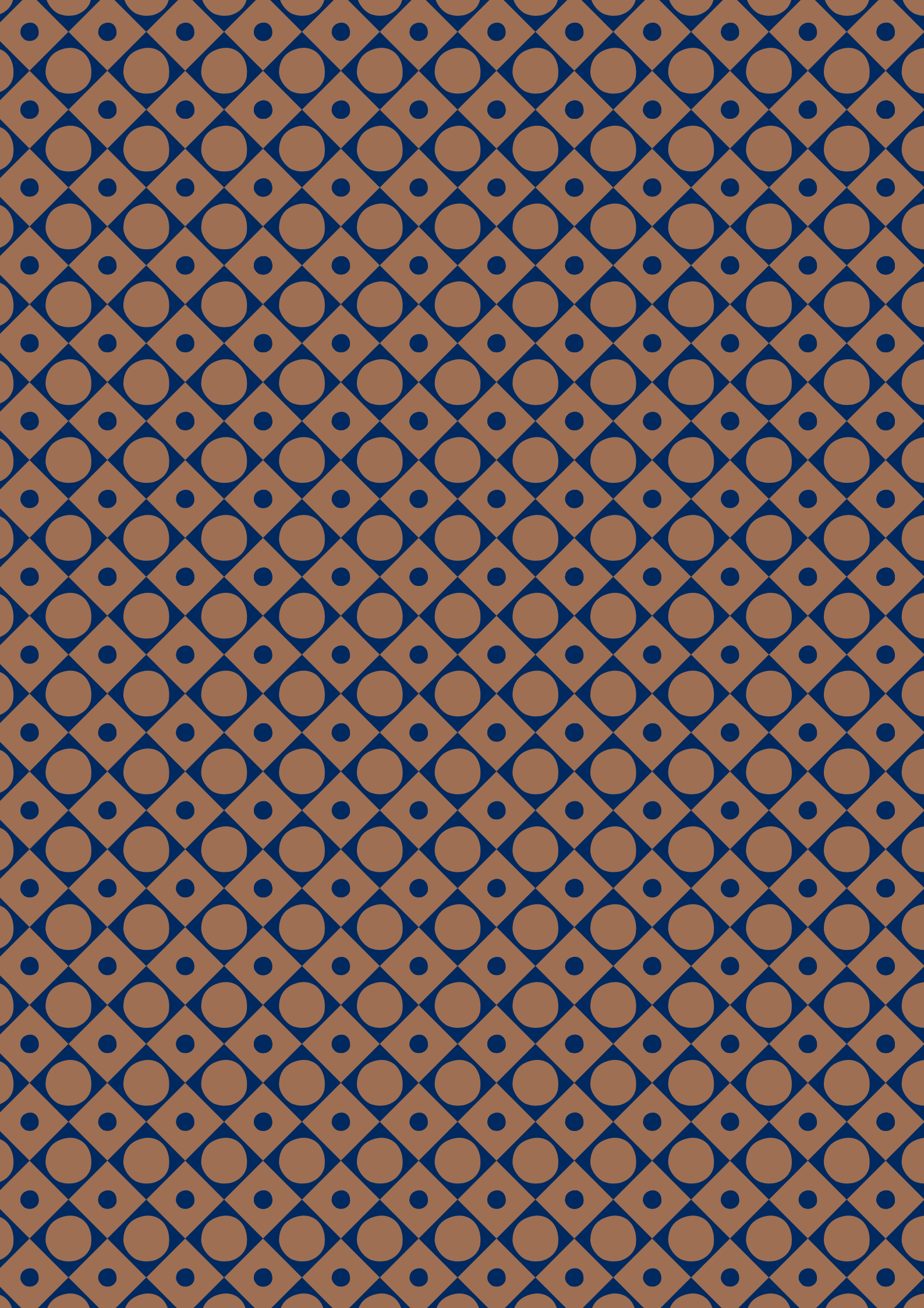
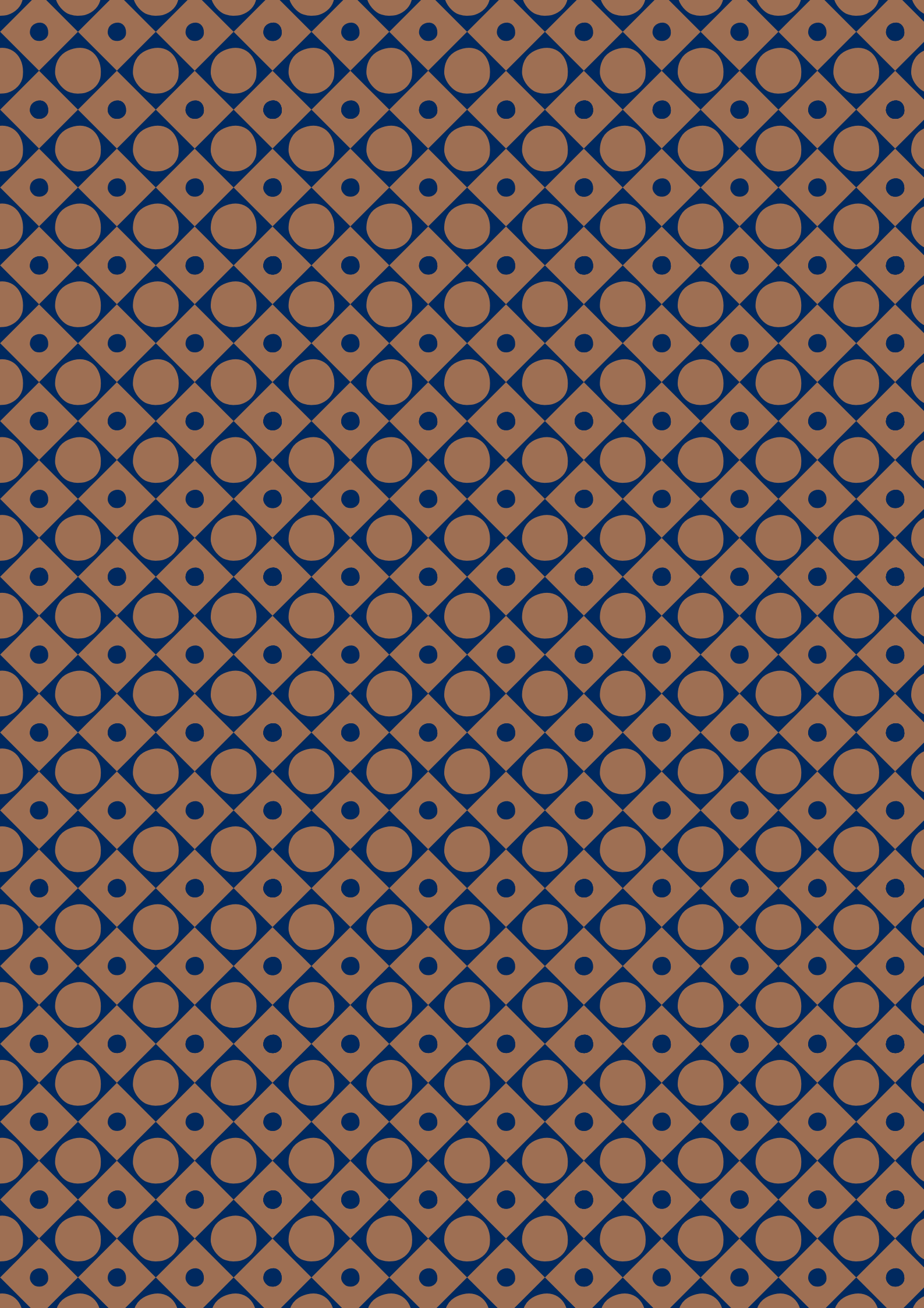


2004

EXCERPT
ANNUAL REPORT





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01

VP Bank
(Schweiz) AG
Financial year
2004

“The discipl-
lined path
to success”



Fredy Vogt
Chairman of the Board



Dr. Stefan R. Gugger
Chief Executive Officer
VP Bank (Schweiz) AG

Report of the Chairman and of the CEO

2004 in retrospect

2004 was a year of consolidation and stabilization. The previous two years' restructuring of the organization, product design and working procedures has taken a positive hold. There were also optimizations to various parts of the value chain, largely stemming from greater integration of the IT area and the Front Advisory Desk (FAD) with the VP Bank Group. Group-wide marketing efforts were strengthened further, along with compliance measures implemented in 2004 to reflect tighter regulatory requirements, like the new SFBC Money Laundering Ordinance (MLO).

Against this politically and economically demanding background, VP Bank (Schweiz) AG achieved a satisfactory result for the year under review. However, development of client assets under management did not quite meet our expectations. VP Bank (Schweiz) AG will endeavor to meet the relevant objectives by further increasing its activities in target markets.

Net profit grew by 5.3 percent to around CHF 1.6 million (2003: around CHF 1.5 million). The main contributors to this result were a 5.7 percent decline in operating expense to CHF 13.0 million (2003: 13.7 million) and the liquidation of reserves for which there was no longer a business necessity. One particular element in the operating expenses is the lower personnel expenses, owing to a shortfall in the planned recruitment of new client advisers.

On the income side, net interest income increased by 7.1 percent to CHF 2.0 million (2003: CHF 1.9 million) and net trading income by 29.6 percent to CHF 1.3 million (2003: CHF 1.0 million), while there was a 14.5 percent reduction in net fee and commission income to CHF 9.4 million (2003: CHF 11.0 million).

The balance sheet total rose by 4 percent to CHF 212.1 million (31.12.2003: CHF 203.9 million). On the assets side, this came mainly as the result of increased lending to clients (plus CHF 12.8 million in Lombard credits, mortgage loans holding steady), while on the liabilities side there was an increase in the amount due to banks (mainly to the parent institution, plus CHF 9.9 million). Virtually all lending to clients takes the form of credits, secured under terms that are typical for the banking industry.

Private banking client assets under management increased by around 5 percent to CHF 1,372 million (2003: CHF 1,303 million). Additionally, at the year-end VP Bank (Schweiz) AG administered via Asset Management Zurich (AMZ) approx. CHF 996 million in the form of equity and bond funds (2003: CHF 1,100 million). The team also managed CHF 832 million (2003: CHF 730 million) on behalf of institutional and private investors. Two "VP Bank investment funds for trusts" strategy funds denominated in CHF and EUR were wound up in the course of the year, with unit holders being offered reallocation to the VP Bank Private Portfolio Capital Retention fund-of-funds. In a year of change, particular attention was given to restructuring the investment process; integration of the investment strategy team in AMZ played an important role here. The move can be seen as a further endeavor by the bank within the field of professional asset management. Strengthening and combining the skills of capital and equity market specialists will once again be central throughout the course of the new financial year.

In that our parent entity, as shareholder, waived the payment of a dividend, our shareholders' equity base could be held at CHF 46.3 million (31.12.03: CHF 44.8 million). Moreover, last year's CHF 21 million subordinated line of credit from the parent bank remains available for financing further development at VP Bank (Schweiz) AG.

Personnel changes

In May 2004, Urs Müller stepped down from the Executive Board of VP Bank (Switzerland) AG in order to pursue a new challenge within the VP Bank Group.

Daniel Hug (born 1966, Swiss citizen) will be joining VP Bank (Schweiz) AG on May 1, 2005 and taking charge of the Services business area in his capacity as a member of the Executive Board. VP Bank (Schweiz) AG is pleased to have recruited Daniel Hug, with his extensive management and professional experience.

Outlook for 2005

VP Bank (Schweiz) AG will continue to focus on private banking, guided by its steady endeavor to improve quality and optimize costs. With an efficient organizational structure, optimized business processes, backing from a strong parent bank, and above all thanks to the dedication of its employees, VP Bank (Schweiz) AG can look to the future with confidence. In the name of the Board of Directors and the Executive Board, we would like to take this opportunity to thank all Bank employees for their untiring effort and commitment. Initial successes at the outset of 2005 indicate that we are on track.



Fredy Vogt
Chairman of the Board



Dr. Stefan R. Gugger
Chief Executive Officer
VP Bank (Schweiz) AG

Governing bodies

Board of Directors

Fredy Vogt, Balzers (Chairman)
Georg Wohlwend, Vaduz (Vice Chairman)
Dr. Georg R. Lehner, Thalwil
Dr. Roger Schmid, Zurich
Alexander Vögele, Zurich

Executive Board

Dr. Stefan R. Gugger (Chairman)
Daniel Hug¹

Members of Senior Management

Wera Ammann
Klaus D. Burger
Roberto De Vito
Lotti Eberle
Susanne Eichenberger
Bruno Huber
Markus Huber
Alexander Klinkmann
Daniel Lacher
André Lüdi
Thomas Lusetti
Joachim Mercier
Stefan Meyer
Salvatore Montalto
Michel Oechslin
Diego Piccoli
René Rieder
Antonio Sanchez
Rolf Scherer
Dr. Zsuzsa Szabó
Rolf Zürcher

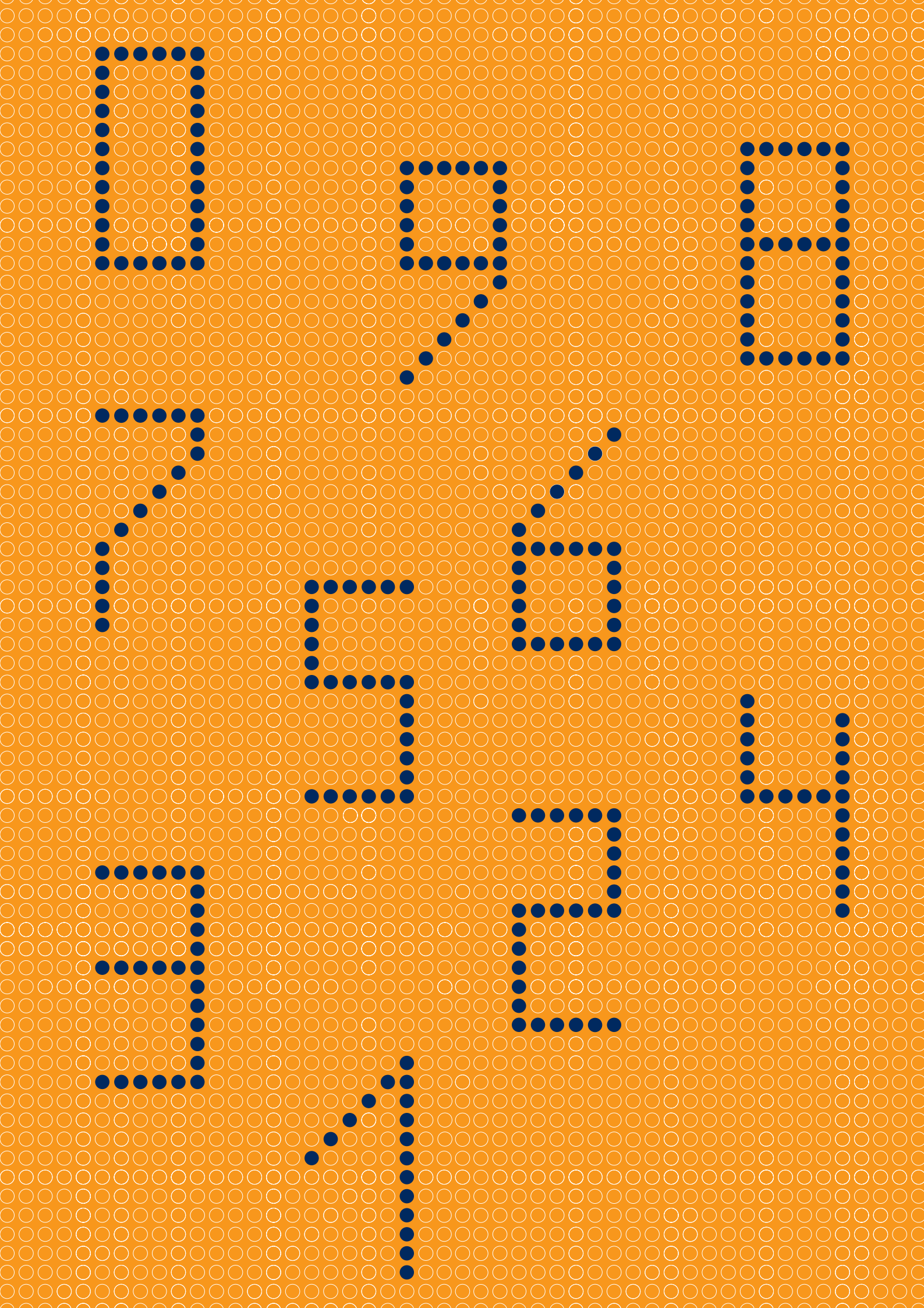
Management

Jürg Bamert
Dominik Brüscheiler
Eveline Bretscher
Marcel Jehle
Roger Kronauer
Toni Piscitelli
Andreas Radtke
Patrick Schaufelberger
Laura H. Slater
Adrian Zürcher

External and internal auditors

Statutory auditors:
Ernst & Young AG, Bern
Internal auditors:
Internal Audit unit of Verwaltungs- und
Privat-Bank Aktiengesellschaft, Vaduz

¹ As of May 1, 2005



Income statement 2004

Income and expense from ordinary banking activities

	2004 CHF	2003 CHF	Change in %
Interest income			
• Income from lending and discounting activities	3,879,453	3,016,466	28.6
• Interest and dividend income from trading inventories			
• Interest and dividend income from financial investments	0	11,969	n. a.
• Interest expense	-1,875,553	-1,157,781	62.0
Net interest income	2,003,900	1,870,654	7.1
Fee and commission income			
• Commission income from lending activities	61,611	58,458	5.4
• Commission income from securities and investing activities	11,115,996	12,627,268	-12.0
• Fee income from other services	666,636	274,023	143.3
• Commission expense	-2,449,298	-1,974,882	24.0
Net fee and commission income	9,394,945	10,984,867	-14.5
Net trading income	1,279,624	987,193	29.6
Other ordinary income			
• Income from sale of financial investments	18,569	1,672	n. a.
• Other ordinary income	1,649,321	729,604	126.1
• Other ordinary expense	0	-34,790	n. a.
Net other ordinary income	1,667,890	696,486	139.5
Operating expenses			
• Personnel expenses	-9,330,467	-10,252,263	-9.0
• General and administrative expenses	-3,640,241	-3,497,735	4.1
Total operating expenses	-12,970,708	-13,749,998	-5.7
Gross profit	1,375,651	789,202	74.3
Depreciation and amortization	-1,401,553	-1,449,091	-3.3
Value adjustments, provisions and losses	-22,794	-8,037	183.6
Subtotal	-48,696	-667,926	-92.7
Extraordinary income	2,070,907	2,608,014	-20.6
Tax expense	-441,450	-439,000	0.6
Net profit	1,580,761	1,501,088	5.3

Balance sheet as at December 31, 2004

Assets

	31.12.2004 CHF	31.12.2003 CHF	Change in %
Cash and cash equivalents	3,612,488	2,679,929	34.8
Due from banks	70,885,408	75,153,758	-5.7
Due from customers	79,854,072	67,069,527	19.1
Mortgage claims	27,657,100	27,489,500	0.6
Financial investments	229,500	229,500	0.0
Property and equipment	26,566,047	27,346,708	-2.9
Accrued income and prepaid expenses	2,630,494	2,018,570	30.3
Other assets	638,086	1,946,302	-67.2
Total assets	212,073,195	203,933,794	4.0

Total due from Group companies and qualified participants	47,109,912	50,795,044	-7.3
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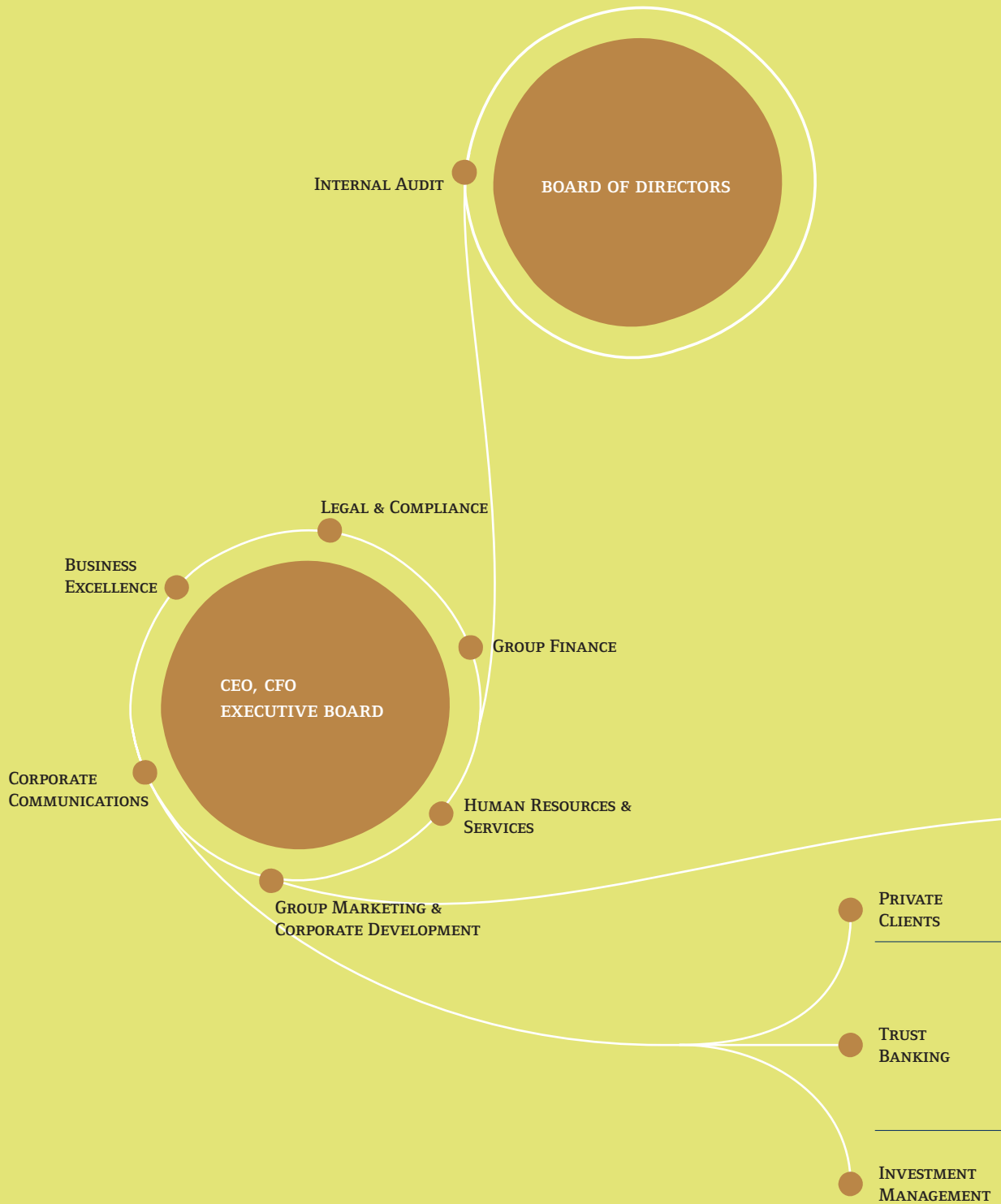
Liabilities and shareholders' equity

	31.12.2004 CHF	31.12.2003 CHF	Change in %
Due to banks	80,678,533	70,800,603	14.0
Due to customers	73,492,062	73,382,815	0.1
Accrued expenses and deferred income	3,094,198	2,988,221	3.5
Other liabilities	590,904	2,054,510	-71.2
Value adjustments and provisions	7,894,657	9,965,565	-20.8
Share capital	20,000,000	20,000,000	0.0
General legal reserves	2,280,000	2,200,000	3.6
Other reserves	20,480,000	20,480,000	0.0
Retained earnings	1,982,080	560,992	253.3
Net profit	1,580,761	1,501,088	5.3
Total liabilities and shareholders' equity	212,073,195	203,933,794	4.0

Total due to Group companies and qualified participants	81,265,425	71,036,753	14.4
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02

VP Bank Group



Structure of the VP Bank Group

VP Bank Group

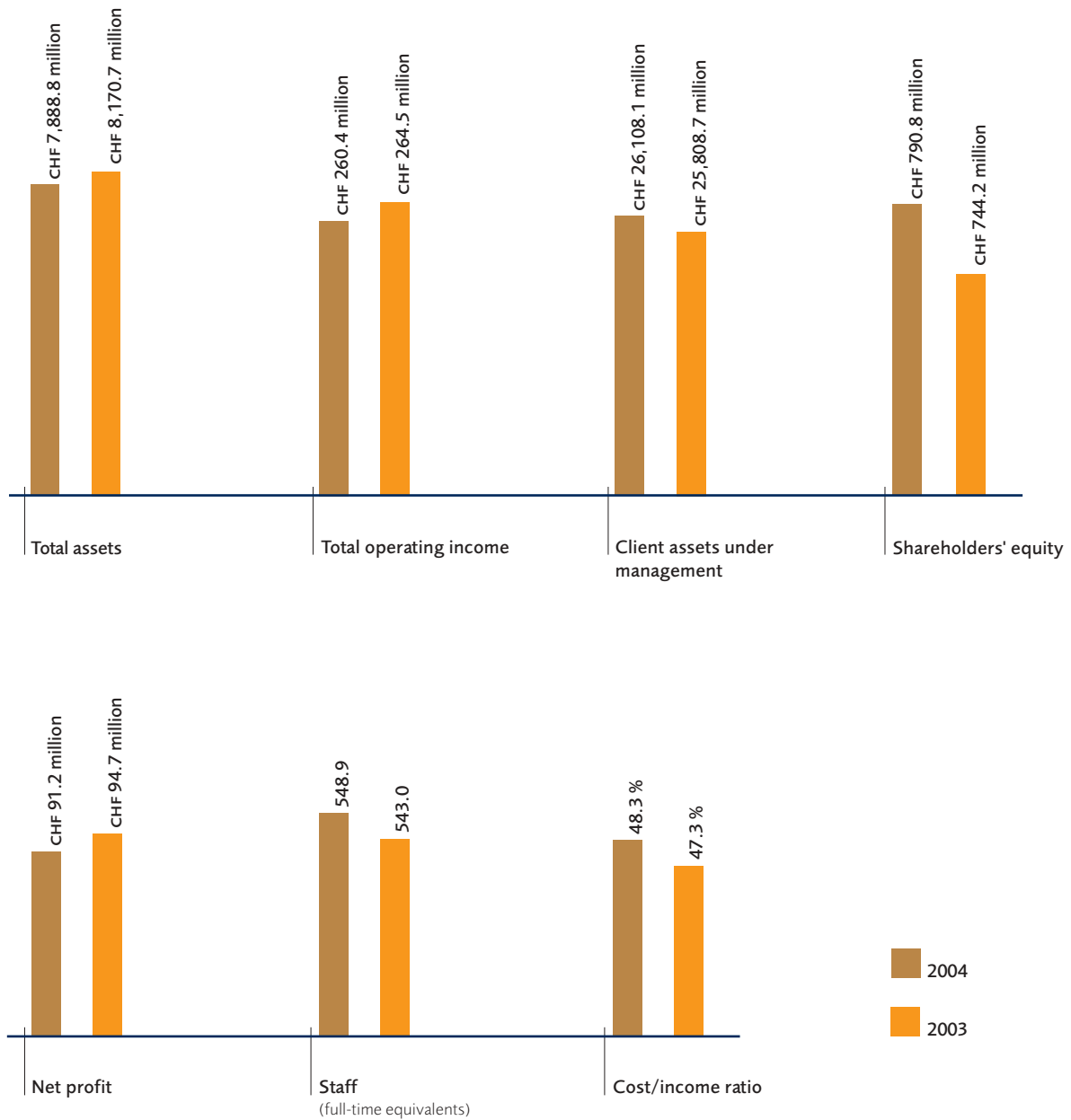
02

	LIECHTENSTEIN	ZÜRICH	LUXEMBOURG	BVI	MUNICH
PERSONAL BANKING	●				
PRIVATE BANKING	●	●	●	●	●
INTERMEDIARIES	●	●	●	●	
CORPORATE CLIENTS	●				
IT	●				
CAPITAL MANAGEMENT GROUP	●				
PRODUCTION	●				

02

VP Bank Group

Key figures VP Bank Group



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 million¹

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 million¹

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 CHF³

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 of the VP Bank Group, page 88, as well as in the Group's 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

03

Financial Report
VP Bank Group



Consolidated annual report of the VP Bank Group

Financial Report
VP Bank Group

03

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.

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.

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 translation 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



“Tailor-made
quality”

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 Luxembourg 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.

Central Staff offices

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.

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.

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

The VP Bank Group

VP Bank (Schweiz) AG

Bleicherweg 50, CH-8039 Zurich, Switzerland
Tel +41 44 226 24 24, Fax +41 44 226 25 24
info@vpbank.com, www.vpbank.com

Verwaltungs- und Privat- Bank Aktiengesellschaft

Aeulestrasse 6
FL-9490 Vaduz
Liechtenstein
Tel +423 235 66 55
Fax +423 235 65 00
info@vpbank.com

VP Bank Fondsleitung Aktiengesellschaft

Aeulestrasse 6
FL-9490 Vaduz
Liechtenstein
Tel +423 235 66 99
Fax +423 235 76 99
vpf@vpbank.com

VP Bank (Switzerland) Ltd.

Moscow Representative Office
Entrance 7, 5th floor, office 511
12 Krasnopresnenskaya Emb.
123610 Moscow
Russian Federation
Tel +7 095 967 00 95
Fax +7 095 967 00 98

VP Bank (Luxembourg) S.A.

Avenue de la Liberté 26
B.P. 923
L-2019 Luxembourg
Luxembourg
Tel +352 404 777-1
Fax +352 481 117
info.lu@vpbank.com

IFOS Internationale Fonds Service Aktiengesellschaft

Aeulestrasse 6
FL-9490 Vaduz
Liechtenstein
Tel +423 235 67 67
Fax +423 235 67 77
ifos@vpbank.com

VPB Finance S.A.

Avenue de la Liberté 26
B.P. 923
L-2019 Luxembourg
Luxembourg
Tel +352 404 777 383
Fax +352 404 777 389

IGT Intergestions Trust reg.

Aeulestrasse 6
P.O. Box 1242
FL-9490 Vaduz
Liechtenstein
Tel +423 233 11 51
Fax +423 233 22 24

VP Bank and Trust Company (BVI) Ltd.

P.O. Box 3463
3076 Sir Francis Drake's Highway
Road Town, Tortola
British Virgin Islands
Tel +1 284 494 11 00
Fax +1 284 494 11 99
info.bvi@vpbank.com

VP Vermögensverwaltung GmbH

P.O. Box 10 14 13
D-80088 Munich
Germany
Theatinerstrasse 12
D-80333 Munich
Tel +49 89 21 11 38-0
Fax +49 89 21 11 38-99
info@vpvv.de, www.vpvv.de

Media and Investor Relations
Verwaltungs- and Privat-Bank Aktiengesellschaft
Kim-My Schefer
Head Corporate Communications
Aeulestrasse 6
FL-9490 Vaduz
Tel +423 235 66 33
Fax +423 235 76 38
corporate.communications@vpbank.com

Design
[desgrippes gobé group, paris](http://desgrippes.gobé.group.paris), www.dga.com

Realization
TANGRAM, Vaduz, www.tangram.li

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