

*flexible*





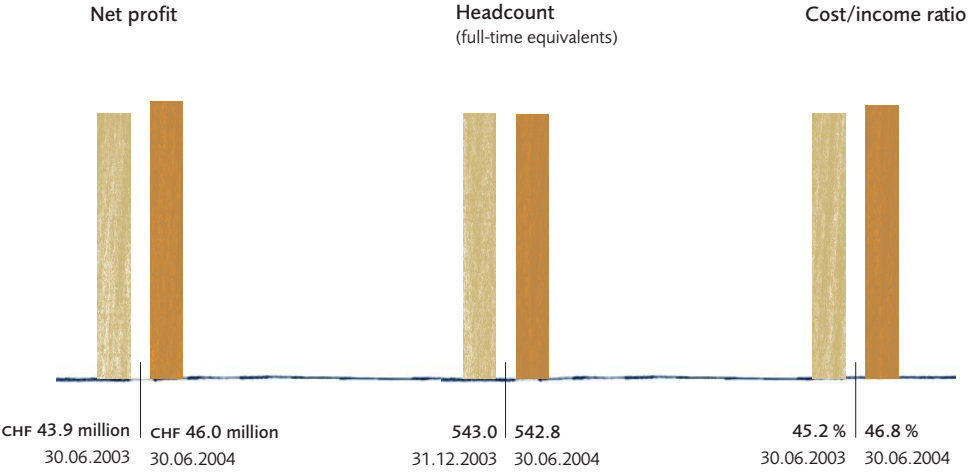
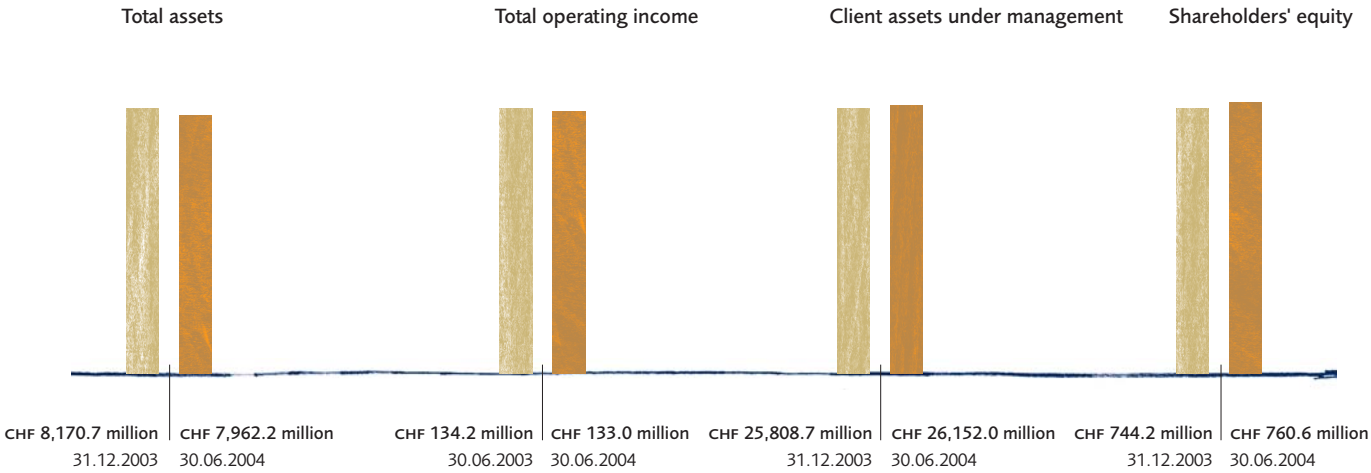
*flexible*

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

# Contents

6	Key Figures VP Bank Group
8	Introductory Remarks by the Chairman of the Board of Directors and the Chief Executive Officer
10	Commentary on Business Developments
12	Consolidated Income Statement
13	Consolidated Balance Sheet
14	Statement of Changes in Shareholders' Equity
15	Consolidated Cash Flow Statement
17	Accounting Principles
18	Notes to the Consolidated Financial Statements
23	Segment Reporting per Business Division

# Key Figures VP Bank Group



2004  
2003

## Key Figures VP Bank Group

	30.06.2004	30.06.2003	31.12.2003	%-Change at 30.06.2003
<b>Income statement in CHF million</b>				
Total operating income	133.0	134.2	264.5	-0.9
Net interest income	45.2	58.1	109.4	-22.2
Net fee and commission income	64.1	52.9	111.9	21.3
Net trading income	14.7	7.1	19.4	105.4
General and administrative expenses	62.3	60.7	125.0	2.7
Net profit	46.0	43.9	94.7	4.8

	30.06.2004	30.06.2003	31.12.2003	%-Change at 31.12.2003
<b>Balance sheet in CHF million</b>				
Total assets	7,962.2	8,624.4	8,170.7	-2.6
Due from banks	4,076.3	5,054.2	4,512.2	-9.7
Due from customers	2,675.1	2,589.4	2,600.0	2.9
Due to customers	6,739.3	7,399.9	6,983.0	-3.5
Shareholders' equity	760.6	714.1	744.2	2.2
Shareholders' equity ratio (in %)	9.6	8.3	9.1	4.9
BIS Tier 1 capital ratio (in %)	15.3	14.6	14.3	7.0
<b>Client assets under management in CHF million</b>				
On-balance-sheet customer deposits	26,152.0	25,726.7	25,808.7	1.3
Fiduciary transactions	6,861.3	7,562.9	7,159.4	-4.2
Client assets	1,545.0	1,793.2	1,650.1	-6.4
Client assets	17,745.7	16,370.6	16,999.2	4.4

### Key figures

Return on equity (in %)	12.1	12.3	12.7
Cost/income ratio (in %)	46.8	45.2	47.3
Headcount (full-time equivalents) <sup>1</sup>	542.8	540.1	543.0
Total operating income per employee in CHF 1,000	245.1	248.5	487.1
Total operating expenses per employee in CHF 1,000	114.8	112.3	230.2
Net profit per employee in CHF 1,000	84.7	81.2	174.4

### Per-share figures in CHF <sup>2</sup>

Earnings per bearer share	7.77	7.42	16.02
Earnings per registered share	0.78	0.74	1.60
Shareholders' equity per bearer share	128.59	120.73	125.81
Shareholders' equity per registered share	12.86	12.07	12.58
Price of bearer share	190.00	140.00	200.00
Price of registered share	18.75	13.90	19.75
Market capitalization (in CHF million)	1,123.8	828.1	1,183.0
Price earning ratio per bearer share	12.22	9.43	12.49
Price earning ratio per registered share	12.06	9.37	12.33

<sup>1</sup> In accordance with legal provisions, apprentices are considered a 50 % equivalent (headcount)

<sup>2</sup> Based on outstanding shares on the balance sheet date (5,914,764)

# A Higher Profile thanks to Increased Marketing Efforts

Dear Shareholders,  
Ladies and Gentlemen

Following what was indeed an improved market environment during the early months of 2004 in comparison to the previous year, share markets have once again retreated from the highs established in March. The economic and political atmosphere in the second quarter led to uncertainties in the international financial markets. Those factors also shaped the first-half financial results of the VP Bank Group. The results reflect constancy and stability, as well as our expanded marketing activities and client focus. They stem from a clear-cut strategy and resolute concentration on our target markets. Putting the related resources in place will strengthen the VP Bank Group's position primarily over the long term, although these efforts have already borne favorably on our accomplishments in the period under review.

## **Increase in consolidated profit; solid balance sheet and high level of shareholders' equity**

The Group's consolidated first-half profit rose in comparison to the prior-year period by 4.8 percent to a total of CHF 46.0 million (2003: CHF 43.9 million). Thanks to strict cost controls, we managed to keep our cost/income ratio at a low 46.8 percent (30.6.2003: 45.2 percent), even though personnel expense increased as a result of our expanded client advisory team and market organization. In the first half of 2004<sup>1</sup>, client assets under management rose by 1.3 percent to CHF 26.2 billion (31.12.2003: CHF 25.8 billion). The VP Bank Group continues to have a solid balance sheet and high level of shareholders' equity. As of June 30, 2004, the total assets total amounted to CHF 8 billion, a 2.6 percent decline from the 8.2 billion recorded on 31.12.2003, while shareholders' equity rose by 2.2 percent for the period to a total of CHF 760.6 million (31.12.2003: CHF 744.2 million). Our BIS Tier 1 ratio stood at 15.3 percent (31.12.2003: 14.3 percent).

## **The right strategy**

Our resolute focus on private banking as well as the systematization of our client advisory process have had a favorable impact and already delivered initial results. The strengthened market presence created by our new brand forms an important underpinning of these efforts and their positive outcome.

The following specific factors contributed to the success of our activities in the period under review:

- We took further steps toward increasing our penetration of key markets and qualitatively expanded our front office advisory team.
- Just recently, the German Financial Services Supervisory Authority approved our request to establish a Munich-based asset management company. That opens the way for the VP Bank Group to significantly expand its local presence in Germany. VP Vermögensverwaltung GmbH will commence operations as planned in the fourth quarter of 2004 and will focus on locally serving the needs of German clients. Our existing representative office in Munich will be closed.
- Since early this year, our clients have benefited from an expanded and more professional e-banking platform.
- The VP Bank brand has always been a very important factor in the Group's market-positioning efforts. For this reason, we have focused on continuous development of the new brand since its launch in 2003.
- VP Bank Group poses high expectations on itself and its employees and supports a culture of learning and continuous improvement. Our employees' desire to achieve is a decisive long-term success factor for our Bank. Periodic employee surveys identify areas where there is a need for action and thus establish the basis

<sup>1</sup> Detailed information in this regard can be found in the "Commentary on business developments", page 10)

for targeted measures necessary for continued development. With these measures, we are pursuing our long-term goal of fostering to an even greater degree the satisfaction and commitment of all employees of the VP Bank Group, and thereby creating a solid base for our future success. In June 2004, we conducted the latest Group-wide survey. Based on its findings and in collaboration with employees, we will be developing concrete optimization measures over the coming months.

- In the first quarter of 2004, 230 back office and central staff employees moved to the new VP Bank building in Triesen (FL). Employees and clients alike benefit from the new facility's modern infrastructure, which enables more efficient handling of the Bank's various business processes. With this investment, VP Bank demonstrates its faith in the development of Liechtenstein as a financial center, as well as VP Bank's role as a key employer in the region.

#### Focus on private banking

Our goal is to be perceived as one of the best private banks in our target markets and are therefore focusing the efforts of the entire VP Bank Group on private banking. In doing so, we will continue to strive for organic growth. Intensifying our activities in Germany will now be central to this concentration on private banking, but we will also pursue market opportunities in Central and Eastern Europe. Preparatory work is underway to enable broader penetration of these markets. Moreover, VP Bank remains committed to providing personal and corporate banking services to its longstanding clientele in Liechtenstein and the surrounding region.

This broader market penetration lends support to the achievement of what are indeed ambitious growth goals. By means of strict cost discipline and increased revenues, we want to maintain our cost/income ratio below 50 percent. This high level of productivity enables us to make

the investments necessary for the ongoing success of the VP Bank Group.

#### Outlook for 2004 – VP Bank on a promising course

In view of recent economic and political developments – particularly the factors that came into play during the second quarter and the uncertainty they have spawned in the financial markets – it is no simple matter at present to make a forecast for the second semester of 2004. From today's vantage point, the VP Bank Group is going on the assumption that it will meet market expectations, provided the financial markets return to stability and develop favorably. Given these circumstances, full-year results should be roughly in line with those achieved last year.

We would like to express our sincere gratitude for the trust you place in us, and we look forward to counting you among our valued shareholders and clients for a long time to come. Our thanks also go to our employees who, with their tremendous commitment and tireless efforts, contribute significantly to the success of the VP Bank Group.



Hans Brunhart  
Chairman of the Board of Directors



Adolf E. Real  
Chief Executive Officer

# Commentary on Business Developments

## Improved first-half results of the VP Bank Group

In the first semester of 2004, the VP Bank Group's consolidated net profit increased versus the comparable prior-year period by 4.8 percent to a total of CHF 46.0 million (2003: CHF 43.9 million). Particularly gratifying was the 21.3 percent gain in revenues generated from the Group's core fee and commission business. These results were marked by their operating constancy and stability.

Net interest income declined by 22.2 percent to CHF 45.2 million (2003: CHF 58.1 million). This decrease was primarily attributable to a lower balance sheet total, which among other things was a consequence of last year's capital decrease, as well as to the cost of hedging interest-rate derivatives. The 21.3 percent rise in net fee and commission income to CHF 64.1 million (2003: CHF 52.9 million) was mainly the result of increased transaction- and fund-related revenues earned during the first quarter of 2004. Net trading income rose by CHF 7.6 million to a total of CHF 14.7 million (2003: CHF 7.1 million), while other income declined by CHF 7.1 million to CHF 9.0 million (2003: CHF 16.1 million). These variances in trading and other income are essentially due to valuation effects.

Also reflected in other income is the elimination of value adjustments that were no longer needed.

Operating expense rose versus the previous year by 2.7 percent to CHF 62.3 million (30.6.2003: CHF 60.7 million).

Personnel costs accounted for CHF 42.8 million of that total, a year-on-year gain of 9.4 percent. This increase was mainly due to the qualitative expansion of the Bank's client advisory team and the training of those individuals, as well as to accruals for performance-dependent salary components. General and administrative expense stood at CHF 19.5 million, 9.3 percent below the prior-year reading. Thanks to strict cost controls, the expansion of the front office advisory team did not lead to a significant rise in costs.

Gross profit declined by 3.9 percent to CHF 70.7 million (2003: CHF 73.6 million). For the first semester of 2004, charges in the amount of CHF 13.6 million (2003: CHF 14.1 million) for depreciation and amortization were realized, while value adjustments, provisions and losses decreased by 29.4 percent to CHF 5.3 million (2003: CHF 7.5 million). Tax expense (including deferred taxes) fell by 21.9 percent to CHF 4.8 million (2003: CHF 6.1 million). The Group's cost/income ratio amounted to 46.8 percent (2003: 45.2 percent).

Client assets under management rose by 1.3 percent during the first half of 2004 to a total of CHF 26.2 billion (31.12.2003: CHF 25.8 billion).

## Solid balance sheet and high level of shareholders' equity

The VP Bank Group's consolidated balance sheet total eased by 2.6 percent since December 31, 2003, to a current level of CHF 8.0 billion. On the assets side, loans to banks were reduced while trading inventories and financial investments increased. The increase in the amount due from customers was mainly attributable to the growth in mortgage lending. On the liabilities side, customer deposits declined by 4.2 percent, with the related funds being largely recommitted to securities. The amount due to banks rose to CHF 167.8 million (31.12.2003: CHF 106.1 million).

As of June 30, 2004, the VP Bank Group recorded shareholders' equity of CHF 760.6 million (31.12.2003: CHF 744.2 million).

The BIS Tier 1 ratio stood at 15.3 percent (31.12.2003: 14.3 percent) and is thus nearly double the legally required minimum.



# Consolidated Income Statement

CHF 1,000	Note <sup>1</sup>	1st Sem. 2004	1st Sem. 2003	%-Change
Net interest income	1	45,242	58,138	-22.2
Net fee and commission income	2	64,128	52,873	21.3
Net trading income	3	14,669	7,141	105.4
Other income	4	9,001	16,071	-44.0
<b>Total operating income</b>		<b>133,040</b>	<b>134,223</b>	<b>-0.9</b>
Personnel expenses	5	42,783	39,120	9.4
General and administrative expenses	6	19,536	21,534	-9.3
<b>Total operating expenses</b>		<b>62,319</b>	<b>60,654</b>	<b>2.7</b>
<b>Gross profit</b>		<b>70,721</b>	<b>73,569</b>	<b>-3.9</b>
Depreciation and amortization	7	13,550	14,086	-3.8
Value adjustments, provisions and losses	8	5,310	7,525	-29.4
<b>Operating profit before tax and minority interests</b>		<b>51,861</b>	<b>51,958</b>	<b>-0.2</b>
Tax expense	9	4,762	6,098	-21.9
<b>Net profit before minority interests</b>		<b>47,099</b>	<b>45,860</b>	<b>2.7</b>
Minority interests		1,130	1,996	-43.4
<b>Net profit</b>		<b>45,969</b>	<b>43,864</b>	<b>4.8</b>
<b>Basic earnings per share</b>				
Weighted average number of shares		5,905,772	7,399,475	
Earnings per bearer share (CHF)		7.78	5.93	
Earnings per registered share (CHF)		0.78	0.59	
<b>Diluted earnings per share</b>				
Adjusted net profit ( CHF 1,000 )		45,969	43,864	
Number of shares for calculation of diluted net profit		5,905,772	7,399,475	
Diluted earnings per bearer share (CHF)		7.78	5.93	
Diluted earnings per registered share (CHF)		0.78	0.59	

<sup>1</sup> See pages 18 ff

No financial or equity-like instruments exist that could lead to a dilution of the earnings per bearer or registered share.

# Consolidated Balance Sheet

## Assets

CHF 1,000	Note	30.06.2004	31.12.2003	%-Change
Cash and cash equivalents		75,493	73,871	2.2
Money-market claims		15,025	15,149	-0.8
Due from banks		4,076,258	4,512,163	-9.7
Due from customers		2,675,093	2,600,012	2.9
Trading portfolio assets		293,069	205,674	42.5
Derivative financial instruments		36,884	44,269	-16.7
Financial investments		556,740	478,992	16.2
Property and equipment		177,445	178,962	-0.8
Goodwill and other intangible assets		17,777	23,313	-23.7
Tax claims		634	612	3.6
Accrued tax assets		1,466	1,306	12.3
Accrued income and prepaid expenses		22,503	25,051	-10.2
Other assets		13,765	11,362	21.1
<b>Total assets</b>		<b>7,962,152</b>	<b>8,170,736</b>	<b>-2.6</b>

## Liabilities and shareholders' equity

Due to banks		167,799	106,116	58.1
Due to customers – savings and deposits		1,030,286	1,012,064	1.8
Due to customers – other liabilities		5,708,980	5,970,938	-4.4
Derivative financial instruments		51,598	54,310	-5.0
Medium-term notes		122,065	176,412	-30.8
Tax liabilities		9,256	7,565	22.4
Deferred tax liabilities		14,753	15,033	-1.9
Accrued expenses and deferred income		25,407	36,145	-29.7
Other liabilities		55,806	34,605	61.3
Provisions		1,529	508	201.0
<b>Total liabilities</b>		<b>7,187,479</b>	<b>7,413,696</b>	<b>-3.1</b>
<b>Minority interests</b>		<b>14,080</b>	<b>12,883</b>	<b>9.3</b>
Share capital		59,148	59,148	0.0
Treasury shares	10	-1,533	-1,363	-12.5
Reserves		-11,134	-11,244	1.0
Retained earnings		672,105	606,948	10.7
Foreign currency translation		-3,962	-4,064	2.5
Net profit		45,969	94,732	n. a.
<b>Total shareholders' equity</b>		<b>760,593</b>	<b>744,157</b>	<b>2.2</b>
<b>Total liabilities, minority interests and shareholders' equity</b>		<b>7,962,152</b>	<b>8,170,736</b>	<b>-2.6</b>

# Statement of Changes in Shareholders' Equity

CHF 1,000	1st Sem. 2004	1st Sem. 2003
<b>Share capital</b>		
Balance at the beginning of the period	59,148	85,500
Capital increase/capital decrease	0	-26,352
<b>Balance at the end of the period</b>	<b>59,148</b>	<b>59,148</b>
<b>Treasury shares</b>		
Balance at the beginning of the period	-1,363	-121,702
Acquisitions/Disposals	-170	120,262
<b>Balance at the end of the period</b>	<b>-1,533</b>	<b>-1,440</b>
<b>Capital reserves</b>		
Balance at the beginning of the period	-11,244	-2,715
Change in treasury shares	110	-3,357
<b>Balance at the end of the period</b>	<b>-11,134</b>	<b>-6,072</b>
<b>Retained earnings</b>		
Balance at the beginning of the period	701,680	1,009,108
Dividends paid	-29,575	-12,825
Capital decrease	0	-375,284
Net profit for the period	45,969	43,864
<b>Balance at the end of the period</b>	<b>718,074</b>	<b>664,863</b>
<b>Foreign currency translation</b>		
Balance at the beginning of the period	-4,064	-1,998
Movements during the period	102	-388
<b>Balance at the end of the period</b>	<b>-3,962</b>	<b>-2,386</b>
<b>Total shareholders' equity</b>	<b>760,593</b>	<b>714,113</b>

## Share capital and shares issued

	30.06.2004		31.12.2003	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
Registered shares, par value CHF 1.00	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares, par value CHF 10.00	5,314,347	53,143,470	5,314,347	53,143,470
<b>Total</b>		<b>59,147,637</b>		<b>59,147,637</b>

All issued shares are fully paid.

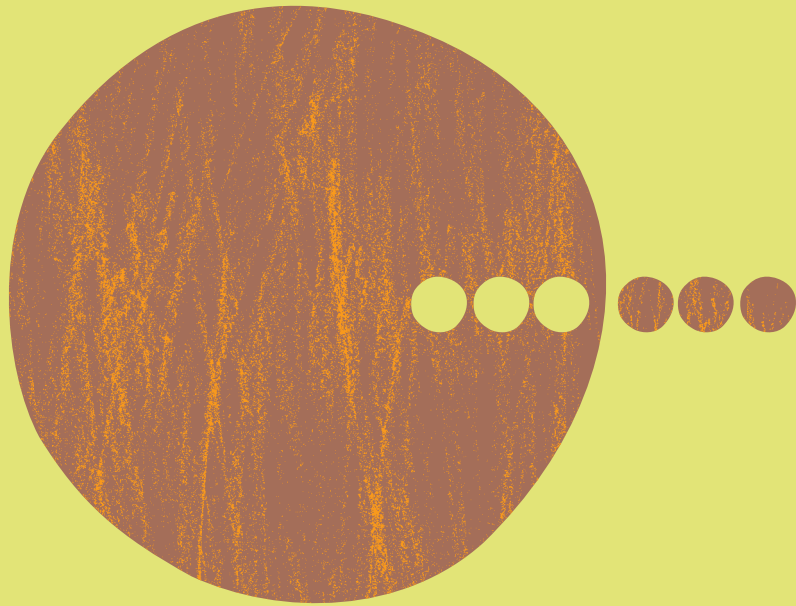
## Consolidated Cash Flow Statement

CHF 1,000	1st Sem. 2004	1st Sem. 2003
<b>Cash and cash equivalents, beginning of the period</b>	844,189	758,788
Cash flow from operating activities, after tax	317,162	192,154
Cash flow (used in)/From investing activities	-88,400	168,141
Cash flow used in financing activities	-83,981	-318,987
Effects of foreign currency translation	167	-388
<b>Cash and cash equivalents, end of the period</b>	<b>989,137</b>	<b>799,708</b>
Change in cash and cash equivalents	144,948	40,920

### Cash and cash equivalents comprise:

Cash and cash equivalents	75,493	77,154
Money-market claims	15,025	15,111
Due from banks on demand	898,619	707,443
<b>Total</b>	<b>989,137</b>	<b>799,708</b>





solutions

# Accounting Principles

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and stated in Swiss Francs (CHF). These financial statements are presented in accordance with IAS 34 "Interim Financial Reporting". In preparing the interim financial statements, the same accounting principles and methods of computation are applied as in the financial statements at December 31, 2003 and for the year then ended.

## **Subsequent events**

No events occurred subsequent to the reporting date that would have a significant impact on the financial statements for the reporting period.

## **Scope of consolidation**

There was no change in the scope of consolidation during the reporting period.

# Notes to the Consolidated Financial Statements

## 1 Net interest income

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Interest and discounting income	61,246	85,087	-28.0
Interest income from trading portfolio	11	14	-21.4
Interest income from financial investments	10,960	11,889	-7.8
<b>Total interest income</b>	<b>72,217</b>	<b>96,990</b>	<b>-25.5</b>
Dividend income from trading portfolio	0	184	-100.0
Dividend income from financial investments	495	1,610	-69.3
<b>Total dividend income</b>	<b>495</b>	<b>1,794</b>	<b>-72.4</b>
Interest on financial liabilities	25,402	37,936	-33.0
Interest on medium-term notes	2,068	2,710	-23.7
<b>Total interest expense</b>	<b>27,470</b>	<b>40,646</b>	<b>-32.4</b>
<b>Net interest income</b>	<b>45,242</b>	<b>58,138</b>	<b>-22.2</b>

## 2 Net fee and commission income

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Commission income from lending operations	488	435	12.2
Commission income from asset management and investments <sup>1</sup>	17,940	16,904	6.1
Trading commissions	22,160	16,843	31.6
Safekeeping fees	11,782	10,737	9.7
Income from investment funds	20,177	13,476	49.7
Commission income from other service-related activities	5,536	5,238	5.7
<b>Total fee and commission income</b>	<b>78,083</b>	<b>63,633</b>	<b>22.7</b>
Commission expense	2,677	1,832	46.1
Other service-related and commission expenses	11,278	8,928	26.3
<b>Total fee and commission expenses</b>	<b>13,955</b>	<b>10,760</b>	<b>29.7</b>
<b>Net fee and commission income</b>	<b>64,128</b>	<b>52,873</b>	<b>21.3</b>

<sup>1</sup> corporate actions, asset management commissions, fiduciary commissions, investment advice, all-in fees, securities lending, retrocessions

### 3 Net trading income

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Securities	4,183	-892	n. a.
Foreign exchange and precious metals	10,486	8,033	30.5
<b>Net trading income</b>	<b>14,669</b>	<b>7,141</b>	<b>105.4</b>

### 4 Other income

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Income from financial assets available for sale	-4,941	10,184	-148.5
Income from investments in property	150	194	-22.7
Other income	14,342	6,451	122.3
Other expenses	-550	-758	27.4
<b>Total other income</b>	<b>9,001</b>	<b>16,071</b>	<b>-44.0</b>

#### Income from financial assets available for sale

Fixed-income financial investments	-6,195	6,730	-192.1
Equity investments	1,254	3,454	-63.7
<b>Total</b>	<b>-4,941</b>	<b>10,184</b>	<b>-148.5</b>

### 5 Personnel expenses

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Salaries	33,479	30,823	8.6
Statutory social security contributions	3,110	2,587	20.2
Contributions to retirement plans/defined contribution	2,005	1,919	4.5
Contributions to retirement plans/defined benefit	779	826	-5.7
Other personnel expenses	3,410	2,965	15.0
<b>Total personnel expenses</b>	<b>42,783</b>	<b>39,120</b>	<b>9.4</b>

## 6 General and administrative expenses

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Occupancy	2,347	2,176	7.9
Insurance	600	653	-8.1
Professional fees	2,112	3,490	-39.5
Information procurement	2,902	3,069	-5.4
Telecommunication and postage	893	739	20.8
IT systems	3,828	4,188	-8.6
Marketing and public relations	3,047	3,656	-16.7
Capital tax	610	767	-20.5
Other	3,197	2,796	14.3
<b>Total general and administrative expenses</b>	<b>19,536</b>	<b>21,534</b>	<b>-9.3</b>

## 7 Depreciation and amortization

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Depreciation of property and equipment	6,356	5,193	22.4
Amortization of goodwill and other intangible assets	7,194	8,893	-19.1
<b>Total depreciation and amortization</b>	<b>13,550</b>	<b>14,086</b>	<b>-3.8</b>

## 8 Value adjustments, provisions and losses

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Loan risks	4,151	6,980	-40.5
Procedural risks	1,000	0	100.0
Operating risks	159	545	-70.8
<b>Total value adjustments, provisions and losses</b>	<b>5,310</b>	<b>7,525</b>	<b>-29.4</b>

## 9 Income taxes

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Current	5,202	6,102	-14.7
Deferred	-440	-4	n. a.
<b>Total income tax expense</b>	<b>4,762</b>	<b>6,098</b>	<b>-21.9</b>

## 10 Treasury shares

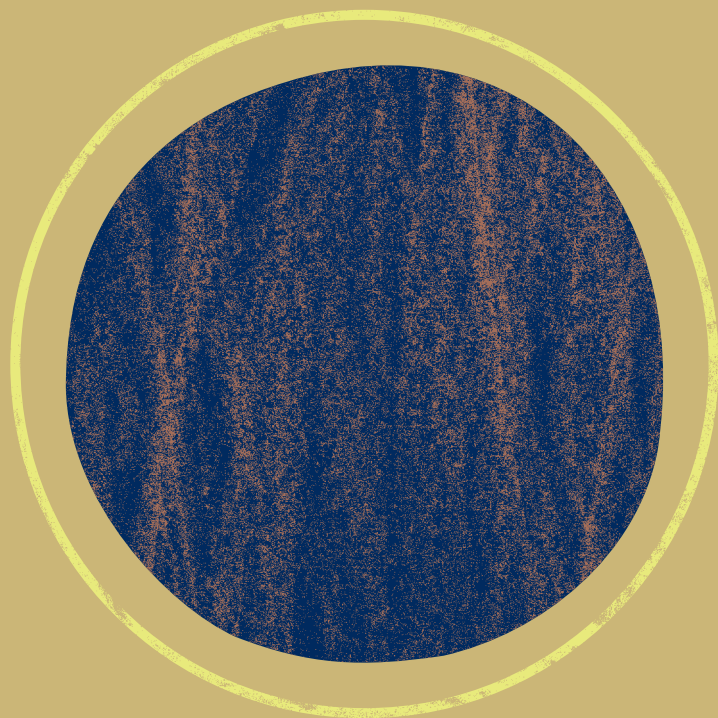
	1st Sem. 2004		31.12.2003	
	Number	CHF 1,000	Number	CHF 1,000
<b>Balance at the beginning of the reporting period</b>				
Registered shares	2,500	34	0	0
Bearer shares	5,816	1,629	423,438	121,702
Acquisition of registered shares	24,400	-499	5,169,833	67,339
Disposal of registered shares	-21,100	574	-5,167,333	-67,305
Acquisition of bearer shares	65,689	-13,738	2,059,291	271,559
Disposal of bearer shares	-66,793	13,533	-2,476,913	-391,632
<b>Balance at the end of the reporting period</b>				
Registered shares	5,800	109	2,500	34
Bearer shares	4,712	1,424	5,816	1,629

## Options on treasury shares

	1st Sem. 2004		31.12.2003	
	Number	CHF 1,000	Number	CHF 1,000
<b>Balance at the beginning of the reporting period</b>				
Call options	-10,000	-150	0	0
Put options	-10,000	-150	0	0
Acquisition of call options	10,000	150		
Disposal of call options			-10,000	-150
Acquisition of put options	10,000	150		
Disposal of put options			-10,000	-150
<b>Balance at the end of the reporting period</b>				
Call options	0	0	-10,000	-150
Put options	0	0	-10,000	-150

## 11 Commitments and contingent liabilities

CHF 1,000	30.06.2004	31.12.2003
<b>Contingent liabilities</b>		
Collateral guarantees and similar instruments	13,504	9,099
Performance guarantees and similar instruments	160,059	142,320
Irrevocable commitments	0	0
Other	298	0
<b>Total contingent liabilities</b>	<b>173,861</b>	<b>151,419</b>



caring

## Segment Reporting per Business Division

1st Sem. 2004	Private Clients	Trust Banking	Investment Management	Corporate Center incl. subsidiaries		Group total
CHF 1,000						
Net operating income	26,455	45,519	30,112	30,954	29,857	133,040
Operating expenses <sup>1</sup>	10,477	12,248	15,370	43,084	20,219	81,179
<b>Business division results before tax</b>	<b>15,978</b>	<b>33,271</b>	<b>14,742</b>	<b>-12,130</b>	<b>9,638</b>	<b>51,861</b>
Tax expense						4,762
<b>Net profit before minority interests</b>						<b>47,099</b>
Minority interests						1,130
<b>Net profit</b>						<b>45,969</b>

Business division assets (in CHF million)	165	1,920	3,916	1,959	2,021	7,960
Business division liabilities (in CHF million)	1,950	2,950	738	1,525	1,867	7,163
Investments		2,386		4,110	499	6,496
Depreciation and amortization		5,845		7,705	1,403	13,550
New valuation adjustments for credit risks		3,481		684	684	4,165
Dissolved valuation adjustments for credit risks		10,465		227	227	10,692
Client assets (in CHF billion)	7.5	9.9	3.2	5.6	5.4	26.2
Headcount (number of employees)	74	111	139	271	155	595
Headcount (full-time equivalents)	72.1	107.7	126.1	236.9	144.4	542.8

1st Sem. 2003	Private Clients	Trust Banking	Investment Management	Corporate Center incl. subsidiaries		Group total
CHF 1,000						
Net operating income	23,324	35,420	44,672	30,807	30,616	134,223
Operating expenses <sup>1</sup>	8,818	14,088	15,684	43,675	19,173	82,265
<b>Business division results before tax</b>	<b>14,506</b>	<b>21,332</b>	<b>28,988</b>	<b>-12,868</b>	<b>11,443</b>	<b>51,958</b>
Tax expense						6,098
<b>Net profit before minority interests</b>						<b>45,860</b>
Minority interests						1,996
<b>Net profit</b>						<b>43,864</b>

Investments		3,515		12,605	433	16,120
Depreciation and amortization		5,487		8,599	1,500	14,086
New valuation adjustments for credit risks		6,881		99	99	6,980
Dissolved valuation adjustments for credit risks		373		906	906	1,279

### as of 31.12.2003

Business division assets (in CHF million)	161	1,931	3,902	2,177	2,304	8,171
Business division liabilities (in CHF million)	1,983	3,127	743	1,538	2,157	7,391
Clients assets (in CHF billion)	7.4	9.8	3.3	5.3	5.2	25.8
Headcount (number of employees)	74	105	141	274	157	594
Headcount (full-time equivalents)	72.6	102.6	127.7	240.1	148.6	543.0

<sup>1</sup> including depreciation and amortization, value adjustments, provisions and losses

# Private Clients

## Segment results

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Net operating income	26,455	23,324	13.4
Operating expenses <sup>1</sup>	10,477	8,818	18.8
<b>Business division result before tax</b>	<b>15,978</b>	<b>14,506</b>	<b>10.1</b>
	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>%-Change</b>
Client assets (in CHF billion)	7.5	7.4	2.2
Headcount (full-time equivalents)	72.1	72.6	-0.7

<sup>1</sup> including depreciation and amortization, value adjustments, provisions and losses

### Structure

The Private Clients division comprises the Private Banking and Personal Banking business units. Both offer highly competent financial advice to VP Bank's individual clients, whereby the Private Banking unit is specialized in the classical private banking segment.

### Activities

- Our core capabilities in the field of private banking center on providing need-specific, personalized advice to wealthy individuals. Individual investment solutions are very much a part of that service, as are the tailor-made financing solutions we offer clients.
- Our efficient structures enable us to accompany clients as their asset base broadens, and along the way provide services that are attuned to their particular needs.
- VP Bank's firmly established roots in Liechtenstein and the surrounding region are of great importance to us – thus at our Vaduz headquarters we also offer a full range of products and services for retail banking customers.

### Market

- Besides Liechtenstein and Switzerland, VP Bank's most important markets are Germany, Austria, Italy, the Benelux countries and Middle and Eastern Europe.

### First semester of 2004 in retrospect

- We took further successful steps aimed at ensuring the uniformity and client focus of our client advisory processes, as well as the systematic, proactive approach we apply in catering to clients' needs – and these efforts have led to concrete results.
- During the first half of 2004, there were investments in ongoing training programs, as well as in the expansion of our client advisory team.

### Results

- Net operating income increased to CHF 26.5 million (30.6.2003: CHF 23.3 million). Particularly gratifying was the division's 30 percent gain in net fee and commission income. Contributing to that success was not only the more favorable market environment, but also the progress achieved in our financial advisory activities. Through the growing pervasiveness of products with volume-dependent revenues, gross income gained a higher degree of stability.

# Private Clients



Ernst Näf  
Member of the Board of Management

- Operating expense rose to CHF 10.5 million (30.6.2003: CHF 8.8 million). Roughly half of this increase is attributable to the expanded client advisory team and the material cost of supporting the customer-care process in our core private banking activities.
- The division's total headcount (full-time equivalents) decreased to 72.1 employees (31.12.2003: 72.6 employees).
- Client assets under management amounted to CHF 7.5 billion (31.12.2003: CHF 7.4 billion), representing an increase of 2.2 percent. Although our expectations were higher in this regard, we nonetheless can speak of an ongoing favorable change in trend for the first semester.

## Outlook

- In the second half of 2004 we will continue focusing on our core private banking business and striving for further organic growth.
- In late August 2004, Germany's Financial Services Supervisory Authority granted VP Bank's request for permission to found VP Vermögensverwaltung GmbH in Munich. This new unit's operating activities can therefore commence in the fourth quarter. In establishing a German-based asset management company, we have opted for a pragmatic approach. Clients will benefit from local attention to their needs, while having at their disposal the full range of services provided by the VP Bank Group. The inclusion of third-party banking relationships is indicative of the flexible business model being adopted by VP Vermögensverwaltung GmbH.
- Apart from achieving further gains in volume, our focus will be on nurturing existing private banking relationships and acquiring new clients. Thanks to the expanded team of advisors in Private Banking and our holistic approach to providing financial counsel, we are in an excellent position to achieve increased operating results.

# Trust Banking

## Segment results

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Net operating income	45,519	35,420	28.5
Operating expenses <sup>1</sup>	12,248	14,088	-13.1
<b>Business division result before tax</b>	<b>33,271</b>	<b>21,332</b>	<b>56.0</b>
	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>%-Change</b>
Client assets (in CHF billion)	9.9	9.8	1.1
Headcount (full-time equivalents)	107.7	102.6	5.0

<sup>1</sup> including depreciation and amortization, value adjustments, provisions and losses

### Structure

The Trust Banking division comprises the Intermediaries, Corporate Clients and Information Technology (IT) business units. The first two units devote their efforts to customer-related business, while IT provides services to all of the Group's business units. Costs associated with these services are allocated among the other business units by means of the Group's financial information system, and hence are only reflected proportionately in the Trust Banking division's results.

### Activities

- Clients of the Intermediaries unit are characterized by their independence and professional competence, coupled with a need for focused advice. Our advisors meet this requirement by providing comprehensive services and client-specific solutions. The efficiency with which orders and transactions are handled is a key element in establishing a partnership based on trust.
- The Corporate Clients unit represents our center of competence in the area of lending, and devotes its efforts to offering clients comprehensive advice on financing matters.

### Market

- The business activities of the Intermediaries unit are focused on Switzerland and Liechtenstein. The Principality of Liechtenstein affords ideal conditions and outstanding infrastructure for the purposes of fiduciaries and external asset managers, whose clients mainly come from European countries.
- In the Corporate Clients area, VP Bank is very solidly anchored in Liechtenstein and the surrounding region.

### First semester of 2004 in retrospect

- In today's financial industry, the nurturing of client relationships remains a decisive success factor. In addition to conducting a variety of informational events on topics of current pertinence to Liechtenstein and Switzerland, the Intermediaries unit has initiated various other marketing activities. We have also further expanded our team of advisors and invested in their training and continuing education.
- In the spring of 2004, we successfully launched the latest release of our e-banking platform. All of our clients benefit from this platform because it offers them an even user-friendlier means of conducting their banking business electronically. The advantages of this release are

# Trust Banking



Georg Wohlwend  
Member of the Board of Management

highly individualized access rights and the breadth of data this affords – data can now be collated and viewed in item-by-item or consolidated form. Moreover, the new release supports additional services such as a portfolio performance check and reporting system, as well as further boosting efficiency in money transfer processing and data transmission.

- The IT unit has developed, implemented and further enhanced a Customer Relations Management Tool (CUBE) for use by our advisory teams.

- In the Corporate Clients area, our conservative lending policy will ensure a qualitatively sound loan portfolio – a process that is being optimized on a continual basis also in view of Basel II.

## Results

- Net operating income rose to CHF 45.5 million (30.6.2003: CHF 35.4 million), among other things due to the elimination of value adjustment totaling CHF 10.5 million. Operating expense declined to CHF 12.2 million (30.6.2003: CHF 14.1 million), which in turn produced an increase in pre-tax profit to CHF 33.3 million (30.6.2003: CHF 21.3 million).
- The division's total headcount (based on full-time equivalents) rose to 107.7 employees (31.12.2003: 102.6 employees), on one hand due to the enlarged advisory team and, on the other, as the result of an internal reallocation of personnel.
- Client assets under management increased to CHF 9.9 billion (31.12.2003: CHF 9.8 billion).

## Outlook

- The Intermediaries unit will continue to seek ongoing growth, primarily in Liechtenstein and Switzerland. Our individualized, flexible approach to providing advice fosters a long-term partnership with existing as well as new clients. Among the related measures are regular client visits, roadshows, more proactive marketing efforts and a broadened range of services.
- We will invest even more in the continuing education of our advisory team.

# Investment Management

## Segment results

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
Net operating income	30,112	44,672	-32.6
Operating expenses <sup>1</sup>	15,370	15,684	-2.0
<b>Business division result before tax</b>	<b>14,742</b>	<b>28,988</b>	<b>-49.1</b>
	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>%-Change</b>
Client assets (in CHF billion)	3.2	3.3	-5.2
Headcount (full-time equivalents)	126.1	127.7	-1.3

<sup>1</sup> including depreciation and amortization, value adjustments, provisions and losses

### Structure

The Investment Management division encompasses the Client Investment Management, Bank Capital Management and Production business units. Investment Management bears responsibility for asset and portfolio management. In performing the related tasks, it offers professional products and services that are tailored to clients' individual needs. The costs incurred by Production are allocated among the other business units and hence are only reflected proportionately in the Investment Management division's results.

### Activities

- Client Investment Management administers client funds and is responsible for formulating the Bank's investment strategy. It centrally develops the broad palette of VP Bank's investment products and services, placing particular emphasis on their flexibility. Our proprietary fund-valuation and investment models are undergoing steady further enhancement. In order to achieve the highest possible degree of independence and objectivity, as well as to ensure tangible added value in the advice we provide, we continue to uphold a philosophy of open architecture.

- Managing the Bank's liquidity and administering special mandates is the job of the Bank Capital Management business unit. It adopts a proactive approach to asset and liability management. The related investment decisions are governed by the Bank's strictly defined risk policy, and are implemented in accordance with our analysts' latest findings as well as through use of our risk management system.
- The Production unit processes all of the Bank's transactions.

### First semester of 2004 in retrospect

- Thanks to a conservative investment approach in the disposition of the Bank's financial resources, the Bank Capital Management unit was able to maintain a very low level of volatility in the associated results. Moreover, additional profits were earned through targeted transactions in the asset and liability management area.
- In the first semester of 2004, we established and institutionalized the structural and procedural organization for our product management efforts. Rounding out the first half's activities were the support provided towards formulating various banking processes, and the introduction of a product management tool for use in administering our product portfolio.

# Investment Management



André Ruppli  
Member of the Board of Management

- Group-wide risk management was reinforced and professionalized during the first half. Client Risk Management fulfills our responsibility for quantifying, monitoring and actively managing client-side risks. These efforts exceed the legally required "custodian bank controls" because they entail more than merely monitoring compliance with fund rules and investment guidelines. Particularly with regard to market- and currency-related risks, VP Bank takes a comprehensive approach to diversifying its risk exposure ("risk decomposition") in accordance with predefined criteria.
  - In the area of fund and portfolio management mandates, during the first quarter of 2004 VP Bank initiated a project to implement the globally recognized performance presentation standard GIPS (Global Investment Performance Standards). The purpose of this project is to minimize the operational risks involved with measuring and publishing performance figures.
- Bank's risk profile to market developments within approved limits.
  - In terms of product management, central importance in the coming months will be placed on the introduction of various measures pertaining to our account keeping and payment transfer services. An additional key aspect of our plans is to evaluate a new, comprehensive pricing model and related system that meets the latest requirements.
  - Also of decisive importance will be the continual optimization and enhancement of procedures and processes in the Investment Management and back offices areas.
  - The Bank's liquidity and balance sheet will continue to be managed conservatively. We expect to record a noticeable improvement in interest income during the second semester of 2004.

## Results

- The division's net operating income declined to CHF 30.1 million (30.6.2003: CHF 44.7 million), due to lower interest income and a drop in other ordinary income. Operating expense decreased by 2 percent to CHF 15.4 million (30.6.2003: CHF 15.7 million), while pre-tax profit amounted to CHF 14.7 million (30.6.2003: CHF 29.0 million).
- The division's total headcount (based on full-time equivalents) declined to 126.1 employees (31.12.2003: 127.7 employees).
- Client assets under management eased to CHF 3.2 billion (31.12.2003: CHF 3.3 billion), primarily as a result of an internal re-segmentation of client funds.

## Outlook

- We intend to stay with the investment strategy employed during the first semester and, as a part of our asset and liability management activities, adapt the

# Corporate Center

## Segment results

CHF 1,000	1st Sem. 2004	1st Sem. 2003	%-Change
<b>Corporate Center including subsidiaries</b>			
Net operating income	30,954	30,807	0.5
Operating expenses <sup>1</sup>	43,084	43,675	-1.4
<b>Business division result before tax</b>	<b>-12,130</b>	<b>-12,868</b>	<b>5.7</b>

	30.06.2004	31.12.2003	%-Change
Client assets (in CHF billion)	5.6	5.3	4.5
Headcount (full-time equivalents)	236.9	240.1	-1.3

### Subsidiaries

Net operating income	29,857	30,616	-2.5
Operating expenses <sup>1</sup>	20,219	19,173	5.5
<b>Business division result before tax</b>	<b>9,638</b>	<b>11,443</b>	<b>-15.8</b>

	30.06.2004	31.12.2003	%-Change
Client assets (in CHF billion)	5.4	5.2	4.7
Headcount (full-time equivalents)	144.4	148.6	-2.8

### Corporate Center excluding subsidiaries

Net operating income	1,097	191	n. a.
Operating expenses <sup>1</sup>	22,865	24,502	-6.7
<b>Business division result before tax</b>	<b>-21,768</b>	<b>-24,311</b>	<b>10.5</b>

	30.06.2004	31.12.2003	%-Change
Client assets (in CHF billion)	0.2	0.1	0.2
Headcount (full-time equivalents)	92.5	91.5	1.1

<sup>1</sup> including depreciation and amortization, value adjustments, provisions and losses

# Corporate Center



Adolf E. Real  
CEO



Fredy Vogt  
CFO

## Structure

The Corporate Center comprises all Central Staff offices – i.e. Business Excellence, Corporate Communications, Group Marketing & Corporate Development, Human Resources Management & Services, Group Finance and Law & Compliance – as well as Internal Audit and activities of the Group's subsidiary companies.

## Activities

- VP Bank (Switzerland) AG was founded in 1998 and today offers a comprehensive range of services to wealthy individuals, independent asset managers, attorneys and fiduciaries. Through its presence in Zurich, the VP Bank Group underscores the significance of Switzerland as a financial center, with its more than 200 years of private banking tradition.
- For international private investors, Luxembourg is a financial center that is attractive in many ways. The Grand Duchy commands a leading global position in the investment fund area. Founded in 1988, VP Bank (Luxembourg) S.A. is the only bank in Luxembourg to have a Liechtenstein parent company. The core business activities of this subsidiary are devoted to private banking, the investment fund business, as well as money-market operations.
- VP Bank and Trust Company (BVI) Limited was founded in 1995 within the scope of a joint venture with Allgemeine Treuunternehmen (ATU), Vaduz (FL). It encompasses a bank, a trust and fund management company and a firm involved in insurance.
- VP Bank Fondsleitung AG, Vaduz (FL) was founded in 1996 and administers VP Bank's family of investment funds.
- IFOS Internationale Fonds Service AG, Vaduz (FL) provides a full range of services for establishing and administering third-party investment funds.

- IGT Intergestions Trust reg., Vaduz (FL), specializes in setting up and administering personal holding companies and foundations both in Liechtenstein and abroad. Its asset structuring and estate planning services are highly valued, particularly by the VP Bank Group's international clients.

## Market

- Besides Liechtenstein and Switzerland, VP Bank's most important markets are Germany, Austria, Italy, the Benelux countries and Middle and Eastern Europe.
- In efforts to meet the individual needs of their clientele, the VP Bank Group's subsidiary companies foster the synergies that come from the exploitation of shared resources within the Group. This in turn leads to greater efficiency, and contributes to the success and strengthening of our position as a client-oriented private bank.

## First semester of 2004 in retrospect

- Our activities during the first half of 2004 focused on the further development and implementation of our customer-care model, an approach that is based on personalized financial advice and the proactive nurturing of client relationships.
- In the spring of 2003, we successfully launched the new VP Bank Brand. Since then, we have continued to expand and professionalize our marketing and communications activities, both in our target markets and in other regions where opportunity exists. Through the introduction of a financial information system (FIS) in 2003, our reporting processes were optimized with an eye on facilitating bank management via performance indicators.
- The relocation of 230 back office and Central Staff employees to our new building in Triesen (FL) was completed in the first quarter of 2004. VP Bank's employees and clients benefit alike from the modern infrastructure at this new facility.

<sup>1</sup> reports directly to the BoD

## Results

### Corporate Center (excluding subsidiary companies)

- These particular results also include bookings resulting from consolidation.
- The Corporate Center, without including Group subsidiaries, recorded net operating income of CHF 1.1 million (30.06.2003: CHF 0.2 million). Operating expense totalled CHF 22.9 million (30.06.2003: CHF 24.5 million), which in turn resulted in a reduced pre-tax loss of CHF -21.8 million (30.06.2003: CHF -24.3 million).
- As of June 30, 2004, a total of 92.5 individuals (full-time equivalents) were employed in this organizational unit (31.12.2003: 91.5).

### Subsidiary company results

- The Group's subsidiary companies recorded slightly lower net operating income of CHF 29.9 million (30.06.2003: CHF 30.6 million), while operating expense increased modestly to CHF 20.2 million (30.06.2003: CHF 19.2 million). Pre-tax profit declined to CHF 9.6 million (30.06.2004: CHF 11.4 million) and accounted for an 18.6 percent share of the VP Bank Group's consolidated pre-tax profit.
- Based on full-time equivalents, the subsidiary companies employed 144.4 individuals (31.12.2003: 148.6 employees).
- Client assets under management rose to CHF 5.4 billion (31.12.2003: CHF 5.2 billion).

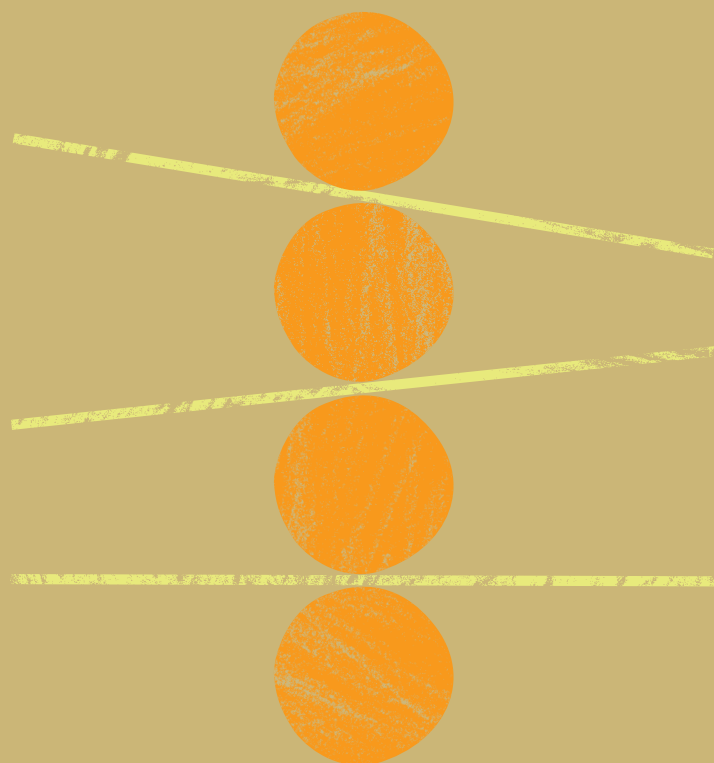
The financial statements for the VP Bank Group are comparable on an IFRS basis. However this does not apply with regard to VP Bank (Switzerland) AG and VP Bank (Luxembourg) S.A, which publish their own separate annual reports in accordance with local law.

## Outlook

- We will continue to broaden the activities of the subsidiary companies and increasingly integrate them into

the activities of the VP Bank Group as a whole. The subsidiaries thus have a foundation enabling them to progressively increase their contributions to the Group's overall results. In conducting their activities, the subsidiaries will continue to focus on the core private banking business, and provide local services to our global clientele. In collaboration with the parent bank in Vaduz, the subsidiaries support further penetration into existing markets and opening up new ones.

- For the Central Staff offices, the goal remains one of ensuring professional compliance, efficient legal counsel and strict Group controlling. Other key objectives in this regard are ensuring the quality and effectiveness of our communications and marketing activities, as well as monitoring and enhancing our business and support processes.



trust

# The VP Bank Group

## Verwaltungs- und Privat-Bank Aktiengesellschaft

Aeulestrasse 6, FL-9490 Vaduz, Liechtenstein

Tel +423 235 66 55, Fax +423 235 65 00

info@vpbank.com, www.vpbank.com

## VP Bank

### (Schweiz) AG

Bleicherweg 50

CH-8039 Zurich

Switzerland

Tel +41 1 226 24 24

Fax +41 1 226 25 24

info.ch@vpbank.com

## 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

## 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

## 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 Bank Fondsleitung Aktiengesellschaft

Aeulestrasse 6

FL-9490 Vaduz

Liechtenstein

Tel +423 235 66 99

Fax +423 235 76 99

vpf@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

## IGT Intergestions Trust reg.

Aeulestrasse 6

Postfach 1242

FL-9490 Vaduz

Liechtenstein

Tel +423 233 11 51

Fax +423 233 22 24

Media und Investor Relations  
Verwaltungs- und 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](mailto:corporate.communications@vpbank.com)

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

Realization  
TANGRAM Advertising Agency, Vaduz

Printer  
BVD Druck+Verlag AG, Schaan

