7 million). As a result of its decision to increase the payout ratio, the Board of Directors will propose at the annual shareholders meeting on April 29, 2005, that the dividend be raised by 20 percent to CHF 6.00 per bearer share and CHF 0.60 per registered share.

Income statement
Net interest income declined by 9.4 percent to CHF 99.0 million (2003: CHF 109.4 million), mainly due to the lower balance sheet total and hedging costs for interest rate derivatives. The 9.4 percent increase to CHF 122.4 million (2003: CHF 111.9 million) in net fee and commission income was primarily attributable to a rise in fund-related revenues. Net trading income advanced by CHF 2.6 million to CHF 22.0 million (2003: CHF 19.4 million), while other income eased versus the prior year by CHF 6.8 million to CHF 17.0 million (2003: CHF 23.8 million). The changes in trading and other income were essentially due to the valuation influence of financial instruments. Also reflected in other income is the elimination of value adjustments that were no longer necessary.

Operating expenses rose in comparison to the previous year by 0.7 percent to CHF 125.9 million (2003: CHF 125.0 million). Thanks to strict cost controls, the further expansion of front office activities did not lead to a significant increase in expenses. Personnel costs amounted to CHF 84.9 million (2003: CHF 83.4 million), 1.9 percent higher than the prior-year total. Expressed in full-time equivalents, the staff expanded from 543.0 to 548.9. General and administrative expenses of CHF 41.0 million was 1.6 percent lower than the previous year's total of 41.4 million.

Gross profit declined by 3.5 percent to CHF 134.5 million (2003: CHF 139.4 million). In 2004, depreciation and amortization amounted to CHF 23.1 million (2003: CHF 29.3 million), while value adjustments, provisions and losses narrowed by 12.4 percent to CHF 9.5 million (2003: CHF 10.9 million). Tax expense (including deferred tax expense) rose to CHF 8.8 million (2003: CHF 1.6 million).

The cost/income ratio of 48.3 percent (2003: 47.3 percent) remained below the 50 percent level.

The Group's subsidiaries in Luxembourg, Zurich, the British Virgin Islands and (since November 1, 2004) Munich contributed 16.6 percent to consolidated operating profit before tax and minority interests (2003: 17.5 percent).

Balance sheet
The consolidated balance sheet total declined versus its level at December 31, 2003 (CHF 8.2 billion), by 3.5 percent to CHF 7.9 billion. On the asset side, loans to banks were reduced but trading portfolio assets and financial investments rose. The increase in customer loans was primarily attributable to a rise in mortgages. On the liabilities side, customer deposits eased by 4.3 percent, whereas the majority of those funds was reinvested in portfolio holdings. Liabilities to banks rose to CHF 124.8 million (31.12.2003: CHF 106.1 million).

As of December 31, 2004, the shareholders' equity of the VP Bank Group amounted to CHF 790.8 million (31.12.2003: CHF 744.2 million), and its BIS tier 1 ratio (excluding annual net profit) stood at 15.4 percent (31.12.2003: 14.3 percent).

Client assets under management
The amount of client assets under management increased in 2004 by 1.2 percent to CHF 26.1 billion (31.12.2003: CHF 25.8 billion).

Outlook
The VP Bank Group's strategy is based on the vision of its ranking among the best private banks, and its activities in 2005 will center on that fundamental objective. Apart from opening the new representative office in Moscow, Group-wide efforts to penetrate markets even further will be pursued resolutely and reinforced by new elements. The findings of a broad-based survey of client satisfaction will contribute to a systematic enhancement of our key performance indicators. And particular attention will be paid to increasing the amount of client assets under management.

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Consolidated income statement

in CHF 1,000	Note	**2004**	2003	Change in %
Net interest income	1	99,044	109,357	-9.4
Net fee and commission income	2	122,380	111,910	9.4
Net trading income	3	22,033	19,357	13.8
Other income	4	16,992	23,831	-28.7
Total operating income		**260,449**	**264,455**	**-1.5**
Personnel expenses	5	84,918	83,359	1.9
General and administrative expenses	6	41,004	41,653	-1.6
Operating expenses		**125,922**	**125,012**	**0.7**
Gross profit		**134,527**	**139,443**	**-3.5**
Depreciation and amortization	7	23,054	29,285	-21.3
Value adjustments, provisions and losses	8	9,528	10,875	-12.4
Operating profit before tax and minority interests		**101,945**	**99,283**	**2.7**
Income tax expense	9a	8,812	1,561	464.5
Net profit before minority interests		**93,133**	**97,722**	**-4.7**
Minority interests		1,908	2,990	-36.2
Net profit	10	**91,225**	**94,732**	**-3.7**
Share information (in CHF)[1]				
Basic earnings per bearer share		15.48	14.12	
Basic earnings per registered share		1.55	1.41	
Diluted earnings per bearer share		15.48	14.12	
Diluted earnings per registered share		1.55	1.41	
Dividend per bearer share		6.00[2]	5.00	
Dividend per registered share		0.60[2]	0.50	

There are no potentially dilutive contracts that could lead to a dilution of the earnings per bearer share or per registered share as indicated above.

[1] Calculated on the basis of weighted outstanding shares as per IFRS (note 10)

[2] Subject to approval by the General Meeting

Consolidated balance sheet

Assets

in CHF 1,000	Note	**31.12.2004**	31.12.2003	Change in %
Cash and cash equivalents	11	77,429	73,871	4.8
Money market paper	12	16,279	15,149	7.5
Due from banks	13	3,986,703	4,512,163	-11.6
Due from customers	13	2,725,651	2,600,012	4.8
Trading portfolio assets	15	247,961	205,674	20.6
Derivative financial instruments	16	45,594	44,269	3.0
Financial investments	17	561,628	478,992	17.3
Property and equipment	18	172,913	178,962	-3.4
Goodwill and other intangible assets	19	18,475	23,313	-20.8
Tax assets	9c	827	612	35.1
Deferred tax assets	9b	1,562	1,306	19.6
Accrued income and prepaid expenses		22,509	25,051	-10.1
Other assets	20	11,296	11,362	-0.6
Total assets		**7,888,827**	**8,170,736**	**-3.5**

Consolidated balance sheet (continued)
Liabilities and shareholders' equity

in CHF 1,000	Note	**31.12.2004**	31.12.2003	Change in %
Due to banks		124,761	106,116	17.6
Due to customers – savings and deposits		1,036,087	1,012,064	2.4
Due to customers – other liabilities		5,648,860	5,970,938	-5.4
Derivative financial instruments		56,002	54,310	3.1
Medium-term notes	21	133,080	176,412	-24.6
Tax liabilities	9c	10,923	7,565	44.4
Deferred tax liabilities	9b	13,724	15,033	-8.7
Accrued expenses and deferred income		24,042	36,145	-33.5
Other liabilities	22	35,776	34,605	3.4
Provisions	23	1,393	508	174.2
Total liabilities		**7,084,648**	**7,413,696**	**-4.4**
Minority interests	24	**13,377**	**12,883**	**3.8**
Share capital		59,148	59,148	0.0
Less treasury shares	25	-14,774	-1,363	983.9
Reserves		-10,867	-11,244	-3.4
Retained earnings		672,106	606,948	10.7
Foreign currency translation		-6,036	-4,064	48.5
Net profit		91,225	94,732	-3.7
Total shareholders' equity		**790,802**	**744,157**	**6.3**
Total liabilities, minority interests and shareholders' equity		**7,888,827**	**8,170,736**	**-3.5**

Consolidated statement of changes in shareholders' equity

in CHF 1,000	2004	2003
Share capital		
Balance at the beginning of the year	59,148	85,500
Capital decrease	0	-26,352
Balance at the end of the year	**59,148**	**59,148**
Treasury shares		
Balance at the beginning of the year	-1,363	-121,702
Acquisitions/Disposals	-13,411	120,339
Balance at the end of the year	**-14,774**	**-1,363**
Reserves		
Balance at the beginning of the year	-11,244	-2,715
Gains/losses on treasury shares	377	-8,529
Balance at the end of the year	**-10,867**	**-11,244**
Retained earnings		
Balance at the beginning of the year	701,680	1,009,108
Dividend paid by Verwaltungs- und Privat-Bank AG, Vaduz	-29,574	-12,825
Capital decrease	0	-389,335
Net profit for the year	91,225	94,732
Balance at the end of the year	**763,331**	**701,680**
Foreign currency translation		
Balance at the beginning of the year	-4,064	-1,998
Movements during the year	-1,972	-2,066
Balance at the end of the year	**-6,036**	**-4,064**
Total shareholders' equity at the end of the year	**790,802**	**744,157**

Share capital and shares outstanding

	31.12.2004		31.12.2003	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
Registered shares, par value CHF 1.–	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares, par value CHF 10.–	5,314,347	53,143,470	5,314,347	53,143,470
Total share capital		**59,147,637**		**59,147,637**

All issued shares are fully paid in.

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Consolidated cash flow statement

in CHF 1,000	2004	2003
Cash flow from operating activities		
Net profit	91,225	94,732
Minority interests	1,908	2,990
Depreciation and amortization	23,054	29,285
Reduction of pension fund provisions	-730	-232
Establishment/release of provisions	885	-465
Proceeds from sale of assets without influence on liquidity	186	839
Unrealized profit on trading portfolio	-2,956	-1,042
Unrealized profit on financial investments	-2,005	-26,583
Deferred tax expense	-1,565	-3,445
Income tax paid, interest earned less interest paid and dividends received	-214,740	-262,924
Subtotal	**-104,738**	**-166,845**
Changes in assets and liabilities from operating activities after adjustment for non-cash transactions		
Net due from/to banks	520,486	750,277
Net trading portfolio and net replacement values	-38,938	-67,092
Interest received from loans	136,469	168,926
Interest received from financial investments	22,354	21,893
Dividends received from financial investments	900	2,109
Net due from/to customers	-397,324	-416,907
Foreign currency tanslation on intercompany payables	-13,329	-18,528
Accrued income, prepaid expenses and other assets	2,276	16,080
Accrued expenses and other liabilities	-7,067	-16,565
Interest paid on debt	60,316	75,501
Income taxes paid	-5,298	-5,505
Net cash flow from operating activities	**176,107**	**343,344**
Cash flow from investing activities		
Net investment in/divestment of financial investments	-81,279	150,447
Addition of property, equipment, and intangible assets	-13,837	-52,306
Disposal of property, equipment, and intangible assets	1,920	0
Addition of subsidiary companies	-1,617 [1]	0
Disposal of subsidiary companies	0 [2]	2,777 [3]
Net cash flow used in/from investing activities	**-94,813**	**100,918**

[1] Founding of VP Vermögensverwaltung GmbH, Munich, capital of CHF 1,467 million paid in; purchase of remaining 40 % equity interest in Proventus Trust AG, Vaduz, for CHF 0.15 million.

[2] Sale of equity interests in Eurofiducia Management S.A., Montevideo, for CHF 0.32 million versus offset of claims. Cash paid out in connection with the sale amounted to CHF 0.02 million.

[3] Sale of equity interest in S.T.A. Salmann Trust AG, Vaduz, for CHF 4.8 million, of which CHF 2.72 million in cash. Cash paid out in connection with the sale amounted to CHF 0.029 million; liquidation proceeds of Eurofiducia Management AG, Vaduz, amounted to CHF 0.057 million.

Consolidated cash flow statement (continued)

in CHF 1,000	2004	2003
Cash flow from financing activities		
Capital decrease	0	-26,352
Elimination of treasury shares	0	-389,337
Net increase/decrease in treasury shares	-13,034	111,810
Dividends paid	-29,574	-12,825
Repayment of medium-term notes	-43,332	-37,484
Net cash flow used in financing activities	**-85,940**	**-354,188**
Effect of foreign currency translation (including minority interests)	-10,703	-4,673
Net increase/decrease in cash	**-15,349**	**85,401**
Cash balances at beginning of year	844,189	758,788
Cash balances at end of year	828,840	844,189
Net decrease/increase in cash balances	**-15,349**	**85,401**

Cash balances consists of:		
Cash and cash equivalents	77,429	73,871
Money market paper	16,279	15,149
Due from banks on demand	735,132	755,169
Total cash balances	**828,840**	**844,189**

Treatment of the effects of foreign currency translation has been changed from the net to the gross principle.
Prior-year figures have been adjusted accordingly.

Significant non-cash investing and financing activities

in CHF 1,000	2004	2003
S.T.A. Salmann Trust AG, Vaduz, deconsolidation Property and equipment	0	839

Consolidated off-balance-sheet items

in CHF 1,000	31.12.2004	31.12.2003
Contingent liabilities		
Collateral guarantees and similar instruments	18,076	9,099
Performance guarantees and similar instruments	95,359	142,320
Irrevocable commitments	0	0
Other contingent liabilities	275	0
Total contingent liabilities	**113,710**	**151,419**
Credit risks		
Irrevocable commitments	29,020	31,010
Pay-in and pay-up obligations	0	0
Guaranteed loans	0	0
• Liabilities from deferred payments	0	0
• Acceptance liabilities	0	0
• Other guaranteed loans	0	0
Liabilities from artificial pension fund transactions	0	0
Total credit risks	**29,020**	**31,010**
Fiduciary transactions		
Fiduciary deposits[1]	1,506,134	1,612,182
Fiduciary loans	16,151	16,769
Other fiduciary financial transactions	18,185	21,185
Total fiduciary transactions	**1,540,470**	**1,650,136**

[1] Investments that Group companies make in their own name, but for the account and risk of the customer, with banks outside the scope of consolidation.

Lending- and pension-related transactions involving securities		
Claims related to cash deposits for securities borrowing and reverse repurchase agreements	0	0
Obligations related to cash deposits for securities borrowing and reverse repurchase agreements	0	0
Securities lent or delivered as collateral within the scope of securities lending and borrowing activities, as well as self-owned securities transferred in connection with repurchase agreements	316,033	0
Of which, the unlimited right to sell or further pledge the relevant securities has been granted	150,565	0
Securities borrowed or received as collateral within the scope of securities lending and borrowing activities, as well as self-owned securities obtained in connection with repurchase agreements	316,381	0
Of which, securities that have been further pledged or sold	147,666	0

Accounting principles

1. Fundamental principles

Verwaltungs- und Privat-Bank Aktiengesellschaft, domiciled in Vaduz, Liechtenstein (hereinafter "VP Bank"), was founded in 1956 and ranks among the three largest banks in Liechtenstein. At present, it has subsidiaries in Zurich, Luxembourg, Munich and the British Virgin Islands. Adjusted to reflect full-time equivalents, the VP Bank Group at year-end 2004 had 548.9 staff (previous year: 543.0).
The core business activities of VP Bank focus on providing portfolio management and investment advisory services for private and institutional clients, as well as lending operations.

Values included in the annual financial statements are expressed in thousands of Swiss francs. The 2004 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The premature application of standards taking effect as of January 1, 2005, has been waived. The mandatory application of revised IFRS provisions subsequent to that date will have an impact also on the consolidated financial statements of the VP Bank Group. A project team at the Bank is currently analyzing the related effects. The 2005 semi-annual report will be prepared for the first time in accordance with these revised standards. Of particular significance will be the treatment of valuation changes of "Financial assets available for sale", which may no longer be recorded on the income statement. Going forward, this item will be booked via valuation reserves to shareholders' equity with no influence on the income statement. Moreover, numerous small changes and adjustments will have to be made in connection with IFRS, none of which should have a material influence on the Group's net results.

IFRS contains guidelines that require VP Bank to make assumptions and estimates in the preparation of its consolidated financial statements. The most significant accounting principles are described in this section so as to clarify how their application influences the financial results and underlying information reported by VP Bank

Subsequent events

No significant events that could have a material impact on the balance sheet or income statement of VP Bank have occurred subsequent to the balance sheet date.

The Board of Directors reviewed and approved the 2004 consolidated annual financial statements at its meeting on February 24, 2005.

2. Scope of consolidation

Fully consolidated companies

The consolidated annual financial statements encompass the individual company accounts of VP Bank AG and its subsidiaries, all of which are reflected as a single commercial entity. All subsidiaries that are either directly or indirectly controlled by the Group have been included in the consolidation. Acquired subsidiaries are consolidated as of the date on which control transferred to the Group.

Changes in the scope of consolidation

In the fall of 2004, VP Vermögensverwaltung GmbH, Munich, was founded and included in the scope of consolidation. The Group's equity interest in Proventus Trust AG, Vaduz, was increased from 60 percent to 100 percent and, in turn, one subholding of the latter company (Eurofiducia Management S.A., Montevideo) was sold and another (VPB Finance S.A., Montevideo) liquidated. The VP Bank Group paid CHF 0.15 million for the purchase of the remaining minority interest in Proventus Trust AG, Vaduz. The new provisions of IFRS 3 have already been applied in this regard.

Method of capital consolidation

Capital has been consolidated in accordance with the Anglo-Saxon purchase method, by which the equity capital of the given consolidated company at the time of its acquisition or founding is reconciled at the parent-company level against the book value of the participation.
Subsequent to the initial consolidation, changes from operating activities carried out during the given accounting period and included in the consolidated financial statements for such period are allocated to retained earnings. The effects of Group-internal transactions are eliminated during preparation of the annual consolidated financial statements.
Minority interests in equity capital as well as in the Group financial results are reported separately in both the consolidated balance sheet and income statement.

Equity interests in affiliated companies

Equity interests of between 20 and 50 percent in companies over which the Group can exercise material influence are accounted for according to the equity method.

3. General principles

Trade date vs. settlement date

Upon the purchase or sale of financial assets and liabilities, the trade-date method of accounting is applied. This means that such transactions are already accounted for in the balance sheet on the date of the given transaction and not only as of the relevant settlement date.

Income accrual

Service-related income is recorded at the time the given service was rendered. Asset management fees, safekeeping fees and similar types of income are recorded on a pro rata basis over the period during which the given service is provided. Interest income is accrued and recorded in a period-compliant manner, while dividends are recorded upon receipt of payment.

Foreign currency translation

The Group's reference currency is the Swiss Franc. Foreign currencies are converted using the relevant daily rate. All balance sheet items (excluding shareholders' equity) are converted into the Group's accounting currency at the relevant exchange rate valid on the balance sheet date. All individual income statement items are converted at the average exchange rate for the given accounting period.

Any differentials resulting from conversion of the financial statements that have been prepared in foreign currency are booked to shareholders' equity (retained earnings) with no impact on the income statement.

Domestic vs. foreign

The term "domestic" is understood to include Switzerland.

Segments

The Group comprises three business divisions – Private Clients, Trust Banking und Investment Management – as well as the Corporate Center (including subsidiary companies). This structure constitutes the basis for primary segment reporting. Directly attributable income and expenditures are allocated to the specific segments. Intercompany payments and inter-segmental payments are recorded at market values that are the same as those invoiced to external clients for similar services. Income and expenditures of a superordinate nature that cannot be attributed directly to a given segment are booked at the Corporate Center. Consolidated items are also recorded at the Corporate Center level.
Geographic segment reporting is conducted in keeping with the business location principle and reflects the segments Liechtenstein and Switzerland, Other Europe and Other Countries.

Cash, cash equivalents and readily realizable assets

Cash, cash equivalents and readily realizable assets includes the items Cash and cash equivalents, Money market paper and Due from banks on demand.

4. Financial instruments

General

The Group subdivides the financial instruments it holds, which include conventional financial assets and liabilities as well as equity securities, into the following categories:

- Financial assets/liabilities held for trading purposes ("Trading portfolio assets")
- Financial assets available for sale
- Investments held to maturity ("Financial investments")
- Loans granted and not held for trading purposes or considered financial assets available for sale

Allocation of the specific financial instruments takes place at the time of their initial recording in compliance with the criteria of IAS 39.

Trading portfolio assets

Trading portfolio assets consist of shares, bonds and structured financial instruments. Financial assets held for trading purposes are recorded at fair value. Short positions in securities are reported as trading portfolio liabilities. Realized and unrealized gains and losses, subsequent to deduction of the related transaction costs, are recorded in net trading income. Trading-related interest and dividend income is recorded in net interest income. Fair value is based on current market prices if an active market is available. In the absence of an active market, fair value is determined on the basis of pricing models or price quotations from securities dealers.

Financial assets available for sale

Financial assets available for sale are recorded on the balance sheet at fair value. Realized and unrealized gains or losses are reflected on the income statement under other income. Fair value is based on current market prices if an active market is available or, lacking such, on price models or quotes from securities dealers.
Interest and dividend income are recorded in net interest income. Interest income is accrued in a period-compliant manner.

Investments held to maturity

VP Bank does not utilize this category.

Loans granted

When initially recorded, loans granted to customers are valued at actual cost, which corresponds to the fair value of the specific loan at the time it was granted. Subsequent valuation reflects the amortized cost under application of the effective interest rate method.

Value-impaired loans

A given loan is considered to be value-impaired if the probability exists that the entire amount owed as per the loan agreement is not recoverable. Causes for such value impairment are of a counterparty or country-specific nature. Interest income from non-impaired loans is accrued in a period-compliant manner.
A value adjustment for credit risks is reflected on the balance sheet by a reduction in the book value of a given loan receivable. The amount of value impairment is essentially based on the difference between the relevant book value and the presumed recoverable amount after taking into account the proceeds from the liquidation of any available collateral. As it pertains to off-balance-sheet items such as irrevocable commitments, a reserve for credit risks is reported under provisions. Lump-sum value adjustments exist to cover latent credit risks that have not been previously identified at the portfolio level.
At least once a year, a creditworthiness assessment is conducted on all distressed loan receivables. If changes versus the previous assessment are determined with regard to the amount and time of anticipated future payment flows, the value adjustment for a given credit risk is adapted accordingly and booked to the income statement under value adjustments for credit risks.

Non-performing loans

Non-performing loans are generally a component of value-impaired loans. A loan becomes classified as non-performing as soon as the contractually determined principal or interest payments remain unpaid for 90 days or longer.

Derivative financial instruments and hedging transactions (hedge accounting)

Derivative financial instruments are valued at fair value and reflected on the balance sheet. The relevant fair value is determined on the basis of current market prices or options-pricing models. Realized and unrealized gains and losses are reflected on the income statement. VP Bank does not apply hedge accounting.

Medium-term notes

VP Bank's medium-term notes are recorded at issuance value and subsequently valued at ongoing cost of acquisition.

Treasury shares

VP Bank shares held in the treasury are reported as "Treasury shares" in shareholders' equity and deducted at cost of acquisition. The difference between the sale proceeds and corresponding cost of acquisition of treasury shares is recorded under reserves.

Repurchase and reverse-repurchase agreement transactions

Repo or reverse-repo transactions serve as a means for refinancing or, respectively, financing or procuring securities of a specific type. Such transactions are booked as a prepayment versus coverage by securities or as a cash deposit versus a pledge of the Bank's own securities.

Securities lending and borrowing operations

The financial instruments lent or borrowed for which the Group acts in a principal capacity are valued at fair value and recorded on the balance sheet under 'due from banks/customers' or, as the case may be, 'due to banks/customers'.
Securities lending and borrowing transactions for which the Group acts in the capacity of an agent are recorded off-balance-sheet. Fees received or paid in this connection are booked under net fee and commission income.

5. Other principles

Provisions

Provisions are taken on the balance sheet only if VP Bank has a liability versus third parties that is attributable to a past event for which the likelihood exists than an outflow of resources with economic benefit will be incurred, and if the amount of such liability can be reliably estimated.

Value impairment of property and equipment

The ongoing value of roperty and equipment and other long-term assets, including goodwill and intangible assets, is reassessed at least annually but always when, on the basis of specific events or changed circumstances, it appears possible that the relevant book value is inflated. If the book value of a given asset exceeds its realizable value, an extraordinary writedown is made.

Property and equipment

Included in property and equipment are properties for own use, other property, furniture and machines, and IT systems. Valuation is accounted for at cost of acquisition, less any operationally necessary depreciation.
Properties for own use, represent real estate that is owned and used by the Group for the rendering of services or for administrative purposes, while other property serves to generate rental income and/or capital gains. If a given property is partially utilized as a bank building and partially as other property, the criteria of whether each portion can be sold separately is decisive in its classification. If a partial sale is possible, each component part is booked accordingly. If the portions cannot be sold separately, the entire property is classified as a bank building unless the portion used for banking purposes is deemed to be insignificant.

Depreciation is conducted according to the straight-line method over the anticipated useful life of the given asset as follows:

Real estate	25 years
Furniture and machines	8 years
IT systems	3 years

Miscellaneous purchases are charged directly to general and administrative expenses. As a general rule, maintenance and renovation expenditures are booked to general and administrative expenses. If the related cost is substantial and results in a significant increase in value, such expenditures are capitalized and depreciated over their useful life. Profits from the sale of property and equipment are reflected as other income. Losses result in additional writedowns on property and equipment.

Leasing

Costs of operational leasing arrangements (in which all ownership rights and obligations associated with the object covered by the leasing agreement remain with the lessor) are charged to general and administrative expenses.
At present, there exist no claims or liabilities attributable to lease financing.

Goodwill

If, upon the acquisition of a company, the purchase cost is higher than the acquired net assets valued in keeping with Group-wide valuation principles (including identifiable intangible assets that can be capitalized), the excess amount constitutes acquired goodwill. Capitalized goodwill is amortized over its anticipated useful life in accordance with the straight-line method, but at most over a period of 20 years. The estimation of anticipated useful life is examined on an annual basis. Within the framework of this reassessment, the amortization period for goodwill relating to the Bank's business activities in Luxembourg was extended from the previous duration of 5 years to the maximum of 20. The reason for this change is the favorable development of the corresponding business activities, as well as circumstances that have changed in the meantime. As a result, amortization declined from the previous level of CHF 5.7 million to approximately CHF 0.7 million.

Intangible assets

Purchased software is capitalized and depreciated over a three-year period. Miscellaneous purchases are charged directly to general and administrative expenses.
Internally generated intangible assets such as software are capitalized, provided the circumstances for capitalization as per IAS 38 are given. At present, the VP Bank Group has not capitalized any internally generated intangible assets.

Deferred tax assets/liabilities

Current income tax is calculated on the basis of the tax law applicable in the given country and recorded as expense for the accounting period in which the related profits were earned. The relevant amounts are reflected on the balance sheet as provisions for tax.
The tax impact from time differentials between the values of assets and liabilities shown on the consolidated balance sheet and their taxable value are recorded on the balance sheet as deferred tax assets or, as the case may be, deferred tax liabilities. Deferred tax assets attributable to time differentials or accountable loss carryforwards are capitalized if there is the probability that sufficient taxable profits will become available to offset such differentials or loss carryforwards.
Deferred tax assets/liabilities are calculated at the tax rates that are likely to be applicable for the accounting period in which the tax assets are realized or the tax liabilities paid.
Tax assets and tax liabilities are offset against each other if they pertain to the same taxable item, the same tax jurisdiction, and an enforceable right exists to effect such an offset.
Deferred tax expense is credited or charged directly to shareholders' equity if the related tax pertains to items that have been credited or charged directly to shareholders' equity in the same or some other accounting period.

Retirement plans

The VP Bank Group maintains a number of retirement plans in Liechtenstein and abroad on behalf of its employees, including both defined-benefit and defined-contribution plans.
For defined-benefit plans, the given periodic costs are determined by opinions obtained from external experts.
For defined-benefits plans with segregated assets, the relevant funded status (surplus or deficit of the cash value of the claims in comparison to the related assets valued at current market value) is recorded on the balance sheet as an asset or liability in accordance with the projected unit credit method after taking into account any actuarial gains or losses and unpaid claims that have yet to be booked.
The VP Bank Group must record a portion of such actuarial gains/losses as income/expense if the balance of the cumulative, unbooked actuarial gains/losses at the end of the previous accounting period exceed prescribed threshold values.

Employee stock-ownership plans

The Group's employee stock-ownership plan enables employees to purchase annually a certain number of bearer shares of Verwaltungs- und Privat-Bank AG at a preferential price, however with a four-year restriction as to sale. The number of shares that can be acquired is dependent upon the given employee's years of service as well as rank or management level. The purchase price is determined annually by the Board of Directors and is based on the average market price of VP Bank's bearer shares on the SWX Swiss Exchange. Shares issued in this manner originate either from treasury holdings of VP Bank or from purchases made in the open market for such purpose. The related expense (i.e. the difference between cost of acquisition and the issuance price) is charged directly to personnel expenses.

Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss allocable to shareholders for the given accounting period by the weighted average number of shares (less treasury shares) that were outstanding during the period.
Diluted earnings per share is calculated by the same means, however the given determining amounts are adjusted to reflect the potential dilutive effect of the conversion or exercise of options, warrants, convertible bonds or other types of financial contract involving shares of the Group.

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VP Bank Group

Information regarding risk management

1. Structure of risk management

The long-term development and ongoing success of a financial institution depend highly upon the optimal management of risks throughout the enterprise. The risk policy constitutes the foundation and procedural framework for the concept and formulation of risk management within VP Bank Group. This policy defines the goals, priorities and basic principles of risk management, as well as the structures, processes and key instruments for systematically identifying, measuring, managing and monitoring risks. The most significant risks to which the Bank is exposed are the following:

- Business risks
- Credit risks
- Market risks
- Liquidity risks
- Operational risks
- Legal risks and compliance issues
- Reputational risks

The Board of Directors defines and verifies a risk policy that is suitable to this purpose. In accomplishing this task, the Board is supported by the Audit and Risk Management Committee.

Overall responsibility for implementing the Group risk management policy is borne by the Executive Board of VP Bank. This body is kept apprised by means of level-consistent financial and risk reporting that provides information on the Bank's assets, liabilities, financing activities and earnings as well as any related risks. The Executive Board is assisted in these efforts by the following organizational units:

- Capital Management Group: Management of market and credit risks, as well as overall liquidity
- Risk Controlling within the Group Finance unit: Measurement and surveillance of market and credit risks, as well as compliance with legally stipulated liquidity requirements
- Legal and Compliance: Assessment and surveillance of legal and regulatory risks

The measuring, monitoring and managing of operational risks effectively takes place in the various departments of the Bank and is controlled within the framework of the normal management process.

2. Business risks

General business risks are posed by the uncertainty of how profits will develop in response to altered business circumstances such as the market environment, client behavior and technical advances. These risks can lead to profits declining faster than costs can be adjusted.

3. Credit risks

Credit risk represents a potential loss that can arise for VP Bank if a counterparty can no longer fulfill its obligations. Default risks of this nature are contained through risk diversification, creditworthiness requirements and margin or collateral deposits. A risk-congruent allocation of authorities exists for loan approval, in which the borrower's creditworthiness and ability to assume debt is assessed in accordance with uniform criteria.

Third-party payment obligations versus the VP Bank Group arise in conjunction with its traditional on-balance-sheet lending operations. Other risks are inherent to the Bank's general proprietary and agency-based securities trading activities. Risk limits are defined for each counterparty, and those limits are monitored on a daily basis.

Risk diversification

By maintaining a diversified loan portfolio, the Bank's credit management strives to achieve an optimal risk/reward ratio. Concentrated credit risks arise when clients are involved in similar activities or located in the same geographic region, or otherwise exhibit common characteristics.

On December 31, 2004, the Bank's total outstanding loan commitments stood at CHF 7.6 billion (2003: CHF 7.9 billion), of which CHF 4.0 billion (or 53 percent) was due from banks and CHF 2.7 billion (or 36 percent) due from customers. On 31.12.03, CHF 4.5 billion (or 57 percent) of the Bank's total outstanding loan exposure was due from banks and CHF 2.6 billion (or 33 percent) due from customers.

The ten largest individual commitments vis-à-vis banks had an aggregate value of CHF 1.6 billion (2003: CHF 1.8 billion), whereby each involves a financial institution with a domicile in an OECD country and a high (at least single-A) credit rating. The bulk of the Bank's traditional lending business versus customers is represented by CHF 1.6 billion worth of outstanding mortgages (31.12.2003: CHF 1.5 billion). From a regional perspective, most of those loans are to borrowers in the Principality of Liechtenstein and the eastern portion of Switzerland. The ten largest individual commitments vis-à-vis customers had an aggregate value that represented 20 percent of the Bank's entire loan portfolio, as in the previous year, or what now represents 7 percent of the balance sheet total (31.12.2003: 6 percent).

Country-specific risk

The monitoring and containment of risks associated with foreign commitments is conducted in accordance with generally accepted country ratings and corresponding limits.

For the categorization and assessment of the risks associated with individual countries, a rating system with 7 categories is employed. These categories range from A (lowest potential risk; outstanding financial security) to G (highest potential risk; often insolvent or close to insolvency).

Country-specific commitments are claims against counterparties domiciled outside of Liechtenstein or Switzerland. The reported items encompass all on- and off-balance-sheet claims of such nature. The assessment of country-specific risks is made according to the domicile involved, whereas collateralized commitments are fundamentally assessed on the basis of where the related collateral is lodged.

As at December 31, 2004, 96 percent of all such claims were rated in classes A and B (2003: 97 percent).

4. Market risks

Market risks arise from the price fluctuations that take place continually in the equities, fixed income and foreign exchange markets. This risk is defined as being the potential for losses that could result from unforeseen changes in market prices and rates (interest rates, share prices, foreign exchange rates, etc.). Managing market risk is a function of identifying, measuring, monitoring and steering the assumed market risks.

At the VP Bank Group, limits are defined for the Value at Risk (VaR), sensitivity and concentration of financial investments in order to contain market risks. The most important reading in this regard is Value at Risk. While VaR forecasts are employed for the identification of potential losses as the result of normal market fluctuations, periodic stress tests serve as a means of estimating the consequences of exaggerated market movements.

For the calculation of VaR, the VP Bank Group utilizes the methods of historical simulation, in which all market-risk positions held during the past 260 trading days are completely re-evaluated. The basis for such a historical simulation is formed by empirically observed changes in the market parameters (prices, yield curves, volatilities) that have taken place over the past 260 trading days. In this approach, correlations are implicitly taken into account without utilizing the calculations and assumptions based on a correlation matrix. On December 31, 2004, VaR at the VP Bank Group for a holding period of one month and a confidence level of 99 percent stood at CHF 20.2 million (31.12.2003: CHF 22.1 million). In the 2004 financial year, the Bank's highest recorded VaR was CHF 30.2 million; the lowest was CHF 19.0 million. For the previous year, these VaR extremes stood at CHF 37.7 million and CHF 19.7 million, respectively.

Asset & liability management (ALM) lies within the scope of authority of the Capital Management Group unit. The objective of ALM is to identify, measure and steer interest and foreign exchange risks. The Capital Management Group unit takes on positions exposed to market risk under observance of strictly prescribed limits. Within the Risk Controlling department, the Group Finance unit makes available the necessary tools and continually adapts them to changing market conditions. Based on those tools, a periodic report is generated for the purpose of optimizing the risk/reward ratio of the relevant term structure. Within the risk management function, the Capital Management Group unit ensures that interest and foreign exchange risks are appropriately contained. The main objective of ALM is to identify the long- and short-term interest rate risks from a yield and cash-value perspective. The Capital Management Group unit also bears responsibility for managing the Bank's cash and cash equivalents.

5. Liquidity risks

Liquidity risk involves the threat that, in the absence of refinancing possibilities, the Bank might not be in a position to meet its financial obligations. Such risks are minimized to the greatest extent possible through diversification as well as maintenance of a reasonable amount of liquidity reserves.
The Capital Management Group and Group Finance units ensure compliance with the liquidity provisions of banking law.

6. Operational risks

Operational risks arise as a result of, among other things, the inappropriateness or failure of internal procedures, processes or systems, inadequate management practices or the influence of extraneous factors.
VP Bank minimizes operational risks within the scope of its process management efforts. By means of process analyses, operational risks are assessed on an ongoing basis and contained via internal regulations and directives governing controls and organization. The IT infrastructure of the Bank is continually upgraded to incorporate the latest security standards. For the coordination of all security-related measures and projects, the Bank has a standing committee for security matters that reports directly to the CEO.

7. Legal risks and compliance issues

Legal risks and compliance issues pertain to threats that can arise from the legal and regulatory environment, the most prominent of which are liability and default risks as well as regulatory issues.
Risks involved in the handling of transactions are minimized through the use of standardized framework contracts. Responsibility for monitoring risks in connection with the acceptance of client funds and the related obligation to exercise due diligence is delegated to the given compliance officers and specially trained personnel.

Segment reporting per business division

This segment reporting section covers VP Bank's three operating divisions – Private Clients, Trust Banking and Investment Management – as well as the Corporate Center (including subsidiary companies).

In keeping with the beneficiary-pays principle, direct costs for internal services rendered between the segments are accounted as income for the provider of the services and expense for the recipient.

Private Clients

The Private Clients division caters to the private clients of VP Bank and comprises the Private Banking and Personal Banking business units. The division offers its international clientele comprehensive financial advice and services, tailored to address all types of assets.

Trust Banking

The Trust Banking division consists of the Intermediaries, Corporate Clients and IT business units. It offers client-specific services to fiduciaries and external asset managers.

Investment Management

The Investment Management division comprises the Capital Management Group and Production business units. Clients and their investment needs take center stage in the Investment Management division. Its activities focus mainly on managing the assets of individual and institutional investors. To that purpose, VP Bank offers a broad range of financial and fund-related services. In order to achieve the highest possible level of performance, the Capital Management Group business unit is responsible for managing VP Bank's current assets.

Corporate Center

Income and expenditures that cannot be attributed directly to a given operating business unit, as well as consolidated items, are reported at the Corporate Center level. The results of the Bank's subsidiaries are also integrated into the Corporate Center's accounts. Management responsibility for these operations is borne by the CFO.

2004 in CHF 1,000	Private Clients	Trust Banking	Investment Management	Corporate Center including subsidiaries	Corporate Center subsidiaries alone[1]	Group total
Operating income	55,181	84,292	65,642	55,334	56,980	260,449
Operating expenses[2]	21,098	25,017	31,942	80,447	40,037	158,504
Business division results before tax	**34,083**	**59,275**	**33,700**	**-25,113**	**16,943**	**101,945**
Income tax expense						8,812
Net profit before minority interests						**93,133**
Minority interests						1,908
Net profit						**91,225**
Total assets (in CHF million)	154	2,036	3,802	1,895	1,928	7,887
Total liabilities (in CHF million)	1,967	3,049	565	1,478	1,771	7,059
Capital expenditure		6,424		7,413	2,012	13,837
Depreciation and amortization		12,773		10,281	2,433	23,054
Increase in allowance for credit losses		7,022		592	592	7,614
Decrease in allowance for credit losses		12,401		414	414	12,815
Staff (full-time equivalents)	71.4	108.2	128	241.3	149.2	548.9

2003 in CHF 1,000	Private Clients	Trust Banking	Investment Management	Corporate Center including subsidiaries	Corporate Center subsidiaries alone[1]	Group total
Operating income	46,404	72,645	82,331	63,075	58,964	264,455
Operating expenses[2]	19,052	25,913	30,224	89,983	41,598	165,172
Business division results before tax	**27,352**	**46,732**	**52,107**	**-26,908**	**17,366**	**99,283**
Income tax expense						1,561
Net profit before minority interests						**97,722**
Minority interests						2,990
Net profit						**94,732**
Total assets (in CHF million)	161	1,931	3,902	2,177	2,304	8,171
Total liabilities (in CHF million)	1,983	3,127	743	1,538	2,157	7,391
Capital expenditure		12,556		39,750	595	52,306
Depreciation and amortization		13,987		15,298	2,935	29,285
Increase in allowance for credit losses		8,337		470	470	8,807
Decrease in allowance for credit losses		1,969		1,849	1,849	3,818
Staff (full-time equivalents)	72.6	102.6	127.7	240.1	148.6	543.0

[1] Values shown for the subsidiary companies are reflected gross, i.e. before Group-internal offsets.
[2] Including depreciation, amortization, value adjustments, provisions and losses

Geographic segment reporting

2004 in CHF 1,000	Liechtenstein and Switzerland	Other Europe	Other countries	Group total
Operating income	224,153	26,599	9,697	260,449
Total assets (in CHF million)	6,193	1,292	402	7,887
Capital expenditure	12,485	1,127	225	13,837

2003 in CHF 1,000	Liechtenstein and Switzerland	Other Europe	Other countries	Group total
Operating income	226,474	24,589	13,392	264,455
Total assets (in CHF million)	6,089	1,600	482	8,171
Capital expenditure	51,798	403	105	52,306

Geographic segment reporting is done according to the business location principle.

Notes to the consolidated financial statements

1 Net interest income

in CHF 1,000	**2004**	2003	Change in %
Interest and discount income	134,957	156,538	-13.8
Interest income from trading portfolio	6,551	6,179	6.0
Interest income from financial investments	15,826	15,753	0.5
Total interest income	**157,334**	**178,470**	**-11.8**
Dividend income from trading portfolio	0	184	-100.0
Dividend income from financial investments	900	2,109	-57.3
Total dividend income	**900**	**2,293**	**-60.8**
Interest expense on financial liabilities	55,761	66,119	-15.7
Interest expense on medium-term notes	3,429	5,287	-35.1
Total interest expense	**59,190**	**71,406**	**-17.1**
Net interest income	**99,044**	**109,357**	**-9.4**

2 Net fee and commission income

in CHF 1,000	**2004**	2003	Change in %
Commission income from loans	787	1,068	-26.3
Commission income from portfolio and other management and advisory services[1]	35,330	34,524	2.3
Brokerage fees	39,474	38,700	2.0
Safekeeping fees	22,983	21,849	5.2
Fees from investment funds	40,641	29,228	39.0
Commission income from other service-related activities	10,987	10,492	4.7
Total fee and commission income	**150,202**	**135,861**	**10.6**
Brokerage fees paid	5,053	4,469	13.1
Other service-related and commission expense	22,769	19,482	16.9
Total expense for service-related and commission activities	**27,822**	**23,951**	**16.2**
Net fee and commission income	**122,380**	**111,910**	**9.4**

[1] Corporate actions, asset management commissions, fiduciary commissions, investment advice, all-in fees, securities lending, retrocessions

3 Net trading income

in CHF 1,000	**2004**	2003	Change in %
Equities	3,151	1,281	146.0
Foreign exchange and precious metals	18,882	18,076	4.5
Net trading income	**22,033**	**19,357**	**13.8**

4 Other income

in CHF 1,000	**2004**	2003	Change in %
Income from financial investments available for sale	-1,554	13,100	-111.9
Income from property	256	373	-31.4
Other income	19,027	11,779	61.5
Other expense	-737	-1,421	-48.1
Net other income	**16,992**	**23,831**	**-28.7**

Income from financial investments available for sale			
Fixed-income	-2,324	2,791	-183.3
Equity	770	10,309	-92.5
Total	**-1,554**	**13,100**	**-111.9**

5 Personnel expenses

in CHF 1,000	**2004**	2003	Change in %
Salaries and bonuses	67,786	65,024	4.2
Statutory social contributions	6,263	5,765	8.6
Contributions to retirement plans (defined benefit plans)	3,599	3,766	-4.4
Contributions to retirement plans (defined contribution plans)	1,145	2,296	-50.1
Other personnel expenses	6,125	6,508	-5.9
Total personnel expenses	**84,918**	**83,359**	**1.9**

6 General and administrative expenses

in CHF 1,000	**2004**	2003	Change in %
Occupancy	5,436	4,528	20.1
Insurance	1,297	1,239	4.7
Professional fees	5,043	5,951	-15.3
Financial information procurement	5,867	5,313	10.4
Telecommunication and postage	1,759	1,459	20.6
IT systems	6,914	7,993	-13.5
Marketing and public relations	6,877	8,191	-16.0
Capital tax	1,477	1,353	9.2
Other	6,334	5,626	12.6
Total general and administrative expenses	**41,004**	**41,653**	**-1.6**

7 Depreciation and amortization

in CHF 1,000	**2004**	2003	Change in %
Depreciation of property and equipment (note 18)	12,675	11,829	7.2
Amortization of goodwill and other intangible assets (note 19)	10,379	17,456	-40.5
Total depreciation and amortization	**23,054**	**29,285**	**-21.3**

8 Value adjustments, provisions and losses

in CHF 1,000	**2004**	2003	Change in %
Credit losses	7,614	8,807	-13.5
Litigation	1,000	136	635.3
Other	914	1,932	-52.7
Total value adjustments, provisions and losses	**9,528**	**10,875**	**-12.4**

9a Income tax expense

in CHF 1,000	2004	2003
Domestic		
Current	6,717	2,619
Deferred	-1,228	-3,703
Foreign		
Current	3,659	2,387
Deferred	-336	258
Total current taxes	10,376	5,006
Total deferred tax expense	-1,564	-3,445
Total income tax expense	**8,812**	**1,561**

In the 2004 financial year, the effective payments made by the Group for domestic and foreign taxes amounted to CHF 5.298 million (2003: CHF 5.505 million).

Income tax overview
All anticipated tax liabilities for income earned during the period under review have been accounted for in the financial statements and calculated on the basis of the valid tax rate for the given country. Deferred tax assets/liabilities that arise from differing valuations between the accounts for tax purposes and those for consolidation purposes are reflected at the following rates:

	2004	2003
Liechtenstein	7.5 %	8 %
Switzerland	20 %	20 %
Luxembourg	30 %	30 %
British Virgin Islands (offshore/onshore)	1 %/15 %	1 %/15 %

Pretax net income, as well as the differences between tax expense according to the income statement and tax expense based on an assumed average rate of 10 %, can be broken down as follows:

in CHF 1,000	2004	2003
Operating profit before tax		
Domestic[1]	86,738	82,898
Foreign	15,207	16,385
Income tax as per assumed average rate	**10,195**	**9,928**
Increase/decrease resulting from: Difference between actual and assumed tax rates	182	138
Change in deferred tax assets/liabilities	-1,564	-3,445
Tax losses recognised	0	-5,060
Total income tax expense	**8,812**	**1,561**

[1] All goodwill amortization is booked domestically

Liechtenstein's income tax rate can increase by 1 % to a maximum of 5 % if the dividend distribution exceeds 8 %, or as the case may be, 24 % of the taxable share capital.

9b Deferred tax expense

in CHF 1,000	2004	2003
Deferred tax assets		
Property and equipment	1,562	1,306
Total deferred tax assets	**1,562**	**1,306**
Deferred tax liabilities		
Investments	1,928	2,013
Allowance for credit losses	802	1,120
Other provisions	10,994	11,900
Total deferred tax liabilities	**13,724**	**15,033**
Deferred tax assets		
Balance at the beginning of the year	1,306	1,379
Increase	337	25
Decrease	-1	-71
Effects of changes in deferred tax rates	-80	-27
Total deferred tax assets	**1,562**	**1,306**
Deferred tax liabilities		
Balance at the beginning of the year	15,033	18,551
Increase	8	267
Decrease	-670	-3,388
Effects of changes in deferred tax rates	-647	-397
Total deferred tax liabilities	**13,724**	**15,033**

Deferred tax assets/liabilities arise from temporary differences between valuations used for IFRS and for statutory tax purposes.

The carry forwards expire as follows:		
Within 1 year	0	0
From 2 – 4 years	0	0
After 4 years	4,222	4,320
Total	**4,222**	**4,320**

9c Tax assets and tax liabilities

in CHF 1,000	31.12.2004	31.12.2003
Tax assets		
Assets arising from current income tax	827	612
Deferred tax assets (note 9b)	1,562	1,306
Total tax assets	**2,389**	**1,918**
Tax liabilities		
Liabilities arising from current income tax	10,923	7,565
Deferred tax liabilities (note 9b)	13,724	15,033
Total tax liabilities	**24,647**	**22,598**

10 Earnings per share (EPS)

	2004	2003
Basic earnings per share		
Net profit (in CHF 1,000)	91,225	94,732
Weighted average bearer shares outstanding	5,294,588	5,872,469
Weighted average registered shares outstanding	5,985,936	8,387,344
Weighted average shares outstanding	5,893,182	6,711,203
Basic earnings per bearer share (in CHF)	15.48	14.12
Basic earnings per registered share (in CHF)	1.55	1.41
Diluted earnings per share		
Net profit (in CHF 1,000)	91,225	94,732
Net profit for diluted earnings per share (in CHF 1,000)	91,225	94,732
Shares outstanding for diluted earnings per share	5,893,182	6,711,203
Diluted earnings per bearer share (in CHF)	15.48	14.12
Diluted earnings per registered share (in CHF)	1.55	1.41

11 Cash and cash equivalents

in CHF 1,000	31.12.2004	31.12.2003
Cash	15,417	15,070
Balances in postal checking accounts, payable on demand	9,272	8,885
Balances with central banks	52,740	49,916
Total cash and cash equivalents	**77,429**	**73,871**

12 Money market paper

in CHF 1,000	31.12.2004	31.12.2003
Money market instruments (discounted; available for refinancing)	15,000	15,000
Other money market instruments	1,279	149
Total money market paper	**16,279**	**15,149**

13 Due from banks and Due from customers

By type of commitment in CHF 1,000	31.12.2004	31.12.2003
Due from banks on demand	735,132	755,169
Due from banks at maturity	3,254,179	3,760,274
Allowance for credit losses (note 14)	-2,608	-3,280
Total due from banks	**3,986,703**	**4,512,163**
Mortgages	1,629,285	1,525,780
Other receivables	1,135,054	1,120,854
Allowance for credit losses (note 14)	-38,688	-46,622
Total due from customers	**2,725,651**	**2,600,012**
Total due from banks and customers	**6,712,354**	**7,112,175**

Due from customers by type of collateral in CHF 1,000	31.12.2004	31.12.2003
Secured by real estate	1,661,531	1,581,576
Other collateral	652,300	603,258
Unsecured	450,508	461,800
Subtotal	**2,764,339**	**2,646,634**
Allowance for credit losses	-38,688	-46,622
Total due from customers	**2,725,651**	**2,600,012**

Based on the general right of lien and offset stipulated in the Bank's general business conditions, any available credit balances of the borrower are counted as collateral for the corresponding loan.

14 Allowance for credit losses

in CHF 1,000	2004	2003
Balance at the beginning of the year	49,902	58,344
Write-offs	-3,822	-14,091
Doubtful interest payment collection	488	723
Increase of credit loss allowances	7,614	8,807
Decrease of credit loss allowances	-12,815	-3,818
Foreign currency translation and other adjustments	-71	-63
Balance at the end of the year	**41,296**	**49,902**

As a reduction of Due from banks	2,608	3,280
As a reduction of Due from customers	38,688	46,622
Total allowance for credit losses	**41,296**	**49,902**

Value-impaired loans
A given loan is considered to be value-impaired if the probability exists that the amount owed as per the loan agreement is not recoverable in full.

Value-impaired loans[1]	50,656	44,408
Allowance for credit losses	22,305	30,111
Net value-impaired loans	28,351	14,297

Average value-impaired loans	47,518	90,020

[1] Interest on value-impaired loans amounted in 2004 to CHF 0.545 million (2003: CHF 0.571 million). The related liquidation value at 31.12.2004 amounted to CHF 28.369 million.

Recoveries (other income)	62	254

Non-performing loans
Non-performing loans are generally a component of value-impaired loans. A loan becomes classified as non-performing as soon as the contractually determined principal or interest payments remain unpaid for 90 days or longer.

Non-performing loans	35,703	32,806
Allowance for credit losses related to non-performing loans	17,323	23,785
Net non-performing loans	18,380	9,021

Average non-performing loans	34,240	33,127

Allowance for credit losses related to non-performing loans at the beginning of the year	23,785	27,727
Decrease/increase	-2,640	1,568
Write-offs and disposals	-3,822	-5,510
Allowance for credit losses related to non-performing loans at the end of the year	17,323	23,785

14 Allowance for credit losses (continued)

By type of exposure in CHF 1,000	31.12.2004	31.12.2003
Banks	**800**	**801**
Mortgages	19,813	10,676
Other	15,090	21,329
Customers	**34,903**	**32,005**
Total non-performing loans	**35,703**	**32,806**

By geographic region (based on the domicile of the borrower) in CHF 1,000	31.12.2004	31.12.2003
Liechtenstein and Switzerland	28,460	21,012
Rest of Europe	4,700	252
North and South America	470	3,242
Other	2,073	8,300
Total non-performing loans	**35,703**	**32,806**

15 Trading portfolio assets

in CHF 1,000	31.12.2004	31.12.2003
Debt instruments		
• Listed	28,702	8,058
• Unlisted [1]	218,592	197,074
Total	**247,294**	**205,132**
Equity instruments		
• Listed	0	48
• Unlisted	667	453
Total	**667**	**501**
Other	**0**	**41**
Total trading portfolio assets	**247,961**	**205,674**

[1] Largely structured debt instruments (credit-linked notes and asset swaps)

16 Derivative financial instruments

in CHF 1,000	Positive replacement value	Negative replacement value	Total notional amount
Interest rate contracts			
Swaps	1,798	13,079	241,869
Total interest rate contracts as at 31.12.2004	**1,798**	**13,079**	**241,869**
Total interest rate contracts as at 31.12.2003	3,755	14,443	587,075
Foreign exchange contracts			
Forward contracts	41,176	40,573	1,876,974
Over the counter (OTC) contracts	2,092	2,092	340,373
Total foreign exchange contracts as at 31.12.2004	**43,268**	**42,665**	**2,217,347**
Total foreign exchange contracts as at 31.12.2003	40,321	39,709	1,499,925
Equity/index contracts			
Forward contracts	270		5,121
Total equity/index contracts as at 31.12.2004	**270**	**0**	**5,121**
Total equity/index contracts as at 31.12.2003	35	0	2,899
Precious metals contracts			
Over the counter (OTC) contracts	258	258	15,096
Total precious metals contracts as at 31.12.2004	**258**	**258**	**15,096**
Total precious metals contracts as at 31.12.2003	158	158	4,341
Total derivative financial instruments as at 31.12.2004	**45,594**	**56,002**	**2,479,433**
Total derivative financial instruments as at 31.12.2003	44,269	54,310	2,094,240

17 Financial investments (available for sale)

in CHF 1,000	**31.12.2004**	31.12.2003
Debt instruments		
• Listed	248,018	191,293
• Unlisted	231,246	211,652
Total	**479,264**	**402,945**
Equity instruments		
• Listed	40,367	39,060
• Unlisted	41,997	36,987
Total	**82,364**	**76,047**
Total financial investments	**561,628**	**478,992**

18 Property and equipment

in CHF 1,000	Own used properties	Other property	Furniture and machines	IT systems	**2004 Total**	2003 Total
Historical cost						
Balance at the beginning of the year	197,534	29,476	11,468	13,775	252,253	215,163
Additions	5,521		801	1,974	8,296	44,789
Disposals/write-off [1]		-4,712	-1,356	-5,831	-11,899	-6,364
Reclassifications					0	-1,236
Foreign currency translation			-22	-20	-42	-99
Balance at the end of the year	**203,055**	**24,764**	**10,891**	**9,898**	**248,608**	**252,253**
Accumulated depreciation						
Balance at the beginning of the year	-53,377	-4,861	-6,429	-8,624	-73,291	-68,306
Depreciation	-7,305	-368	-1,187	-3,815	-12,675	-11,809
Special depreciation					0	-20
Disposals/write-off [1]		3,046	1,356	5,831	10,233	6,364
Reclassifications					0	397
Foreign currency translation			14	24	38	83
Balance at the end of the year	**-60,682**	**-2,183**	**-6,246**	**-6,584**	**-75,695**	**-73,291**
Net book value at the end of the year	**142,373**	**22,581**	**4,645**	**3,314**	**172,913**	**178,962**

[1] Includes write-offs of fully depreciated assets

in CHF 1,000	**2004**	2003
Additional information on property and equipment		
Expenditures for property under construction (new Triesen Center building)	4,517	35,842
Fire insurance value of property	160,607	89,391
Fire insurance value of equipment	33,016	28,646
Fair value of other property	22,581	24,615

There are no financing leases for premises or equipment.

19 Goodwill and other intangible assets

in CHF 1,000	Other intangible assets	Goodwill	**2004 Total**	2003 Total
Historical cost				
Balance at the beginning of the year	28,125	46,112	74,237	86,547
Additions	5,541		5,541	7,517
Disposals/write-offs[1]	-14,301		-14,301	-19,827
Balance at the end of the year	**19,365**	**46,112**	**65,477**	**74,237**
Accumulated amortization				
Balance at the beginning of the year	-16,297	-34,627	-50,924	-48,894
Amortization[2]	-9,704	-675	-10,379	-15,257
Special write-offs			0	-2,199
Disposals/write-offs[1]	14,301		14,301	15,426
Balance at the end of the year	**-11,700**	**-35,302**	**-47,002**	**-50,924**
Net book value at the end of the year	**7,665**	**10,810**	**18,475**	**23,313**

[1] Includes fully amortized goodwill and other intangible assets.

[2] VP Bank conducted an assessment of the amortization periods for goodwill items (IAS 22.54). Due to the favorable development of business activities in Luxembourg and changed circumstances, a significantly higher useful life of the related goodwill can now be assumed. As a consequence, the previously anticipated amortization period has been increased accordingly. Hence amortization declined from the previous level of CHF 5.7 million to stand at roughly CHF 0.7 million.

20 Other assets

in CHF 1,000	**31.12.2004**	31.12.2003
Other receivables	11,296	11,362
Total other assets	**11,296**	**11,362**

21 Medium-term notes

in CHF 1,000 Maturity	Interest rate 1/2 – 7/8 %	Interest rate 1 – 1 7/8 %	Interest rate 2 – 2 7/8 %	Interest rate 3 – 3 7/8 %	Interest rate 4 – 4 7/8 %	Interest rate 5 – 5 7/8 %	Total
2005	1,394	4,497	12,204	4,951	1,306	133	24,485
2006	665	17,608	5,802	5,375	13,951		43,401
2007		18,837	1,319	924	3,600		24,680
2008		9,299	1,483	3,744	210		14,736
2009		14,467	909	874			16,250
2010		203	3,660	250	1,477		5,590
2011			1,195	512			1,707
2012			263	120			383
Beyond 2012			1,848				1,848
Total 31.12.2004	**2,059**	**64,911**	**28,683**	**16,750**	**20,544**	**133**	**133,080**
Total 31.12.2003	1,909	15,379	87,897	48,861	21,772	594	176,412

The average interest rate paid as at December 31, 2004, amounted to 2.22 % (2003: 2.71 %).

22 Other liabilities

in CHF 1,000	**31.12.2004**	31.12.2003
Capital tax liabilities	1,557	1,555
Obligations under the retirement plans	11,186	11,916
Other payables	23,033	21,134
Total other liabilities	**35,776**	**34,605**

23 Provisions

in CHF 1,000	Default risks	Other business risks	Other provisions	**31.12.2004 Total**	31.12.2003 Total
Balance at the beginning of the year	189	67	252	508	973
Provisions applied	0	0	0	0	0
New provisions charged to income	3	0	1,000	1,003	212
Provisions released to income	-51	-60	0	-111	-331
Recoveries	0	0	0	0	0
Foreign currency translation and other adjustments	0	-7	0	-7	-346
Balance at the end of the year	**141**	**0**	**1,252**	**1,393**	**508**
The provisions expire as follows:					
• Within one year	0	0	0	0	0
• Beyond one year	141	0	1,252	1,393	508

Other provisions comprise provisions for legal and litigation risks (note 28).

24 Minority interests

in CHF 1,000	2004	2003
Balance at the beginning of the year	12,883	11,892
Decreases and dividend payments	-157	-610
Foreign currency translation	-1,257	-1,389
Minority interests in net profit	1,908	2,990
Balance at the end of the year	**13,377**	**12,883**

25 Treasury shares

	2004		2003	
	Number	in CHF 1,000	Number	in CHF 1,000
Balance at the beginning of the year				
Registered shares	2,500	34	0	0
Bearer shares	5,816	1,629	423,438	121,702
Acquisitions of registered shares	43,550	849	5,169,833	67,339
Disposals of registered shares	-21,100	-424	-5,167,333	-67,305
Acquisitions of bearer shares	196,026	37,761	2,059,291	271,559
Disposals of bearer shares	-128,230	-25,075	-2,476,913	-391,632
Balance at the end of the year				
Registered shares	24,950	459	2,500	34
Bearer shares	73,612	14,315	5,816	1,629

Pursuant to SIC-16, treasury shares are offset against shareholders' equity.
The acquisitions and disposals of treasury shares in 2003 also include shares used in the capital decrease.

Options on treasury shares

	2004		2003	
	Number	in CHF 1,000	Number	in CHF 1,000
Balance at the beginning of the year				
Call options	-10,000	-150	0	0
Put options	-10,000	-150	0	0
Acquisitions of call options	20,000	197		
Disposals of call options	-10,000	-47	-10,000	-150
Acquisitions of put options	10,000	150		
Disposals of put options	0	0	-10,000	-150
Balance at the end of the year				
Call options	0	0	-10,000	-150
Put options	0	0	-10,000	-150

26 Pledged assets

in CHF 1,000	**31.12.2004**		31.12.2003	
	Carrying amount	Related liability	Carrying amount	Related liability
Securities	150,067	44,344	156,857	22,947
Money market paper	0	0	0	0
Other	100	100	29,113	29,113
Total assets pledged	**150,167**	**44,444**	**185,970**	**52,060**

Assets are pledged as collateral for collaterized credit lines with central banks, security deposits relating to stock exchange memberships, and security deposits relating to business activities of VP Bank's foreign operations pursuant to local laws. Pledged assets within the framework of lending operations or repo transactions are not included in the amounts reflected above. They are reported in the table "Lending- and pension-related transactions involving securities".

27 Operating lease commitments

At year's end, VP Bank was obligated under a number of non-cancellable operating leases for premises and equipment used mainly for banking purposes. The significant premises leases include renewal options and escalation clauses.

in CHF 1,000	**31.12.2004**	31.12.2003
Due 2005	1,813	1,987
Due 2006 to 2010	5,600	6,097
Due 2011 and thereafter	6,857	7,587
Total committment for minimum payments under operating leases	**14,270**	**15,671**
Of which operating lease expenses on property rights	7,657	8,002

Operating expenses include CHF 2.208 million of operating lease rentals for the year ending December 31, 2004 (31.12.2003: CHF 2.054 million).

28 Legal cases

Due to the nature of the business VP Bank is involved in various disputes and legal proceedings, arising in the ordinary course of business. VP Bank makes provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment or loss will be made by group companies, and the amount can be reasonably estimated. All provisions for legal proceedings are included in the item Other provisions in the balance sheet.

29 Interest risk

Interest rate risk is defined as the influence potential interest rate changes could have on the market value of the Group's assets and liabilities. The impact of a positive one per cent (+ 100 basis points) shift in the entire yield curve for the given currency serves as an objective means of measuring such risk. The following table, broken down by time frame and currency, reflects such a scenario as at 31.12.2004, as well as the comparable prior-year readings. Negative values under this scenario indicate an asset overhang, and positive readings a liability overhang, for the given time frame.

in CHF 1,000 per 100bp increase	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	**Total**
CHF	35	-330	-1,715	-477	-4,257	-6,744
EUR	86	-336	-216	907	-1,007	-566
USD	107	-227	-191	2,948	-1,263	1,374
Other currencies	-4	-48	271	1,065	0	1,284
Total as at 31.12.2004	**224**	**-941**	**-1,851**	**4,443**	**-6,527**	**-4,652**
CHF	-46	-277	-152	-359	-1,090	-1,924
EUR	154	-573	494	127	-1,186	-984
USD	135	-518	-198	1,703	-1,499	-377
Other currencies	-20	5	351	452	0	788
Total as at 31.12.2003	**223**	**-1,363**	**495**	**1,923**	**-3,775**	**-2,497**

30 Balance sheet by currency

in CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	50,002	280	26,832	315	77,429
Money market paper	15,000		1,279		16,279
Due from banks	206,249	1,853,478	1,591,957	335,019	3,986,703
Due from customers	2,255,591	170,806	224,029	75,225	2,725,651
Trading portfolio assets	50,379	76,386	121,196		247,961
Derivative financial instruments	33,622	627	11,278	67	45,594
Financial investments	274,609	63,073	210,353	13,593	561,628
Property and equipment	172,155	241	517		172,913
Goodwill and other intangible assets	18,475				18,475
Tax assets	219		608		827
Deferred tax assets	1,562				1,562
Accrued income and prepaid expenses	14,059	3,385	3,783	1,282	22,509
Other assets	8,554	987	982	773	11,296
Total assets as at 31.12.2004	**3,100,476**	**2,169,263**	**2,192,814**	**426,274**	**7,888,827**
Total assets as at 31.12.2003	3,285,917	2,378,514	2,133,451	372,854	8,170,736
Liabilities and shareholders' equity					
Due to banks	62,743		12,942	49,076	124,761
Due to customers – savings and deposits	1,035,981	6	98	2	1,036,087
Due to customers – other liabilities	1,120,929	2,109,996	2,049,497	368,438	5,648,860
Derivative financial instruments	45,125	10,834	9	34	56,002
Medium-term notes	133,080				133,080
Tax liabilities	7,237	195	3,491		10,923
Deferred tax liabilities	13,715	9			13,724
Accrued expenses and deferred income	21,113	994	1,438	497	24,042
Other liabilities	24,332	709	10,102	633	35,776
Provisions	1,387		6		1,393
Total liabilities	**2,465,642**	**2,122,743**	**2,077,583**	**418,680**	**7,084,648**
Minority interests		**13,377**			**13,377**
Total shareholders' equity	**790,802**				**790,802**
Total liabilities, minority interests and shareholders' equity as at 31.12.2004	**3,256,444**	**2,136,120**	**2,077,583**	**418,680**	**7,888,827**
Total liabilities, minority interests and shareholders' equity as at 31.12.2003	3,437,983	2,338,951	2,026,805	366,997	8,170,736

31 Maturity structure of assets and liabilities

in CHF 1,000	On demand	Callable	Maturing within 1 year	1 to 5 years	Beyond 5 years	Total
Assets						
Cash and cash equivalents	77,429					77,429
Money market paper	1,279		15,000			16,279
Due from banks	735,132	3,486	3,206,705	41,325	55	3,986,703
Due from customers	21,238	408,810	1,422,825	829,869	42,909	2,725,651
Trading portfolio assets	247,961					247,961
Derivative financial instruments	45,594					45,594
Financial investments	561,628					561,628
Property and equipment[1]	172,913					172,913
Goodwill and other intangible assets[1]	18,475					18,475
Tax assets	827					827
Deferred tax assets	1,562					1,562
Accrued income and prepaid expenses	22,509					22,509
Other assets	11,002		176	118		11,296
Total assets as at 31.12.2004	**1,917,549**	**412,296**	**4,644,706**	**871,312**	**42,964**	**7,888,827**
Total assets as at 31.12.2003	1,823,962	515,170	4,930,988	839,967	60,649	8,170,736
Liabilities						
Due to banks	37,040		87,721			124,761
Due to customers – savings and deposits		1,036,087				1,036,087
Due to customers – other liabilities	1,917,295	1,650,062	2,079,362	2,141		5,648,860
Derivative financial instruments	56,002					56,002
Medium-term notes			24,485	99,067	9,528	133,080
Tax liabilities	10,923					10,923
Deferred tax liabilities	13,724					13,724
Accrued expenses and deferred income	24,042					24,042
Other liabilities	35,201		575			35,776
Provisions				1,393		1,393
Total liabilities as at per 31.12.2004	**2,094,227**	**2,686,149**	**2,192,143**	**102,601**	**9,528**	**7,084,648**
Total liabilities as at 31.12.2003	2,298,927	2,548,985	2,486,766	71,736	7,282	7,413,696

[1] immobilised

32 Assets in individual countries/groups of countries

	31.12.2004		31.12.2003	
	in CHF 1,000	as % of total	in CHF 1,000	as % of total
Liechtenstein and Switzerland	3,383,487	42.9	3,430,215	42.0
Other Europe	3,792,816	48.1	4,013,185	49.1
North America	335,954	4.2	164,796	2.0
Other countries	376,570	4.8	562,540	6.9
Total assets	**7,888,827**	**100.0**	**8,170,736**	**100.0**

The above breakdown is in strict adherence with the domicile principle, i.e. the location of the Bank's counterparties. The widely diverse collateral used mainly in the Lombard lending area has not been taken into account.

33 Capital adequacy requirements

in CHF 1,000	31.12.2004		31.12.2003	
	Nominal amount	Weighted items	Nominal amount	Weighted items
On-balance-sheet assets				
Due from banks	3,986,703	1,058,413	4,512,163	1,163,625
Due from customers	2,725,651	1,880,823	2,600,012	1,751,155
Replacement values	45,594	11,381	44,269	11,185
Property, equipment, and intangible assets	191,374	490,356	202,275	516,387
Accruals	22,509	22,509	25,051	25,051
Other assets	11,296	13,685	13,280	13,280
Default risk items	824,328	747,883	698,142	638,637
Market-risk exposure of the trading book	156,696	172,675	169,989	206,981
Off-balance-sheet transactions				
Contingent liabilities	113,710	12,846	151,419	36,464
Irrevocable commitments	29,020	10,151	31,010	9,360
Futures and options contracts (add-ons)	2,186,786	3,863	1,943,432	3,024
Total risk-weighted items	**10,293,667**	**4,424,585**	**10,391,042**	**4,375,149**
Allowable Tier 1 capital (excluding annual profit)		681,102		626,112
BIS tier 1 ratio		**15.4 %**		**14.3 %**

34 Financial instruments

Fair value of financial instruments

This table reflects the fair value of the Bank's financial instruments, based on the following valuation methods and assumptions. This table is presented because not all financial instruments are recorded at fair value in the consolidated financial statements.
Fair value is understood to be the price at which willing and able independent counterparties would freely exchange assets or fulfill obligations. The Group applies the market price if an active market (e.g. a recognized securities exchange) is available, because such is the best indicator of a financial instrument's fair value.

in CHF million	Balance sheet value 31.12.2004	Fair value 31.12.2004	Variance	Balance sheet value 31.12.2003	Fair value 31.12.2003	Variance
Assets						
Cash and cash equivalents	77	77	0	74	74	0
Money market paper	16	16	0	15	15	0
Due from banks	3,987	3,993	6	4,512	4,521	9
Due from customers	2,726	2,796	70	2,600	2,666	66
Trading portfolio assets	248	248	0	206	206	0
Derivative financial instruments	46	46	0	44	44	0
Financial investments	562	562	0	479	479	0
Subtotal			**76**			**75**
Liabilities						
Due to banks	125	126	-1	106	106	0
Due to customers	6,685	6,619	66	6,983	6,918	65
Derivative financial instruments	56	56	0	54	54	0
Medium-term notes	133	136	-3	176	183	-7
Subtotal			**62**			**58**
Total variance			**138**			**133**

The following valuation methods are applied in calculating the fair value of on-balance-sheet financial instruments:

Cash, cash equivalents and money market paper
For the items cash, cash equivalents and money market paper, which do not have a published market value as set in a recognized securities exchange or representative market, book value essentially constitutes the fair value of such instruments.

Due from/to banks and customers; medium-term notes
In determining the fair value of due from/to banks, due from/to customers (including mortgage claims and due to customers in form of savings and deposits), as well as medium-term notes that mature or are refinanced, the cash value method is applied (future cash flows discounted at term-consistent swap rates). For instruments bearing interest or generating cash flows that cannot be determined in advance, the value of replicating portfolios is applied.

Trading portfolio assets and financial investments
For the majority of financial instruments that comprise trading portfolio assets and financial instruments (notes 15 and 17), fair value corresponds to market value. The fair value of instruments without an established market value is determined by means of recognized valuation methods. For structured debt instruments (credit-linked notes and asset swaps), regular model-based valuations are determined.

Derivative financial instruments
For the majority of positive and negative replacement values (note 16), fair value corresponds to the market value. The fair value of derivative financial instruments without an established market value is determined by means of uniformly applied valuation models.

35 Scope of consolidation

Company		Domicile		Share capital outstanding	Group's % interest
Verwaltungs- und Privat-Bank AG		Vaduz	CHF	59,147,637	100 %
FIB Finanz- und Beteiligungs-AG		Vaduz	CHF	2,000,000	100 %
IGT Intergestions Trust reg.		Vaduz	CHF	100,000	100 %
VP Bank Fondsleitung AG		Vaduz	CHF	1,000,000	100 %
IFOS Internationale Fonds Service AG		Vaduz	CHF	1,000,000	100 %
VP Vermögensverwaltung GmbH		Munich	EUR	500,000	100 %
VP Bank and Trust Company (BVI) Limited which holds the following investments:		Tortola	USD	11,000,000	60 %
VP Bank (BVI) Limited		Tortola	USD	10,000,000	100 %
ATU General Trust (BVI) Limited		Tortola	USD	250,000	100 %
VPB Finanz Holding AG which holds the following investment:		Zurich	CHF	20,000,000	100 %
VP Bank (Switzerland) AG		Zurich	CHF	20,000,000	100 %
VP Bank (Luxembourg) S.A. which holds the following investment:		Luxembourg	CHF	20,000,000	100 %
VPB Finance S.A.		Luxembourg	CHF	5,000,000	100 %
Proventus Trust AG		Vaduz	CHF	250,000	100 %
Holdings eliminated from the scope of consolidation					
Eurofiducia Management S.A.	Sale 2nd sem. 2004	Montevideo	USD	250,000	100 %
VPB Finance S.A.	Liquidation 2nd sem. 2004	Montevideo	USD	29,905	100 %
Affiliated companies					None
Companies fully consolidated for the first time					
VP Vermögensverwaltung GmbH	Founded 2004	Munich	EUR	500,000	100 %
Equity interests valued for the first time according to the equity method					None
Name changes during the year under review					None

36 Related-party transactions

Considered to be related parties (companies and individuals) are members of the Board of Directors and Executive Board, as well as their next of kin and companies that are controlled by such individuals by means of a majority equity interest or their role as chairman and/or chief executive officer.

in CHF 1,000	2004	2003
Compensation for members of the Board of Directors [1]	915	915
Compensation for members of the Executive Board [2]	2,713	2,426

[1] Including employee contributions to social security
[2] Including bonuses as well as pension plan and cadre insurance contributions

In connection with purchased consulting services as well as agency services, VP Bank also remunerates related parties.
Such fees and compensation correspond to customary conditions within the financial services industry and in 2004 amounted to CHF 0.150 million (2003: CHF 0.232 million).

At December 31, 2004, Board directors and members of the Management Board, as well as individuals closely related to them, owned a total of 152,711 shares (84,111 bearer shares and 68,600 registered shares) of VP Bank AG (2003: 159,750 shares in toto). No director or Executive Board member is the beneficial owner of more than 1 % of the share capital of VP Bank AG.

As at the indicated balance sheet date, the following related-party loans were outstanding:

in CHF 1,000	2004	2003
Mortgages and loans at beginning of financial year	14,483	96,367
Increases	340	5,820
Reductions	-1,513	-87,704
Mortgages and loans at end of financial year	**13,310**	**14,483**

For Board directors and members of the Management Board, the same conditions apply as to all other employees. They correspond to market conditions with the exclusion of a credit margin. Loans to related parties are conducted at normal market conditions.

37 Occupational benefits plans

Apart from federally regulated social security, VP Bank maintains in the Principality of Liechtenstein and abroad a number of defined-contribution pension plans.

Occupational benefits plans in Liechtenstein

In Liechtenstein, the pension plan assets of the parent bank and subsidiary companies are held in the custody of a legally separate and independent occupational benefits plan, which is administered by a board of trustees comprised of employee and employer representatives. The related benefits are financed through employee and employer contributions. Pursuant to the provisions of IAS 19, this pension plan is to be classified as a defined-benefit plan, for which an actuarial valuation must be conducted by an independent expert. Such a valuation was most recently conducted on December 31, 2004. The employee contributions are set as a percentage of the individual's insured annual salary and are deducted on a monthly basis. The amount deducted for full benefits coverage (including risk credits) amounts to 7.5 %. At present, the employer contributions amount to 160 % of the employee contributions. The method for calculation is based on the number of years in which contributions have been paid, as well as the most recent insured salary. The insured benefits include retirement pensions; disability, death and survivors' benefits; as well as post-employment benefits.

37 Occupational benefits plans (continued)

Foreign occupational benefits plans

Employees of the subsidiary companies in Switzerland, Luxembourg, Germany and the BVIs are insured under collective and joint foundations (multi-employer plans). These occupational benefits plans are treated as defined-contribution plans. In the 2004 financial year, pension expense for these plans amounted to CHF 1.145 million.

Pension expense

in CHF 1,000	2004	2003
Service expense for given period	5,985	5,888
Interest expense for pension obligations	3,705	3,428
Anticipated return on pension assets[1]	-3,485	-3,121
Employee contributions	-2,606	-2,429
Pension expense for defined-benefit plans as per actuarial valuation	**3,599**	**3,766**
Contributions to defined-contribution plans	**1,145**	**2,296**
Total pension expense	**4,744**	**6,062**
[1] Actual profit (loss) on pension assets	1,189	4,801

Defined-benefit plans

in CHF 1,000	31.12.2004	31.12.2003
Net pension assets at market value	92,605	87,130
Cash value of anticipated claims	115,772	105,862
Actuarial losses not accounted for	-11,981	-6,816
Recorded under other liabilities	**11,186**	**11,916**

Change in consolidated balance sheet

in CHF 1,000	2004	2003
Pension liabilities at beginning of financial year	11,916	12,148
Pension expense for defined-benefit plans as per actuarial valuation (see above Pension expense)	3,599	3,766
Fund endowments by employer	-4,329	-3,998
Pension liabilities at end of financial year	**11,186**	**11,916**

Actuarial assumptions

in %	31.12.2004	31.12.2003
Technical Interest rate	3.5	3.5
Anticipated return on pension assets	4.0	4.0
Development of salaries	2.0	2.0
Development of pensions	0.5	0.5
Probability of departure (at age 20, linear digression to 0 % at age 50)		
Men	19.5	19.5
Women	25.0	25.0
Probability of retirement (at age 63)	100.0	100.0

38 Significant foreign exchange rates

The following exchange rates applied for the Group's most significant foreign currencies:

	Year-end rate		Average rate for year	
	31.12.2004	31.12.2003	**2004**	2003
USD/CHF	1.1350	1.2475	1.24108	1.33667
EUR/CHF	1.5450	1.5600	1.54442	1.52354

39 Employee stock-ownership plan

The employee stock-ownership plan provides the opportunity for employees to acquire on an annual basis a certain number of bearer shares of Verwaltungs- und Privat-Bank AG at a preferential price with a 4-year restriction as to sale.
The number of purchasable bearer shares depends on the employee's years of service and rank or management level. The purchase price is determined annually by the Board of Directors in reflection of the average market value of the bearer shares on the SWX Swiss Exchange.
The shares so issued originate either from VP Bank's inventory of treasury shares or from purchases made directly in the open market. The related cost is booked directly to personnel expenses.
In 2004, a total of 11,518 bearer shares (2003: 26,181) were issued at preferential prices. The expense related to this issuance of shares amounted in 2004 to approximately CHF 2.1 million (2003: CHF 3.2 million).

40 Banking law regulations

The Group's consolidated financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS). Listed below are the variances that would result if the provisions of the Liechtenstein Bank Ordinance (Arts. 22 through 24 FL-BO) were to have been applied in the preparation of consolidated financial statements.

1. Treasury shares
Under IFRS, treasury shares held by the company are deducted from shareholders' equity on the balance sheet and booked at their weighted average cost of acquisition. Contracts that are fulfilled either physically or net in the form of VP Bank AG shares are recorded under shareholders' equity as treasury shares and valued at their weighted average cost of acquisition. The difference between the cost of acquisition and proceeds from treasury shares or contracts that are fulfilled either physically or net in the form of VP Bank AG shares (after deduction of taxes), are recorded in reserves.
Pursuant to Liechtenstein law, treasury shares held for the purpose of market-making are reported in the balance sheet under trading portfolio assets. Treasury shares held for other purposes are reflected on the balance sheet as financial investments, for which a corresponding reserve for treasury shares is established in shareholders' equity. Derivatives based on treasury shares are reflected on the balance sheet as positive or negative replacement values. Treasury shares and related derivatives held for trading purposes are recorded at fair value. Gains and losses from sales, as well as unrealized gains and losses from changes in fair value are booked under net trading income. The shares reported under financial investments are valued at the lower of cost or market. Reductions in market value and their recovery are reflected in other income, as are profits and losses from related sales.

2. Financial investments
In keeping with IFRS, financial investments available for sale are reported at fair value. Changes in the fair value of financial investments available for sale are booked to the income statement under other income.
Upon the sale of a financial investment available for sale, the difference between the net sales proceeds and the relevant balance sheet value is recorded on the income statement under other income.
Pursuant to Liechtenstein law, financial investments are reported at the lower of cost or market. Reductions in market value and their recovery are reported under other income, as are profits and losses from related sales.

Report of the Group Auditors

To the annual general meeting of shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

As auditors of the Group, we have audited the consolidated annual financial statements (balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and notes to the consolidated financial statements – pages 72–114) as well as the consolidated annual report of Verwaltungs- und Privat-Bank AG, Vaduz, for the financial year ended December 31, 2004.

These consolidated financial statements and the consolidated annual report 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 Liechtenstein profession, as well as in accordance with International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements and consolidated annual report 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 presentation of the consolidated financial statements. 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 result of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS), and comply with Liechtenstein law.

Furthermore, the consolidated annual report corresponds to the consolidated annual financial statements.

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

Ernst & Young AG

Jürg Häusler	Patrick Schwaller
Certified Accountant (Auditor in charge)	Certified Accountant

Bern, February 28, 2005

05

Financial Report Verwaltungs- und Privat-Bank AG, Vaduz

Financial statements of the Verwaltungs- und Privat-Bank AG, Vaduz

Annual report of Verwaltungs- und Privat-Bank AG, Vaduz

The annual report of Verwaltungs- und Privat-Bank AG is reflected to the greatest extent in the consolidated annual report of the VP Bank Group.

At the balance sheet date, Verwaltungs- und Privat-Bank AG, Vaduz, or its subsidiary companies, held a total of 73,612 VP Bank bearer shares and 24,950 registered shares (previous year: 5,816 bearer shares and 2,500 registered shares), representing approximately 1.3 percent of the outstanding share capital (previous year: 0.1 percent). Furthermore, reference is made to the notes to the corresponding annual financial statements with regard to the status of and changes in the parent bank's holdings of VP Bank shares.

The Board of Directors proposes that the April 29, 2005, annual shareholders meeting approve payment of a dividend of CHF 6.– per bearer share and CHF 0.60 per registered share (previous year: CHF 5.– per bearer share and CHF 0.50 per registered share).

05 Financial Report Verwaltungs- und Privat-Bank AG, Vaduz

Balance sheet

Assets

in CHF 1,000 Art. 24b FL-BO	**31.12.2004**	31.12.2003	Change in %
Cash and cash equivalents	50,479	41,403	21.9
Public sector debt instruments and bills of exchange permissible for refinancing at central banks	15,000	15,000	0.0
• Public sector debt instruments and similar securities	15,000	15,000	0.0
Due from banks	2,800,290	2,972,455	-5.8
• Payable on demand	372,696	390,878	-4.7
• Other receivables	2,427,594	2,581,577	-6.0
Due from customers	2,488,131	2,404,801	3.5
Of which, mortgages	1,558,971	1,456,678	7.0
Bonds and other fixed income securities	647,702	527,996	22.7
• Bonds	647,702	527,996	22.7
• Public sector issuers	21,328	16,335	30.6
• Other issuers	626,374	511,661	22.4
Shares and other variable income securities	59,285	53,661	10.5
Financial investments	3,370	3,370	0.0
Investments in affiliated companies	70,627	69,047	2.3
Goodwill and other intangible assets	7,454	11,602	-35.8
Property and equipment	141,783	144,826	-2.1
Treasury shares	13,352	263	n. a.
Other assets	45,090	49,598	-9.1
Accrued income and prepaid expenses	22,514	22,579	-0.3
Total assets	**6,365,077**	**6,316,601**	**0.8**

Liabilities and shareholders' equity

in CHF 1,000 Art. 24b FL-BO	**31.12.2004**	31.12.2003	Change in %
Due to banks	259,101	258,222	0.3
• Payable on demand	103,259	103,282	0.0
• With agreed maturity or term of notice	155,842	154,940	0.6
Due to customers	5,148,980	5,209,656	-1.2
• Savings accounts	906,755	871,266	4.1
• Other deposits	4,242,225	4,338,390	-2.2
• Payable on demand	2,961,135	2,806,997	5.5
• With agreed maturity or term of notice	1,281,090	1,531,393	-16.3
Securitised liabilities	133,580	177,162	-24.6
• Debentures issued	133,580	177,162	-24.6
Of which, medium-term notes	133,580	177,162	-24.6
Other liabilities	60,428	63,529	-4.9
Deferred liabilities	18,927	30,055	-37.0
Provisions	20,221	5,487	268.5
• Provision for taxes	17,585	3,307	431.7
• Other provisions	2,636	2,180	20.9
Provisions for general banking risks	237,150	137,150	72.9
Subscribed capital	59,148	59,148	0.0
Reserves	345,989	297,989	16.1
• Legal reserve	239,800	239,800	0.0
• Reserve for treasury shares	13,352	263	n. a.
• Other reserves	92,837	57,926	60.3
Retained earnings	629	202	211.5
Net income	80,924	78,001	3.7
Total liabilities and shareholders' equity	**6,365,077**	**6,316,601**	**0.8**

Off-balance-sheet items

in CHF 1,000 Art. 24b FL-BO	**31.12.2004**	31.12.2003	Change in %
Contingent liabilities	**108,974**	**144,084**	**-24.4**
Credit risks	**39,061**	**31,547**	**23.8**
• Irrevocable commitments	39,061	31,547	23.8
Derivative financial instruments			
• Positive replacement value	35,980	40,576	-11.3
• Negative replacement value	46,496	51,040	-8.9
• Notional amounts	2,185,808	1,947,521	12.2
Fiduciary transactions	**1,919,977**	**2,153,645**	**-10.8**

Income statement

in CHF 1,000 Art. 24c FL-BO	**2004**	2003	Change in %
Interest income	125,774	135,792	-7.4
From fixed income securities	20,089	19,425	3.4
From trading	2	0	n. a.
Interest expense	42,135	48,358	-12.9
Net interest income	83,639	87,434	-4.3
Current income from equity securities	2,022	3,274	-38.3
• Shares and other variable income securities	822	2,240	-63.3
From trading	120	184	-34.8
• Financial investments	183	20	800.0
• Investments in affiliated companies	1,017	1,014	0.3
Fee and commission income	104,977	93,192	12.6
• Commissions from loans	601	834	-27.9
• Commissions from securities and investing activities	95,817	84,065	14.0
• Fees from other services	8,559	8,293	3.2
Commission expense	14,661	13,537	8.3
Net fee and commission income	90,316	79,655	13.4
Net income from financial transactions	16,116	31,679	-49.1
From trading	16,427	14,078	16.7
Other ordinary income	2,664	1,797	48.3
• Income from real estate	292	291	0.4
• From other sources	2,372	1,506	57.6
Total operating income	**194,757**	**203,839**	**-4.5**

Operating expenses	91,274	87,178	4.7
• Personnel expenses	61,291	57,401	6.8
• General and administrative expenses	29,983	29,777	0.7
Gross profit	**103,483**	**116,661**	**-11.3**

Income statement (continued)

in CHF 1,000 Art. 24c FL-BO	2004	2003	Change in %
Depreciation and amortization	17,943	18,424	-2.6
Other ordinary expense	1,177	1,951	-39.6
Value adjustments to receivables and increases in provisions for contingent liabilities and credit risks	8,022	16,559	-51.6
Income from release of value adjustments to receivables and provisions for contingent liabilities and credit risks	12,082	9,379	28.8
Writedowns of investments, shares in affiliated companies and securities treated as non-current assets	0	7,905	-100.0
Profit (loss) from ordinary business activities	**88,423**	**81,201**	**8.9**
Income tax expense	6,150	2,200	179.5
Other taxes, to the extent not included above	1,349	1,000	34.8
Increase/release of provisions for general banking risks	0	0	0.0
Net profit	**80,924**	**78,001**	**3.7**

Statement of appropriation of retained earnings

Net profit for the financial year 2004	80,924	78,001	3.7
Retained earnings carried forward	629	202	211.5
Retained earnings available for appropriation	81,554	78,203	4.3
Total appropriation			
• Appropriation to other reserves	45,000	48,000	-6.3
• Proposed dividends	35,489	29,574	20.0
• Appropriation from other reserves	0	0	0.0
Balance to be carried forward	**1,065**	**629**	**69.2**

Information regarding business activities, number of employees
(Art. 24e, para. 1, no. 1, FL-BO)

Verwaltungs- und Privat-Bank Aktiengesellschaft, domiciled in Vaduz, Liechtenstein (hereinafter "VP Bank"), was founded in 1956 and ranks among the three largest banks in Liechtenstein. At present, VP Bank has subsidiaries in Zurich, Luxembourg and the British Virgin Islands, and in Munich since December 2004. Adjusted to reflect full-time equivalents, VP Bank at year-end 2004 had 399.7 individuals under its employ (previous year: 394.4).

VP Bank's core activities consist of portfolio management and investment consulting services for private and institutional investors, as well as lending operations.

Commission and service activities
Aside from its general banking operations, VP Bank's commission- and service-related business encompasses asset management for private clients, financial intermediaries and institutional customers, as well as investment advice, account administration and fiduciary services. VP Bank earns a significant portion of its total commission-related revenues from transacting in securities on behalf of clients.

Loans
In addition to providing borrowing facilities for commercial customers as well as mortgage loans for private clients, the lending operations of VP Bank are primarily oriented towards its private-client asset management and investment activities.

Money market and interbank activities
To the extent that they are not used for the Bank's lending operations, customer funds are invested with first-rate banks.

Trading activities
Clients are afforded a full range of execution and settlement services for all customary types of financial transaction. A significant portion of VP Bank's trading activities is related to foreign exchange dealings on behalf of private clients.

For liquidity-management and investment purposes, VP Bank maintains a portfolio of fixed-income securities and equities positions.

Accounting and valuation principles; commentary on risk management
(Art. 24e, para. 1, no. 2, FL-BO)

Accounting and valuation principles

General principles
VP Bank's bookkeeping, accounting and valuation principles are in keeping with the provisions of Liechtenstein's revised Civil and Corporate Code, as well as Liechtenstein Banking Law and the related implementing ordinance (BO).

Recording of business transactions
All of VP Bank's business transactions are recorded in the books of the Bank on their respective settlement date in compliance with established valuation principles. Forward transactions are reported under off-balance-sheet transactions up to their fulfillment date or, as the case may be, value date.

Income and expense in foreign currencies are converted into Swiss francs at their respective daily exchange rates as incurred; assets and liabilities are valued in CHF at the given year-end exchange rate. Any profits or losses resulting from such valuations are booked to the income statement.

Cash and cash equivalents; public-sector debt instruments and bills of exchange permissible for refinancing at central banks; due from banks; liabilities
Accounting is made at nominal value, less any yet-unearned discount in the case of money market instruments. Value adjustments are made for identifiable risks in keeping with the principle of prudence. Individual and lump-sum value adjustments are offset directly against the related balance sheet items.

Provisions are made for interest payments that are more than 90 days overdue. Only after their receipt are such revenues booked to the income statement.

Due from customers
Amounts due from customers are recorded on the balance sheet at nominal value less any necessary value adjustments. A loan receivable is considered to be value-impaired if the probability exists that entire amount as per the relevant contract will not be recoverable.

A value adjustment is reflected on the balance sheet by a reduction of the value of a given loan receivable to the level that is most likely to be recoverable. For off-balance-sheet items, provisions for credit risks are established. In addition to individual value adjustments, VP Bank makes lump-sum individual value adjustments as well as lump-sum general value adjustments to cover any latent credit risks that may exist.

At least once a year, a creditworthiness assessment is conducted on all distressed loan receivables.

Bonds and other fixed income securities; shares and other variable interest securities
Trading portfolio of securities and precious metals are valued at current market price as at the balance sheet date.

Securities and precious metals holdings reflected in current assets are valued according to the 'lower of cost or market' principle. Interest income from fixed-income securities is reflected in the item 'Net interest income', while dividend income is included in the item 'Current income from equity securities'. The related profits and losses are reported in the item 'Net income from financial transactions'.

Financial investments
Minority interests in entities held by the bank as long-term investments are included under investments. These investments are stated at historical cost, less any economically necessary value adjustments.

Investments in affiliated companies
Investments in affiliated companies include the existing majority interests held by VP Bank in subsidiary companies. These investments are stated at historical cost less any economically necessary value adjustments.

These affiliated companies are fully consolidated in the published consolidated financial statements.

Intangible assets
Expenditures for the purchase and installation of software of durable value are capitalized and depreciated on a straight-line basis over their anticipated useful life of three years. Miscella-

neous purchases are charged directly to the income statement under general and administrative expenses.

Property and equipment
Property and equipment include properties for own use, other properties, furniture and machines, and IT systems. Capital expenditure in new and existing property and equipment is capitalized and valued at historical cost. Miscellaneous purchases are charged directly to the income statement under general and administrative expenses.

For their subsequent valuation, property and equipment are recorded at historical cost less cumulative depreciation. The related writedowns are made over their anticipated useful life (bank buildings and other real estate, 25 years; furnishings and machines, 8 years; IT equipment, 3 years). The value retention of property and equipment is examined on an annual basis.

Other assets; other liabilities
Other assets and other liabilities include the respective positive or negative replacement costs of all proprietary positions in derivative financial instruments as well as all customer OTC contracts that remained open on the balance sheet date. In addition, these items contain balances of various settlement and clearing accounts.

Value adjustments and provisions
Provisions and value adjustments have been established for all identifiable risks in keeping with the principle of prudence. Individual and lump-sum value adjustments to receivables due from banks and customers as well as mortgage claims are deducted directly from the corresponding asset items. Also in keeping with the principle of prudence, provisions have been established for receivables that are subject to country-specific risk.

Provisions for general banking risks
Provisions for general banking risks have been established out of precaution in order to cover latent risks involved in the Bank's business operations. In accordance with the applicable accounting principles, such provisions are reflected in a separate balance sheet item. Any changes are reported separately on the income statement.

Contingent liabilities; irrevocable commitments; payment commitments
Contingencies and commitments are reported off-balance-sheet at nominal values. The balance sheet includes lump-sum provisions for latent default risks.

Cash flow statement
By being obligated to draw up consolidated annual financial statements, Verwaltungs- und Privat-Bank AG is freed from having to provide a cash flow statement of its own (Art. 24l, FL-BO). The consolidated cash flow statement of the VP Bank Group is an integral part of its consolidated annual financial statements.

Changes versus the prior year
The ordinance dated October 5, 2004, pertaining to changes in Liechtenstein's existing Banking Act implementing ordinance (the "Bank Ordinance") became applicable for the first time in the annual financial statements for the year ended December 31, 2004. The following matters were of material significance to VP Bank in this regard:

- Previously established, tax-allowable value adjustments in the total amount of CHF 110 million – after taking into account deferred tax expense totaling CHF 10 million – have been reallocated to provisions for general banking risks with no impact on the income statement. As a result, provisions for general banking risks increased to CHF 237.2 million (see table "Value adjustments and provisions").
- Non-recurring income and expense, which previously was recorded under "Extraordinary income" or "Extraordinary expense", is now reflected in keeping with the new definition as "Other ordinary income" or "Other ordinary expense". The prior-year figures have been adjusted accordingly.

Subsequent events
On January 13, 2005, VP Bank signed a formal declaration of sponsorship in the amount of EUR 3 million in favor of its newly founded VP Vermögensverwaltung GmbH subsidiary in Munich. This declaration of sponsorship has not been reflected in the 2004 financial statements because at present there is no need for related provisions.

Commentary on risk management

The risk policies of the VP Bank were approved by the Board of Directors and provide the basis for the Bank's risk management. The risk policies define general principles for the identification, measurement, management and monitoring of risks. The Board of Directors bears overall responsibility for risk management and monitors the risk exposure of the Bank as well as compliance with the established risk policies.

The Management Board is responsible for carrying out the defined risk policies. In so doing, it delegates responsibility for managing and continuously measuring and monitoring risks to various committees as well as to organizational units that are independent of the Bank's operating activities.

Those individuals responsible for controlling and monitoring risks inform the Management Board and Board of Directors regularly with regard to the types and extent of risk exposure. The risk policies define the following risks that are of relevance to VP Bank:

Market risks

Market risks represent the risks associated with potential changes in share prices, interest rates, currency exchange rates, and commodities prices. Such are understood to represent the possible losses that could arise from unexpected changes in prices, volatility, etc., of financial instruments. VP Bank is exposed primarily to risks associated with interest rate changes and, with regard to its own securities portfolio, to changes in stock prices as well. VP Bank does not assume any significant market risks in its trading operations.

Interest rate risks

Interest rate risks are monitored and managed within the scope of VP Bank's management of the balance sheet structure. In this connection, derivative financial instruments are used for hedging purposes.

Credit risks

VP Bank's lending operations are focused on regional commercial and private customers. Quality requirements and internal authorization limits are established for the approval of loans. Credit risks are limited through the diversification of risks as well as margin coverage, and are regularly evaluated on the basis of analyses and a periodic reassessment of loan-related documentation. Credit risks are continually monitored and annually revalued.

Limits are established for receivables from banks, and are periodically reviewed for their appropriateness.

Country-specific risks

The determination of country-specific risk is accomplished according to the given domicile in which the risk is incurred as well as to the amount of collateral coverage, whereby the term country-specific risk is also understood to include the related transfer risks and sovereignty risks. More than 95 percent of the Bank's risk-exposed commitments are in countries with outstanding creditworthiness.

Liquidity risks

Liquidity risks are monitored and managed in accordance with regulatory requirements.

Operational and legal risks

Operational and settlement risks are limited by internal regulations and guidelines, by structured work processes, and by clear definition of the related tasks, responsibilities, and authorities. The Bank's Internal Audit unit regularly assesses compliance with these regulations.

Legal risks are mitigated through the use of standardized documents, as well as the involvement of in-house and external legal counsel.

Business risks

The Management Board and Board of Directors are responsible for managing and monitoring general business risks, in particular strategic risks.

Business policy governing the use of derivative financial instruments

For valuation purposes, derivative financial instruments are marked to market. The replacement value of a derivative contract represents the potential loss in the event of non-performance by the counterparty. Positive replacement values reflect the market value of all open contracts representing receivables from third parties as of the balance sheet date. Negative replacement values represent the aggregate amount of derivatives-related liabilities of the Bank.

Derivative financial instruments are primarily used in connection with commission-based customer transactions. In so doing, trading is conducted in both standardized and OTC derivatives for the accounts of clients. Counterparties to these transactions are first-rate financial institutions, in particular Swiss banks.

Proprietary transactions made in derivative financial instruments mainly serve as hedging positions established in connection with the management of the Bank’s balance sheet structure. To a small extent, derivative financial instruments are also used to manage and hedge the Bank's own securities portfolio. With regard to such hedging transactions, the same valuation principles and treatment of gains and losses apply as those used for the underlying position that is being hedged.

Information regarding the balance sheet and income statement

Summary of collateral backing

in CHF 1,000 Art. 24e para. 1 point 3.1 FL-BO		Type of collateral Mortgages	Other collateral	Unsecured	Total
Loans					
Due from customers (excluding mortgage claims)		45,013	429,746	454,401	929,160
Mortgage claims		1,546,174	1,764	11,033	1,558,971
• Residential property		1,086,296	1,365	2,195	1,089,856
• Office buildings		296,871		424	297,295
• Commercial real estate		81,345		6,402	87,747
• Other		81,662	399	2,012	84,073
Total loans	**31.12.2004**	**1,591,187**	**431,510**	**465,434**	**2,488,131**
Total loans	31.12.2003	1,512,398	430,726	461,677	2,404,801
Off-balance-sheet items					
Contingent liabilities			108,974		108,974
Irrevocable commitments				39,061	39,061
Total off-balance-sheet	**31.12.2004**	**0**	**108,974**	**39,061**	**148,035**
Total off-balance-sheet	31.12.2003	0	144,084	31,547	175,631

in CHF 1,000		Gross amount owed	Estimated liquidation proceeds from collateral	Net amount owed	Individual value adjustments
Value-impaired loans:					
Total value-impaired loans	**31.12.2004**	**48,803**	**26,927**	**21,876**	**20,456**

Based on the general right of lien and offset stipulated in the Bank's general business conditions, any available credit balances of the borrower are counted as collateral for the corresponding loan.

Securities and precious metals

in CHF 1,000 Art. 24e para. 1 point 3.2 FL-BO	Book value 31.12.2004	 31.12.2003	Historical cost 31.12.2004	 31.12.2003	Current market value 31.12.2004	 31.12.2003
Securities and precious metals trading portfolio						
Equity securities	14,019	717	13,977	670	14,019	717
Of which, treasury shares	13,352	263	13,369	248	13,352	263
Precious metals	27	41	30	43	27	41
Total	**14,046**	**758**	**14,007**	**713**	**14,046**	**758**
Significant receivables and payables included in other balance sheet items, the results of which are reported at market value in "Net income from trading":						
Positive replacement values of derivative financial instruments in trading portfolio (Other assets)	34,183	37,973			34,183	37,973
Negative replacement values of derivative financial instruments in trading portfolio (Other liabilities)	33,551	36,686			33,551	36,686
Total	**67,734**	**74,659**	**0**	**0**	**67,734**	**74,659**
Securities and precious metals included in current assets (excluding trading portfolio)						
Debt instruments	647,702	527,996	673,270	545,681	663,610	544,472
Equity securities	58,618	53,207	74,474	68,449	61,306	55,928
Precious metals	746	777	827	827	746	777
Total	**707,066**	**581,980**	**748,571**	**614,957**	**725,662**	**601,177**
Of which, acceptable at central banks	0	0	0	0	0	0
Of which, exchange-listed securities	249,399	167,941	263,346	180,865	256,341	173,285

Information on treasury shares

in no. of shares / in CHF 1,000 Art. 24e para. 1 point 3.2 FL-BO (continued)	Number **2004**	 2003	Book value **2004**	 2003
Information on treasury shares included in current assets (excluding trading portfolio)				
Opening balance		300,000		45,150
Sale		-300,000		-45,150
Value adjustments				
Closing balance	**0**	**0**	**0**	**0**

05 Financial Report Verwaltungs- und Privat-Bank AG, Vaduz

Financial investments and investments in affiliated companies

in CHF 1,000 Art. 24e para. 1 point 3.2 FL-BO (continued)	Book value 31.12.2004	31.12.2003
Financial investments		
Excluding market value	3,370	3,370
Total financial investments	**3,370**	**3,370**
Investments in affiliated companies		
Excluding market value	70,627	69,047
Total investments in affiliated companies	**70,627**	**69,047**

Financial investments and investments in affiliated companies

in CHF 1,000	**31.12.2004**			31.12.2003		
Art. 24e para. 1 point 3.3 FL-BO	Currency	Share capital	Ownership quote	Currency	Share capital	Ownership quote
Financial investments						
CapitalLeben Versicherung AG, Vaduz (insurance)	CHF	14,450	9.69 %	CHF	14,450	9.69 %
Finarbit AG, Küsnacht (money market and foreign exchange broker)	CHF	1,500	8.33 %	CHF	1,500	8.33 %
Investments in affiliated companies						
FIB Finanz- und Beteiligungs-AG, Vaduz (investment company)	CHF	2,000	100 %	CHF	2,000	100 %
IGT Intergestions Trust reg., Vaduz (trust company)	CHF	100	100 %	CHF	100	100 %
VP Bank Fondsleitung AG, Vaduz (fund management company)	CHF	1,000	100 %	CHF	1,000	100 %
IFOS Internationale Fonds Service AG, Vaduz (fund management company)	CHF	1,000	100 %	CHF	1,000	100 %
VP Bank and Trust Company (BVI) Limited, Tortola (holding company)	USD	11,000	60 %	USD	11,000	60 %
VPB Finanz Holding AG, Zurich (holding company)	CHF	20,000	100 %	CHF	20,000	100 %
VP Bank (Luxembourg) S.A., Luxembourg[1] (bank)	CHF	20,000	100 %	CHF	20,000	100 %
Proventus Trust AG, Vaduz (trust company)	CHF	250	100 %	CHF	250	60 %
VP Vermögensverwaltung GmbH, München (asset management company)	EUR	500	100 %			

[1] Including subordinated loan in the amount of CHF 20 million

Of total investments in affiliated companies, the book value of investments in affiliated banks amounted to CHF 50.6 million (previous year: CHF 50.6 million).

Overview of investments

in CHF 1,000 Art. 24e para. 1 point 3.4 FL-BO	Cost of acquisition	Cumulative depreciation to date	Book value 31.12.2003	Financial year 2004 Investments	Divestments	Depreciation	Elimination of depreciation	**Book value 31.12.2004**
Total investments (minority holdings)	3,498	-128	3,370					**3,370**
Total investments in affiliated companies	101,528	-32,481	69,047	1,580				**70,627**
Total intangible assets (excluding Goodwill)	23,637	-12,035	11,602	5,270	-12,470	-9,418	12,470	**7,454**
Property								
• Bank building	168,217	-53,084	115,133	4,895		-4,696		115,332
• Other property	26,175	-4,390	21,785		-4,712		3,652	20,725
Equipment	17,433	-9,525	7,908	1,647	-4,539	-3,829	4,539	5,726
Total property and equipment	211,825	-66,999	144,826	6,542	-9,251	-8,525	8,191	**141,783**
Fire insurance value of property			77,060					148,226
Fire insurance value of equipment			22,000					26,000

Hidden reserves established in accordance with tax legislation changed as follows during the year under review:

Hidden reserves as at 31.12.2003	3,962
Changes in hidden reserves	-2,609
Hidden reserves as at 31.12.2004	1,353

Future obligations from operating lease commitments

At year's end, there existed various non-terminable operating lease contracts for properties and property and equipment that are mainly used for the conduct of the Bank's business activities. The most significant leasing contracts include prolongation options and opt-out clauses.

in CHF 1,000 PGR Art. 1,092 point 3	**31.12.2004**	31.12.2003
Total minimum obligations from operating lease commitments	**9,577**	**10,637**
Of which, interest on property rights of first refusal	7,657	8,002

Included in operating expenses as at 31.12.2004 is CHF 1.123 million from operating lease commitments (31.12.2003: CHF 1.075 million).

Assets pledged or ceded as security for Bank or third-party obligations; assets limited as to transfer of ownership

in CHF 1,000 Art. 24k para. 1 und Art. 24e para. 1 point 3.6 FL-BO	**31.12.2004**	31.12.2003
Assets pledged or ceded and assets limited as to transfer of ownership, excluding lending and pension fund transactions involving securities		
Book value of assets pledged or ceded as collateral	95,710	95,395
Actual obligations	44,344	22,947
Lending and pension fund transactions involving securities		
Claims from cash deposits in connection with securities borrowing and reverse repurchase agreements	0	0
Claims from cash deposits in connection with securities lending and repurchase agreements	0	0
Bank-held securities loaned in connection with securities lending or delivered as collateral in connection with securities borrowing as well as those transferred in connection with repurchase agreements	316,033	0
Of which, those for which an unconditional right has been granted to sell or pledge further	150,565	0
Securities provided as collateral in connection with securities lending or those borrowed in connection with securities borrowing, as well as those received in connection with reverse repurchase agreements, for which an unconditional right has been granted to sell or pledge further	316,381	0
Of which, sold or pledged further	147,666	0

Pension fund liabilities

in CHF 1,000 Art. 24e para. 1 point 3.7 FL-BO	**31.12.2004**	31.12.2003
Current accounts; call and time deposits	27,657	39,231
Medium-term notes	0	0
Total pension fund liabilities	**27,657**	**39,231**

Value adjustments and provisions/provisions for general banking risks

in CHF 1,000 Art. 24e para. 1 point 3.9 FL-BO	Balance 31.12.2003	Realloca-tions and new valuations	Balance 01.01.2004	Purpose-compliant applications	Re-entries, doubtful interest, currency diff.	New provisi-ons charged to income statement	Releases credited to income statement	**Balance 31.12.2004**
Value adjustments for default risks								
• Individual value adjustments	28,038		28,038	3,699	488	7,022	11,393	20,456
• Lump-sum individual value adjustments (incl. those for country risks)	2,000		2,000				500	1,500
• Lump-sum value adjustments	17,177		17,177				189	16,988
Only tax-permissible value adjustments[1]	110,000	-110,000						
Provisions for other business risks								
Provisions for taxes and deferred tax expense	3,307	10,000	13,307	3,221		7,499		17,585
Other provisions						1,000		1,000
Total value adjustments and provisions	**160,522**	**-100,000**	**60,522**	**6,920**	**488**	**15,521**	**12,082**	**57,529**
Less value adjustments	155,035	-110,000	45,035					37,308
Total provisions as reflected on balance sheet	**5,487**	**10,000**	**15,487**					**20,221**
Provisions for general banking risks	**137,150**	**100,000**	**237,150**					**237,150**

[1] Reallocation as of January 1, 2004, due to new Bank Ordinance (see changes versus previous year)

Share capital

in CHF 1,000	**31.12.2004**			31.12.2003		
Art. 24e para. 1 point 3.10 FL-BO	Total par value	Number of shares	Capital entitled to dividends	Total par value	Number of shares	Capital entitled to dividends
Bearer shares	53,143	5,314,347	53,143	53,143	5,314,347	53,143
Registered shares	6,005	6,004,167	6,005	6,005	6,004,167	6,005
Total share capital	**59,148**	**11,318,514**	**59,148**	**59,148**	**11,318,514**	**59,148**

Significant shareholders and groups of shareholders bound by voting-right agreements

in CHF 1,000	31.12.2004			31.12.2003		
Art. 24e para. 1 point 3.10.1 FL-BO	Par value	Ownership as % of total par value	Ownership as % of voting rights	Par value	Ownership as % of total par value	Ownership as % of voting rights
With voting rights						
Gemeinnützige Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz	14,717	24.9	48.4	14,717	24.9	48.4
Martin Hilti Familien-Treuhänderschaft, Schaan	6,630	11.2	11.1	6,880	11.6	11.3

Statement of changes in shareholders' equity

in CHF 1,000 Art. 24e para. 1 point 3.11 FL-BO	
Shareholders' equity at beginning of year	
Share capital paid in	59,148
Legal reserves	239,800
Reserve for treasury shares	263
Other reserves	57,926
Provisions for general banking risks	137,150
Retained earnings	78,203
Total shareholders' equity at beginning of year	**572,490**
Capital increase/capital decrease (-)	
Other allocations to/withdrawals from reserves (-)[1]	100,000
Dividends and other distributions from prior-year net income	-29,574
Net income for current year	80,924
Total shareholders' equity at end of year	**723,840**
Of which: Share capital paid in	59,148
Legal reserves	239,800
Reserve for treasury shares	13,352
Other reserves	92,837
Provisions for general banking risks	237,150
Retained earnings	81,553

[1] Reallocation as of January 1, 2004, due to new Bank Ordinance (see changes versus previous year)

Maturity structure of assets, liabilities and provisions

in CHF 1,000 Art. 24e para. 1 point 3.12 FL-BO		On demand	Callable	Maturing within 3 months	Maturing within 3-12 months	Maturing within 1-5 years	Maturing beyond 5 years	Perpetual	Total
Assets									
Cash and cash equivalents		50,479							50,479
Public sector debt instruments and bills of exchange permissible for refinancing at central banks				10,000	5,000				15,000
Due from banks		372,696		2,281,307	91,108	55,179			2,800,290
Due from customers		12,178	384,370	517,330	797,387	757,014	19,852		2,488,131
Of which, mortgages		7,771	248,526	164,274	362,186	756,243	19,971		1,558,971
Securities and precious metals trading portfolio		14,046							14,046
Securities and precious metals inventories included in current assets (excluding trading portfolio)		707,066							707,066
Other assets		153,714		176		118		136,057	290,065
Total assets	**31.12.2004**	**1,310,179**	**384,370**	**2,808,813**	**893,495**	**812,311**	**19,852**	**136,057**	**6,365,077**
Total assets	31.12.2003	1,194,146	489,115	2,837,328	828,750	794,173	36,171	136,918	6,316,601
Liabilities and provisions									
Due to banks		103,259		143,461	12,381				259,101
Due to customers		1,379,040	2,618,182	1,107,520	44,011	227			5,148,980
• Savings accounts			906,755						906,755
• Other deposits		1,379,040	1,711,427	1,107,520	44,011	227			4,242,225
Securitized liabilities				5,865	18,870	99,067	9,778		133,580
• Debentures issued				5,865	18,870	99,067	9,778		133,580
Of which, medium-term notes				5,865	18,870	99,067	9,778		133,580
Provisions (excl. provisions for general banking risks)		20,221							20,221
Other liabilities		78,780		575					79,355
Total liabilities	**31.12.2004**	**1,581,300**	**2,618,182**	**1,257,421**	**75,262**	**99,294**	**9,778**		**5,641,237**
Total liabilities	31.12.2003	1,613,301	2,407,424	1,503,478	141,729	70,647	7,532		5,744,111

Debentures and other fixed income securities that mature in the upcoming financial year	99,073
Debentures issued that mature in the upcoming financial year	24,735

Due to and due from investments, affiliated companies, qualified participants; loans to members of corporate bodies and significant related-party transactions

in CHF 1,000 Art. 24e para. 1 point 3.13 FL-BO	**31.12.2004**	31.12.2003
Due to and due from investments, affiliated companies and qualified participants		
Due from investments	20	86
Due to investments	5,295	6,754
Due from affiliated companies	138,058	266,171
Due to affiliated companies	170,994	183,100
Due from qualified participants	0	0
Due to qualified participants	10,638	19,811
Loans to members of the Bank's corporate bodies		
Members of the Executive Board and related parties	5,092	5,945
Members of the Board of Directors and related parties[1]	8,218	8,537

[1] Excluding receivables from related qualified participants

In connection with purchased consulting services as well as agency services, VP Bank also remunerates related parties.
Such fees and compensation correspond to customary conditions within the financial services industry and in 2004 amounted to CHF 0.150 million (2003: CHF 0.232 million).

Domestic and foreign assets and liabilities

in CHF 1,000 Art. 24e para. 1 point 3.14 FL-BO	31.12.2004 Domestic	 Foreign	31.12.2003 Domestic	 Foreign
Assets				
Cash and cash equivalents	50,479		12,826	28,577
Public sector debt instruments and bills of exchange permissible for refinancing at central banks	15,000			15,000
Due from banks	699,584	2,100,706	37,425	2,935,030
Due from customers	2,322,506	165,625	1,100,895	1,303,906
Of which, mortgages	1,558,645	326	787,584	669,094
Bonds and other fixed income securities	8,131	639,571	3,998	523,998
Shares and other variable income securities	37,694	21,591	11,802	41,859
Financial investments	3,200	170	3,200	170
Investments in affiliated companies	8,134	62,493	4,250	64,797
Goodwill and other intangible assets	7,454		11,602	
Property and equipment	141,783		144,826	
Treasury shares	13,352		263	
Other assets	45,090		9,185	40,413
Accrued income and prepaid expenses	22,514		22,579	
Total assets	**3,374,921**	**2,990,156**	**1,362,851**	**4,953,750**
Liabilities and shareholders' equity				
Due to banks	113,640	145,461	21,517	236,705
Due to customers	3,402,072	1,746,908	2,893,599	2,316,057
• Savings accounts	729,608	177,147	311,913	559,353
• Other deposits	2,672,464	1,569,761	2,581,686	1,756,704
Securitized liabilities	133,580		177,162	
Other liabilities	60,428		16,017	47,512
Accrued income and prepaid expenses	18,927		30,055	
Provisions	20,221		5,487	
Provisions for general banking risks	237,150		137,150	
Subscribed capital	59,148		59,148	
Reserves	345,989		297,989	
• Legal reserve	239,800		239,800	
• Reserve for treasury shares	13,352		263	
• Other reserves	92,837		57,926	
Retained earnings	629		202	
Net income	80,924		78,001	
Total liabilities and shareholders' equity	**4,472,708**	**1,892,369**	**3,716,327**	**2,600,274**

Pursuant to the new Bank Ordinance (Art. 24e para. 1), Switzerland as of 2004 is once again deemed to be domestic territory. With reference to Appendix 3 point 6 para. 1a of the Bank Ordinance, an adjustment of prior-year figures has been waived.

Assets in individual countries/groups of countries

in CHF 1,000 Art. 24e para. 1 point 3.15 FL-BO	31.12.2004 Absolute	 As % of total	31.12.2003 Absolute	 As % of total
Assets				
Liechtenstein/Switzerland	3,374,921	53.0	3,197,889	50.6
Europe (excluding Liechtenstein/Switzerland)	2,601,574	40.9	2,749,899	43.6
North America	130,961	2.0	151,219	2.4
Caribbean	202,833	3.2	182,604	2.9
Asia	29,364	0.5	7,942	0.1
Other	25,424	0.4	27,048	0.4
Total assets	**6,365,077**	**100.0**	**6,316,601**	**100.0**

Balance sheet by currencies

in CHF 1,000 Art. 24e para. 1 point 3.16 FL-BO	CHF	USD	EUR	Other	**Total**
Assets					
Cash and cash equivalents	47,180	169	3,008	122	50,479
Public sector debt instruments and bills of exchange permissible for refinancing at central banks	15,000				15,000
Due from banks	144,876	1,257,469	1,142,217	255,728	2,800,290
Due from customers	2,228,962	88,310	121,734	49,125	2,488,131
Of which, mortgages	1,551,890	2,559	4,522		1,558,971
Bonds and other fixed income securities	270,924	111,548	256,640	8,590	647,702
Shares and other variable income securities	21,427	17,364	15,911	4,583	59,285
Financial investments	3,370				3,370
Investments in affiliated companies	70,627				70,627
Goodwill and other intangible assets	7,454				7,454
Property and equipment	141,783				141,783
Treasury shares	13,352				13,352
Other assets	44,247		53	790	45,090
Accrued income and prepaid expenses	17,436	2,256	1,993	829	22,514
Total assets as per balance sheet	**3,026,638**	**1,477,116**	**1,541,556**	**319,767**	**6,365,077**
Delivery claims from cash-, futures- and options-related foreign exchange transactions	621,748	603,185	433,229	57,585	1,715,747
Total assets 31.12.2004	**3,648,386**	**2,080,301**	**1,974,785**	**377,352**	**8,080,824**
Total assets 31.12.2003	3,092,919	1,488,162	1,448,586	286,934	6,316,601

Balance sheet by currencies (continued)

in CHF 1,000 Art. 24e para. 1 point 3.16 FL-BO	CHF	USD	EUR	Other	Total
Liabilities and shareholders' equity					
Due to banks	99,696	98,066	23,715	37,624	259,101
Due to customers	2,092,598	1,353,136	1,428,363	274,883	5,148,980
• Savings accounts	906,650	6	98	1	906,755
• Other deposits	1,185,948	1,353,130	1,428,265	274,882	4,242,225
Securitized liabilities	133,580				133,580
Other liabilities	52,797	404	6,594	633	60,428
Accrued income and prepaid expenses	17,908	401	385	233	18,927
Provisions	20,221				20,221
Provisions for general banking risks	237,150				237,150
Subscribed capital	59,148				59,148
Reserves	345,989				345,989
• Legal reserves	239,800				239,800
• Reserve for treasury shares	13,352				13,352
• Other reserves	92,837				92,837
Retained earnings	629				629
Net income	80,924				80,924
Total liabilities and shareholders' equity as per balance sheet	**3,140,640**	**1,452,007**	**1,459,057**	**313,373**	**6,365,077**
Delivery obligations from cash-, futures- and options-related foreign exchange transactions	621,503	603,169	433,144	57,567	1,715,383
Total liabilities and shareholders' equity 31.12.2004	**3,762,143**	**2,055,176**	**1,892,201**	**370,940**	**8,080,460**
Total liabilities and shareholders' equity 31.12.2003	3,217,716	1,468,333	1,349,587	280,965	6,316,601
Net position per currency	**-113,757**	**25,125**	**82,584**	**6,412**	**364**

Contingent liabilities

in CHF 1,000 Art. 24e para. 1 point 4.1 FL-BO	**31.12.2004**	31.12.2003	Change in %
Contingent liabilities			
Credit guarantees and similar items	8,639	2,045	322.5
Performance bonds and similar items	100,335	142,039	-29.4
Total contingent liabilities	**108,974**	**144,084**	**-24.4**

Open derivatives contracts

in CHF 1,000		Trading instruments			Hedging instruments		
Art. 24e para. 1 point 4.3 FL-BO		Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
Interest rate contracts							
Swaps					1,797	12,945	236,394
Foreign exchange/precious metals contracts							
Futures contracts		31,504	31,141	1,585,104			
Options (OTC)		2,350	2,350	355,469			
Equity/index contracts							
Futures contracts		269		5,121			
Options (OTC)		60	60	3,720			
Total before netting agreements	**31.12.2004**	**34,183**	**33,551**	**1,949,414**	**1,797**	**12,945**	**236,394**
	31.12.2003	37,973	36,686	1,622,484	2,603	14,354	325,037

VP Bank has not concluded any netting agreements.

Fiduciary transactions

in CHF 1,000 Art. 24e para. 1 point 4.4 FL-BO	**31.12.2004**	31.12.2003	Change in %
Fiduciary transactions			
Fiduciary deposits	1,894,149	2,124,046	-10.8
• Fiduciary deposits with third-party banks	1,499,997	1,596,968	-6.1
• Fiduciary deposits with affiliated banks and finance companies	394,152	527,078	-25.2
Fiduciary credits	7,643	8,414	-9.2
Other fiduciary transactions	18,185	21,185	-14.2
Total fiduciary transactions	**1,919,977**	**2,153,645**	**-10.8**

Information pertaining to the income statement

in CHF 1,000 Art. 24e para. 1 point 5.2 FL-BO	**2004**	2003	Change in %
Income from trading			
Income from trading in equities	264	-1,580	-116.7
Income from foreign exchange contracts	638	625	2.1
Income from foreign exchange transactions	14,185	13,792	2.9
Income from foreign currency exchange transactions	1,113	893	24.6
Income from trading in precious metals	227	348	-34.9
Total trading income	**16,427**	**14,078**	**16.7**

in CHF 1,000 Art. 24e para. 1 point 5.3 FL-BO	**2004**	2003	Change in %
Personnel expenses			
Salaries and wages	47,918	44,904	6.7
Social security contributions and expense for retirement benefits and financial support	8,791	7,931	10.8
Of which, retirement benefits	7,639	7,081	7.9
Other personnel expenses	4,582	4,566	0.4
Total personnel expenses	**61,291**	**57,401**	**6.8**
Compensation for the Board of Directors [1]	915	915	0.0
Compensation for the Executive Board [2]	2,713	2,426	11.8

[1] Including employee social security contributions
[2] Including bonuses and contributions to pension and cadre insurance plans

in CHF 1,000 Art. 24e para. 1 point 5.4 FL-BO	**2004**	2003	Change in %
General and administrative expenses			
Office expense	3,417	2,637	29.6
Expenses for IT, machinery, furniture, automobiles and other installations	5,563	6,832	-18.6
Other	21,003	20,308	3.4
Total general and administrative expenses	**29,983**	**29,777**	**0.7**

Other assets and liabilities

in CHF 1,000 Art. 24e para. 2 point 6 FL-BO	31.12.2004	31.12.2003	Change in %
Other assets			
Precious metals	773	818	-5.5
Open derivatives contracts (positive replacement values)	35,980	40,576	-11.3
• Trading inventory	34,183	37,973	-10.0
• Liquidity account	1,797	2,603	-31.0
Offset accounts	7,932	7,342	8.0
Settlement accounts	112	383	-70.7
Additional other assets	293	479	-38.8
Total other assets	**45,090**	**49,598**	**-9.1**
Other liabilities			
Accounts for disbursement of taxes and fees	1,818	2,332	-22.1
Open derivatives contracts (negative replacement values)	46,496	51,040	-8.9
• Trading inventory	33,551	36,686	-8.5
• Liquidity account	12,945	14,354	-9.8
Settlement accounts	10,893	8,321	30.9
Additional other liabilities	1,221	1,836	-33.5
Total other liabilities	**60,428**	**63,529**	**-4.9**

Report of the Statutory Auditors

To the annual general meeting of shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

As statutory auditors, we have audited the consolidated annual financial statements (balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and notes – pages 118–142) as well as the annual report of Verwaltungs- und Privat-Bank AG, Vaduz, for the financial year ended December 31, 2004.

These financial statements and the annual report 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 Liechtenstein profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements and annual report 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 financial statements give a true and fair view of the financial position, the result of operations and the cash flows in accordance with Liechtenstein law. Furthermore, the accounting records, financial statements and the annual report, as well as the proposed appropriation of available earnings comply with Liechtenstein law and the Company's articles of incorporation.

The annual report corresponds to the annual financial statements.

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

Ernst & Young AG

Jürg Häusler	Patrick Schwaller
Certified Accountant (Auditor in charge)	Certified Accountant

Bern, February 28, 2005

The VP Bank Group

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Agenda

2005 media and analysts' conference	March 14, 2005
2005 annual shareholders meeting	April 29, 2005
2005 semi-annual report	August 30, 2005

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