2009

Excerpt Annual Report

VP BANK
VP Bank (Schweiz) AG

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The English version was translated from the German version, which shall be binding in case of disparities.

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Financial Year 2009
VP Bank (Schweiz) AG

VP Bank Group
(Excerpt)

Financial Report 2009
VP Bank Group

Report by the Board of Directors and Executive Management

Review of business in 2009

The 2009 financial year posed tremendous challenges for VP Bank (Schweiz) AG. The global financial market and economic crisis had a negative impact on business conditions. Also at VP Bank (Schweiz) AG these circumstances led to job reductions, which were carried out in the spring of 2009. As a result, a new organizational structure was established along the lines of the Group-wide matrix framework together with a rearrangement of responsibilities and competencies.

New organization

VP Bank (Schweiz) AG services its clients via two business segments, Private Banking Clients (PBC) and Intermediaries (INT). Each is managed primarily in a market-specific manner, has its own distinct range of products and services, and is dedicated to growing internationally.

The front office units receive active support in the form of products and services from the Wealth Management Solutions (WMS) competence center, whose activities are Group-wide in scale and thus overarching in terms of VP Bank's various locations throughout the world.

In the spring of 2009, the Banking Services unit and staff office functions of the Corporate Center were combined to create a new, stand-alone organizational unit. It now constitutes an internal service center that renders classical support services to VP Bank (Schweiz) AG and ensures the operative banking capability of the Zurich facility.

New services

With the on-schedule implementation of the new Avaloq banking software system at the turn of the year 2008/09, a major project of VP Bank Group drew to a close. The new banking software package enables us to cater to the needs of clients in a way that satisfies each and every requirement of modern private banking as well as opening up an even broader array of services.

In May, the newly installed safekeeping vault was made available for use, thereby fulfilling a long-held client wish.

Since December 2009, VP Bank (Schweiz) AG has a Business Continuity Management (BCM) process in place that fulfills the requirements established by FINMA. With its certification under BS 25999-2, this BCM process now stands as evidence of the Bank's highly efficient risk-, emergency- and crisis-management capability.

Entrepreneurial conduct

In 2009, thinking and dealing in an entrepreneurial way represented a decisive factor in terms of the deployment of resources. General and administrative expenses were reduced significantly in order to compensate for the slack revenue flows caused by the difficult financial market environment. Nonetheless, the commitment of additional resources to strategically important areas was pursued further.

To enable us to focus more intently on our know-how and simultaneously achieve synergy effects, a portion of the Bank's back office services are now being performed in collaboration with the Head Office in Vaduz.

2009 financial results

Income from commission business and services increased versus the previous year by 34.1 percent to CHF 13.115 million (2008: CHF 9.777 million), mainly due to revenues from the fund management area. The most important component, commission income, stood at CHF 6.709 million, roughly 3.8 percent below the prior-year level (2008: CHF 6.974 million).

Net interest income declined during the period under review from CHF 4.857 million to CHF 2.467 million, while income from trading activities also fell versus the previous year by 24.7 percent to CHF 2.325 million (2008: 3.086 million).

Included in other ordinary income are transfer payments from the Head Office to compensate for location-overarching services rendered by VP Bank (Schweiz) AG.

Compared to the prior-year period, operating expenses rose by 2.1 percent to CHF 25.137 million.

Personnel expenses incurred in 2009 amounted to CHF 20.187 million, 24.7 percent higher than in the 2008 financial year. This was mainly due to recruiting efforts in the front office area as well as the delayed effect of job layoffs and early retirements.

General and administrative costs fell a sharp 41.4 percent versus the previous year, from CHF 8.442 million to CHF 4.95 million. In this regard, all expense-related items on the income statement were lower than in the previous year.

For 2009, VP Bank (Schweiz) AG recorded a sizeable decline in operating income, which ultimately translated into a net loss of CHF 2.113 million. The revenue drop caused by the financial market crisis pressured the year-end results to a significant degree.

The total assets of VP Bank (Schweiz) AG rose in 2009 by CHF 444 million to CHF 850 million. This was attributable to monies due from clients and the related investment of those funds with the Head Office.

Client assets under management at VP Bank (Schweiz) AG expanded during the year under review by 37.7 percent to CHF 2.914 billion (2008: CHF 2.116 billion). The CHF 798 million increase reflects performance gains of CHF 190 million as well as an inflow of net new money in the amount of CHF 609 million.

The headcount at VP Bank (Schweiz) AG was reduced during the year by 11.4 percent to 81.2 full-time equivalents (2008: 91.6 full-time equivalents).

Outlook for 2010

2010 will be yet another challenging year for us. The increasing international pressure on Switzerland and Liechtenstein with regard to banking secrecy is creating uncertainty.

Needless to say, again in the current year VP Bank (Schweiz) AG will make every effort to fulfill the individual needs and desires of its clients in the best possible way. We bank on quality. And quality gives rise to satisfied clients.

With the organizational measures that have already been introduced and implemented, VP Bank (Schweiz) AG has the necessary flexibility and adaptability to master the complex and heightened requirements that lie ahead.

A word of gratitude

We would like to take this opportunity to sincerely thank all of our clients for the trust they place in us. The gratitude of the Board of Directors and Executive Management also goes to the employees of VP Bank (Schweiz) AG who, with tremendous commitment, pursue their activities in a goal-oriented manner and continue to build on their strengths in catering to the needs of existing clients and attracting new ones.

Ernst Näf
Chairman of the Board of Directors

Juerg W. Sturzenegger
Head of Executive Management

Governing Bodies

Board of Directors

Ernst Näf, Wil	Chairman a.i.[1], Vice Chairman
Fredy Vogt, Balzers	
Dr. Georg R. Lehner, Thalwil	
Dr. Roger Schmid, Zurich[2]	
Alexander Vögele, Zurich	

Executive Management

Jürg Moll	(Presidency)
Juerg W. Sturzenegger	
Katharina Vogt-Schädler	
Daniel Hug[3]	

External and Internal Auditors

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

[1] Succeeded Adolf E. Real (Chairman) as of August 28, 2009.
[2] Until April 15, 2009.
[3] Until November 13, 2009.

Income Statement 2009

Income and expenses from ordinary banking activities

in CHF	12/31/2009	12/31/2008
Interest income		
Income from lending and discounting activities	3,771,990	6,970,147
Interest and dividends from trading inventories		
Interest and dividends from financial investments		
Interest expense	–1,305,305	–2,113,485
Net interest income	**2,466,685**	**4,856,662**
Income from commission business and services		
Commission income from lending activities	129,201	85,291
Commission income from securities and investing activities	16,951,197	17,284,668
Fee income from other services	1,285,200	639,880
Commission expense	–5,250,277	–8,233,219
Net income from commission business and services	**13,115,321**	**9,776,620**
Net trading income	**2,324,873**	**3,086,258**
Other ordinary income		
Income from sale of financial investments		
Income from financial participations		
Income from real estate		
Other ordinary income	6,477,829	7,355,805
Other ordinary expense		
Gain/loss on financial investments		
Net other ordinary income	**6,477,829**	**7,355,805**
Operating expenses		
Personnel expenses	–20,186,761	–16,184,052
General and administrative expenses	–4,950,345	–8,442,435
Total operating expenses	**–25,137,106**	**–24,626,487**
Gross income	**–752,398**	**448,858**
Depreciation and amortization	–1,149,490	–1,206,635
Value adjustments, provisions and losses	–121,389	–217,903
Subtotal	**–2,023,277**	**–975,680**
Extraordinary income	4,443	2,029,054
Extraordinary expenses	–2,290	–146,686
Taxes on income	–92,100	–96,000
Net loss / net income	**–2,113,224**	**810,688**

Profit appropriation

in CHF	12/31/2009	12/31/2008
Net loss / net income	**–2,113,224**	**810,688**
Retained earnings	7,505,429	6,739,741
Balance sheet net income	**5,392,205**	**7,550,429**
Profit appropriation		
Allocation to general legal reserves		–45,000
Allocation to other reserves		
Distributions on equity capital		
Retained earnings	**5,392,205**	**7,505,429**

Balance Sheet as at December 31, 2009

Assets

in CHF	12/31/2009	12/31/2008
Cash and cash equivalents	25,035,100	8,844,622
Claims on money market instruments	103,659,219	
Due from banks	596,784,392	293,162,506
Due from customers	52,631,166	46,439,277
Mortgage claims	46,453,491	37,588,600
Securities and precious metals trading inventories		
Financial investments		630,000
Financial participations		
Property and equipment	5,049,198	5,933,232
Accrued income and prepaid expenses	8,001,836	9,036,150
Other assets	12,351,568	4,444,652
Corporate capital yet to be paid in		
Total assets	**849,965,970**	**406,079,039**
Total subordinated receivables		
Total due from Group companies and qualified participants	594,254,454	295,500,590

Liabilities and shareholders' equity

in CHF	12/31/2009	12/31/2008
Due on money market instruments		
Due to banks	16,847,130	36,047,942
Due to customers on savings and investment accounts		
Due to customers – other liablilities	757,254,367	297,683,722
Due to customers – other liablilities		
Bonds and Pfandbriefe		
Accrued expenses and deferred income	5,062,563	8,480,445
Other liabilities	14,415,048	5,341,462
Value adjustments and provisions	7,394,657	7,420,039
Reserves for general banking risks		
Share capital	20,000,000	20,000,000
General legal reserves	2,620,000	2,575,000
Reserves for own financial interests		
Unrealized appreciation reserve		
Other reserves	20,980,000	20,980,000
Retained earnings	7,505,429	6,739,741
Net loss / net income	–2,113,224	810,688
Total liabilities and shareholders' equity	**849,965,970**	**406,079,039**
Total subordinated amounts due (incl. accrued interest)	6,054,288	6,149,238
Total due to Group companies and qualified participants	21,956,116	39,525,491

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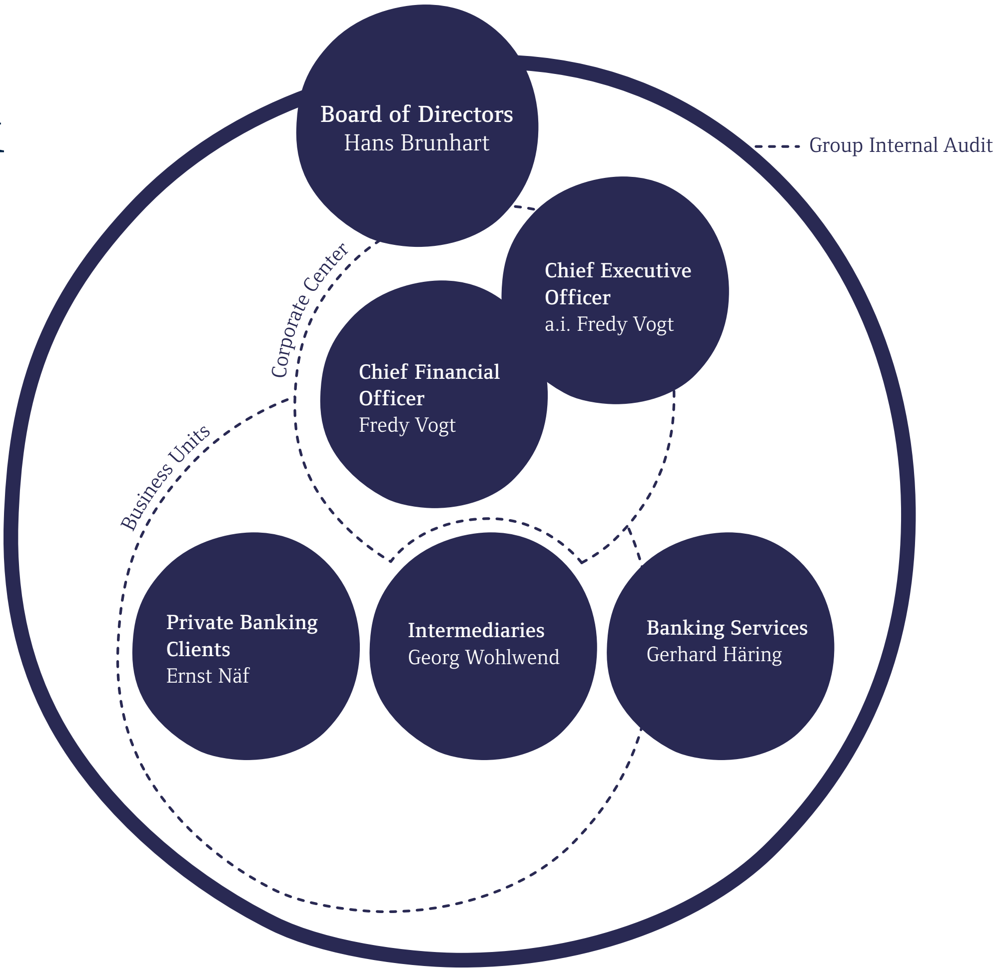
Financial Year 2009
VP Bank (Schweiz) AG

VP Bank Group
(Excerpt)

Financial Report 2009
VP Bank Group

Structure of VP Bank Group



Parent Bank

Head	Area	Second management level
Hans Brunhart	Group Internal Audit	Nikolaus Blöchlinger
Fredy Vogt	Corporate Communications	Tanja Gartmann
	Group Marketing	Thomas Weidmann
	Corporate Development	Martin Matt
	Group Finance	George M. Isliker
	Group Risk Management	Dr. Hans-Fredo List
	Group Legal Services & Compliance	Thomas Ritter
	Group Human Resources Management	Dr. Karl Walch
Ernst Näf	Private Banking Clients Liechtenstein	Werner Wessner
	Private Banking Clients Western Europe	Martin Engler
	Commercial Banking Clients	Rolf Jermann
Georg Wohlwend	Intermediaries Liechtenstein & Switzerland	Günther Kaufmann
	Fund Solutions	Georg Wohlwend
Gerhard Häring	Group Information Technology	Dr. Andreas Benz
	Group Operations	Andreas Zimmerli
	Logistics & Security	Lorenz Kindle

Subsidiaries with bank status

Company	Country	City	Head
Verwaltungs- und Privat-Bank Aktiengesellschaft	Liechtenstein	Vaduz	Fredy Vogt, Georg Wohlwend, Ernst Näf, Gerhard Häring
VP Bank (Schweiz) AG	Switzerland	Zurich	Juerg W. Sturzenegger, Jürg Moll, Katharina Vogt-Schädler
VP Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	Yves de Vos, Paul Harr
VP Bank (BVI) Limited	British Virgin Islands	Tortola	Dr. Peter Reichenstein
VP Bank (Singapore) Ltd.	Singapore	Singapore	Reto Isenring

Asset management companies

Company	Country	City	Head
VP Vermögensverwaltung GmbH	Germany	Munich	Willi Heigl
VP Wealth Management (Middle East) Ltd.	United Arab Emirates	Dubai	Guido Lenherr
VP Wealth Management (Hong Kong) Ltd.	China	Hong Kong	Clare Lam

Fund management companies

Company	Country	City	Head
IFOS Internationale Fonds Service Aktiengesellschaft	Liechtenstein	Vaduz	Alexander Boss, Natalie Flatz
VPB Finance S.A.	Luxembourg	Luxembourg	Romain Moebus

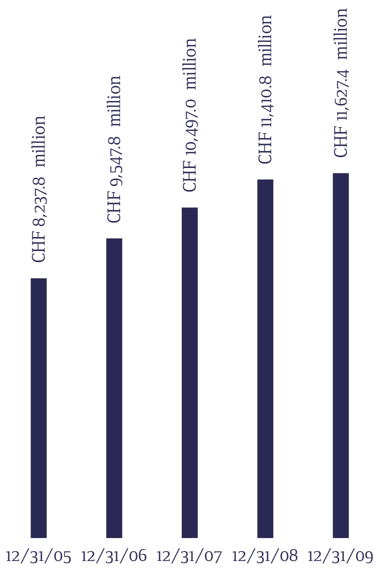
Trust companies

Company	Country	City	Head
IGT Intergestions Trust reg.	Liechtenstein	Vaduz	Viktor Büchel
ATU General Trust (BVI) Limited	British Virgin Islands	Tortola	Dr. Peter Reichenstein

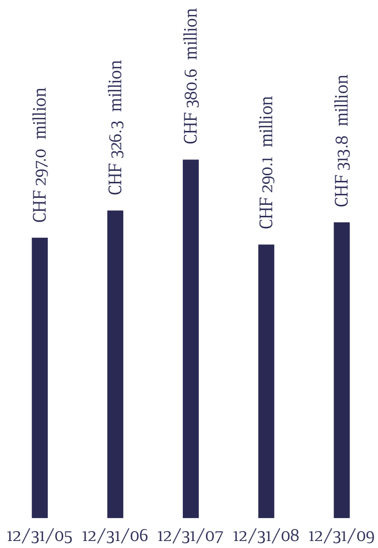
Representative office

Company	Country	City	Head
VP Bank (Switzerland) Limited Moscow Representative Office	Russia	Moscow	Walter Moretti
Verwaltungs- und Privat-Bank Aktiengesellschaft Hong Kong Representative Office	China	Hong Kong	Clare Lam

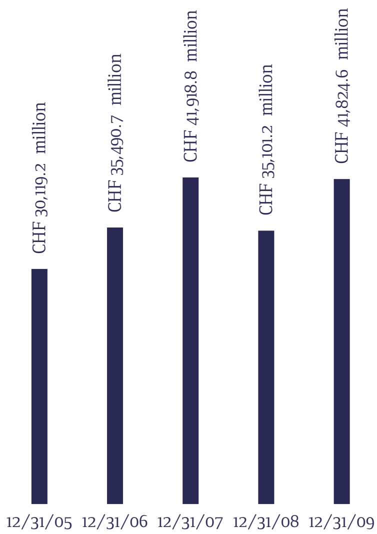
Key Figures of VP Bank Group



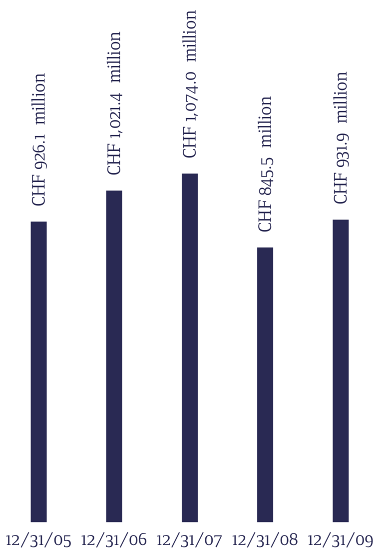
Total assets



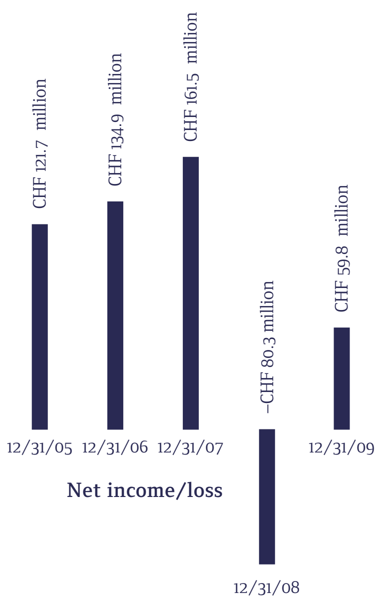
Total net operating income



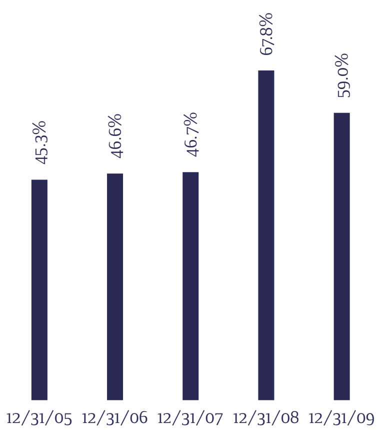
Client assets



Total Shareholders' equity



Net income/loss



Cost/income ratio

	2009	2008	Variance in %
Key balance sheet data in CHF million[1]			
Total assets	11,627.4	11,410.8	1.9
Due from banks	6,319.8	7,024.0	–10.0
Due from customers	3,026.6	2,985.2	1.4
Due to customers	9,993.7	9,594.0	4.2
Total shareholders' equity	931.9	845.5	10.2
Shareholders' equity, attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	913.4	828.2	10.3
Equity ratio (in %)	7.9	7.3	8.2
Tier 1 ratio (in %)[2]	17.1	13.6	25.7
Key income statement data in CHF million			
Total net operating income	313.8	290.1	8.2
Income from interest-differential business	121.0	148.5	–18.5
Income from commission business and services	123.5	151.8	–18.6
Income from trading activities	17.6	30.3	–42.1
Operating expenses	185.1	196.7	–5.9
Net income/loss	59.8	–80.3	n.a.
Net income/loss attributable to shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	57.4	–83.2	n.a.
Client assets in CHF million[2]	**41,824.6**	**35,101.2**	**19.2**
On-balance-sheet customer deposits (excluding custody assets)	10,370.8	10,131.9	2.4
Fiduciary deposits (excluding custody assets)	856.6	2,117.5	–59.5
Client securities accounts	18,317.1	16,269.5	12.6
Custody assets	12,280.1	6,582.3	86.6
Net new money	–1,125.6	–1,261.2	n.a.
Key operating indicators			
Ratio of foreign assets (in %)	57.8	65.3	–11.5
Return on equity (in %)[1, 3]	6.6	n.a.	n.a.
Cost/income ratio (in %)[4]	59.0	67.8	–13.0
Headcount (expressed as full-time equivalents, excluding trainees)[5]	720.2	775.7	–7.2
Total net operating income per employee in CHF 1,000	435.8	374.0	16.5
Total operating expenses per employee in CHF 1,000	257.0	253.6	1.3
Net loss/income per employee in CHF 1,000	79.7	–107.3	n.a.
Key indicators related to shares of VP Bank in CHF[1, 6]			
Net income/loss per bearer share[6]	9.97	–14.32	n.a.
Net income/loss per registered share[6]	1.00	–1.43	n.a.
Dividend per bearer share	3.50[7]	2.50	40.0
Dividend per registered share	0.35[7]	0.25	40.0
Dividend yield (in %)	3.5	1.8	94.8
Pay-out ratio (in %)	35.1	n.a.	n.a.
Total shareholders' return on bearer shares (in %)	–26.3	–46.1	n.a.
Shareholders' equity per bearer share	158.93	144.13	10.3
Shareholders' equity per registered share	15.48	14.02	10.3
Quoted price per bearer share	100.70	140.10	–28.1
Quoted price per registered share	9.50	13.50	–29.6
Highest quoted price per bearer share	151.00	279.50	–46.0
Lowest quoted price per bearer share	46.55	135.10	–65.5
Market capitalization (in CHF million)[8]	596	829	–28.1
Price-earnings ratio per bearer share	10.10	n.a.	n.a.
Price-earnings ratio per registered share	9.53	n.a.	n.a.
Rating Standard & Poor's	**A–/Stable/A–2**	**A/Negative/A–1**	

[1] The reported key data and operating indicators are computed and reported on the basis of the share of the net profit / loss and shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz.
[2] Details in the notes to the consolidated income statement and consolidated balance sheet.
[3] Net income / average shareholders' equity less dividend.
[4] Total operating expenses / total net operating income.
[5] In accordance with legal requirements, trainees are to be included in headcount statistics as 50 percent of equivalent full-time employees.
[6] Based on the weighted average number of shares (bearer) (note 10).
[7] Subject to approval by the Annual General Meeting.
[8] Including registered shares.

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Financial Year 2009
VP Bank (Schweiz) AG

VP Bank Group
(Excerpt)

Financial Report 2009
VP Bank Group

Consolidated Annual Report of VP Bank Group

VP Bank Group with consolidated net income of CHF 60 million, a marked reduction in operating costs (–6 percent), higher contribution to profits from the Group's own financial investments, net outflow of client assets of CHF 1.1 billion.

The consolidated financial statements of VP Bank Group for 2009 prepared in accordance with International Financial Reporting Standards (IFRS) disclose a consolidated net income, including the proportion attributable to minority interests, of CHF 59.8 million. Following a consolidated net loss in 2008 of CHF –80.3 million, VP Bank Group has returned to profitability (total operating income +8 percent, operating expenses –6 percent, gross profit +38 percent).

VP Bank's own financial investments, as of the end of 2008, amounted to CHF 802.6 million (share of equities: 22 percent) and CHF 886.2 million as of the end of 2009 (with a significantly lower share of investments in equity shares of 10 percent). The change in value of financial investments was +10 percent for 2009. In addition to a lower level in the share of equities, the volume was also reduced significantly in the sense of minimizing risks (some 25 percent). Starting with a balance of securities at the end of 2008 of CHF 0.8 billion, the volume increased by CHF 0.3 billion as a result of the transfer at carrying values of the securities from the VP Bank Cash & Money Market Funds of VP Bank and by CHF 0.1 billion resulting from the positive change in market values: with the year-end balance of CHF 0.9 billion, the 2009 volume could thus be reduced by CHF 0.3 billion.

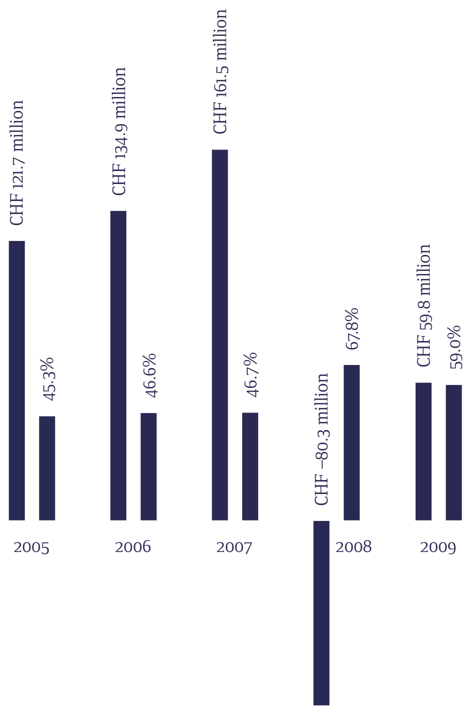
In 2009, VP Bank Group continued to be exposed to intense turbulences; the environment was marked by declines in prices on equity markets during the first four months of the year, uncertainties regarding banking secrecy and financial marketplaces, tax amnesties, and finally the focus on margins and costs conditioned the business environment. All of this placed strains on trade- and portfolio-related components of income. From an operating viewpoint and down to the level of other ordinary income, excluding other ordinary income, VP Bank lost 21 percent or CHF 68.6 million in comparison to 2008.

On the other hand, operating expenses and personnel headcount, expressed in terms of full-time equivalents, declined by 6 percent and 7 percent, respectively, over the prior year as a result of cost savings planned for 2009 from the bank project "FOCUS".

Client assets under management rose to CHF 29.5 billion as a result of the rally in financial markets which began in the second quarter. In 2009, net outflows of client assets under management of VP Bank Group totaled CHF 1.1 billion – primarily caused by changes in the regulatory context in Europe, of which CHF 1.0 billion was withdrawn in the first six months of 2009 alone. Thus, in the second half of the year, the net outflow was only CHF 0.1 billion, which can be interpreted as a sign of a recovery.

The cost/income ratio thus declined year-on-year (2008: 67.8 percent) to 59.0 percent as of the end of 2009 (as of the end of the first half-year of 2009 to 64.2 percent). On the cost side, this reflects very much the measures taken under the cost optimization program "FOCUS".

Within the spirit of a long-term dividend policy and in view of the positive results, the Board of Directors will propose to the Annual General Meeting of April 30, 2010, a dividend of CHF 3.50 per bearer share and CHF 0.35 per registered share (prior year: CHF 2.50 per bearer share and CHF 0.25 per registered share). This results in a pay-out ratio of 35.1 percent for VP Bank Group.



Consolidated net income (in CHF millions) combined with cost/income ratio (in percent)

Recovery in key performance indicators of VP Bank Group

Taking into account the less favorable conditions in national economies in the coming years, VP Bank Group defines, as medium-term target figures, a cost/income ratio of 50 percent, a return on equity of 12 to 15 percent, and a tier 1 ratio, defined as core capital stated as a percentage of risk-weighted assets, of over 16 percent as well as an operating gross margin of 100 basis points (bp).

Under the difficult general economic conditions, VP Bank Group closed 2009 with the following ratios: cost/income ratio of 59.0 percent, a return on equity of 6.6 percent and a tier 1 ratio (after appropriation of earnings) of 17.1 percent (December 31, 2008: 13.6 percent); at the end of 2009, client assets under management totaled CHF 29.5 billion (December 31, 2008: CHF 28.5 billion) with an operating gross margin of 90.4 bp (2008: 99.1 bp).

Measured by the capital-adequacy provisions presently in force as well as the policies of VP Bank, the equity base of VP Bank is solid. However, a return on equity of 12 to 15 percent remains extremely challenging, and a core tier 1 ratio in all probability will need to be achieved in future with a higher equity base. The principles of the Bank of International Settlements (BIS) have not yet been laid down definitively. The most important decisions are due to be taken at the end of 2010. VP Bank Group will continue to possess a good equity base in the future because it uses no hybrid capital to support capital charges, because its consolidated financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS; prohibition of netting of assets and liabilities with the result that the consolidated balance sheet reflects gross values) and because it had already increased its holdings of liquid assets early on in the financial crisis to the detriment of its profitability.

Business developments

With the exception of VP Bank (Luxembourg) S.A., the banks in VP Bank Group changed their IT core systems to Avaloq Banking Systems on January 5, 2009. The migration was handled in accordance within the deadline set and covered a period of 18 months. Depreciation and amortization of the new banking software as well as of all ensuing follow-on investments and disinvestments increased by over 42 percent to CHF 40.5 million (prior year: CHF 28.4 million).

The negative developments on financial markets in 2008 compelled VP Bank to reassess its position. This reassessment was made within the framework of the banking project "FOCUS" covering various phases. In addition to immediate cost-saving measures in 2009, in subsequent phases all organizational units and projects of VP Bank Group were analyzed in detail and certain optimization opportunities already realized at the level of general and administrative as well as personnel costs. Furthermore, revenue-enhancing opportunities were identified and the related mea-sures developed. During this reassessment, the long-term strategic orientation was not called into question.

Financial markets 2009 – a turbulent first and a stable second six months

The worldwide financial system did not collapse in 2009. Governments and central banks succeeded in containing the crisis and stabilizing financial markets with supporting measures and an expansive monetary policy. A normalization may be inferred from the fact that credit markets are re-functioning, credit-risk premiums have receded markedly and the risk appetite of investors has returned. Since the beginning of March 2009, financial markets have shown clear signals of a rally and/or normalization. A glance at the performance of the most important equity markets shows clearly higher stock index levels as at December 31, 2009, over those at year-end 2008. In the first quarter of the year, significant concerns as to the state of the economy still predominated. Financial markets again lost up to 25 percent. Financial data published in the second quarter showed that the concerns of the market participants were too negative. Stabilization is today leading to a slow recovery whereby the basis effect from the crash contributed its part to an enhanced economic dynamism. On average, the principal equity markets have regained 23 percent.

The development of equity markets is set out in the chapter "The Share" on page 12 of the annual report from VP Bank Group.

Business segments – in a phase of stabilization

The business segments Private Banking Clients and Intermediaries in 2009 generated a pre-tax profit of CHF 96.6 million (2008: CHF 122.2 million); this equates an decrease of 21 percent. Banking Services and the staff functions embedded in the Corporate Center are – with the exception of the central staff function Group Treasury, which is responsible for the active management of risks – service units or cost centers.

Private Banking Clients

The business unit Private Banking Clients encompasses the business with private clients of VP Bank Group. Allocated to this business unit are VP Bank (Switzerland) Ltd., VP Bank (Singapore) Ltd., VP Vermögensverwaltung GmbH, VP Wealth Management (Middle East) Ltd., and VP Wealth Management (Hong Kong) Ltd.

The pre-tax results of the business unit declined by 25 percent year-on-year; the results declined from CHF 47.1 million to CHF 35.1 million. Total operating income declined by 18 percent to CHF 131.1 million but operating expenses decreased by 13 percent to CHF 86.1 million – in particular as a result of the "FOCUS" banking project.

The greatest potential for increasing margins in the business unit Private Banking Clients is in the funds which clients presently hold in liquid assets. Furthermore, an increase in the share of lombard credits is projected, and finally the lower share of discretionary accounts is to be increased with an enhanced investment performance, new products and a higher penetration rate. Also, VP Bank Group has strengthened its on-shore business since 2004 and accordingly has opened local branches and representative offices in growth markets, as well as a booking center in order to take client wishes into account.

Personnel costs underwent a marked reduction of 9 percent; they amounted to CHF 49.7 million (change in headcount 2009, expressed in terms of full-time equivalents: –10.3 employees, whereby the new locations are excluded from this reduction).

General and administrative expenses declined by 22 percent to CHF 14.3 million. Cost savings are visible primarily in the captions market and public relations, fees paid as well as traveling expenses.

As regards the recharging of costs and revenues between the segments, operating expenses of the business segment Private Banking Clients were recharged with CHF 4.0 million less than in the prior year and aggregated CHF 22.1 million in 2009. The recharging of costs and revenues is made on the basis of agreements with conditions which would apply between unrelated third parties ("at arm's length"). Cost recharges between the segments are reviewed annually and reset to reflect economic conditions.

Intermediaries

The business unit Intermediaries consists of the Group-wide areas Intermediaries and Fund Solutions. The subsidiaries IFOS Internationale Fonds Service AG, Vaduz, and VP Bank and Trust Company (BVI) Limited are also allocated to the business unit Intermediaries.

Intermediaries generated a segment result which was 18 percent less than that of 2008; the pre-tax segment results amounted to CHF 61.5 million (2008: CHF 75.1 million).

The total operating income of the business unit Intermediaries declined by 17 percent to CHF 104.3 million; operating expenses decreased by 10 percent to CHF 38.0 million thanks to consistent management in costs. In the case of general and administrative costs, primarily reductions in the positions marketing and public relations, fees paid as well as traveling expenses are also visible here.

The greatest potential for increasing margins in the business unit Intermediaries is in a marked volume increase of investment-fund products distributed by VP Bank.

Personnel costs remained practically stable with an unchanged low level of personnel numbers (expressed in terms of full-time equivalents: 109.5 employees); general and administrative expenses decreased by 6.3 percent to CHF 7.3 million. As regards the recharging of costs and revenues between the segments, operating expenses of the business segment Intermediaries were charged with CHF 3.5 million less than in the prior year or CHF 13.7 million (2008: CHF 17.1 million).

Banking Services

The business unit Banking Services encompasses the areas of Information Technology, Operations and Logistics & Security for the whole VP Bank Group. The negative pre-tax contribution of the business unit Banking Services increased from CHF 16.4 million to CHF 40.7 million. Personnel expenses decreased by 9 percent. Although the headcount in 2009, expressed as full-time equivalents, decreased by 11.8 employees, the capitalization of the costs of self-constructed assets led only to a reduction of CHF 2.5 million (prior year: CHF 6.1 million). The capitalized costs of self-constructed assets relate to the personnel costs relating to internally generated assets (software) which are capitalized providing the conditions for capitalization in accordance with IAS 38 are present. This so when the future economic benefit accrues to the Group from the asset and the costs can be both identified as well as be reliably measured. Internally-developed software meeting these criteria and purchased software are reported in the caption software. The amounts capitalized are amortized on a straight-line basis over the economic lives of the assets.

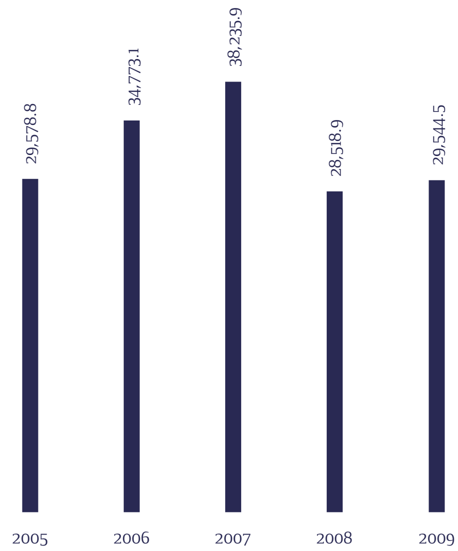
General and administrative expenses decreased by 5 percent (with the discontinuation of the parallel running of two banking applications) and amounted to CHF 13.6 million. On the other hand, depreciation and amortization increased markedly year-on-year by CHF 12.6 million to CHF 30.3 million as a result of the introduction of the new banking IT platform. (The share of centrally provided services which could not be recharged increased with the introduction of the banking software Avaloq Banking Systems; in order to manage each business segment in a cost-conscious manner, it was decided that the business unit Banking Services may not recharge 100 percent of its services.)

Corporate Center

In the Corporate Center are reported those revenues and expenses for which there exists no direct relationship to the operational business units, as well as corporate staff and consolidation entries. The management of equity resources by the central staff function Group Treasury and the gains and losses arising therefrom are a constituent part of the Corporate Center. The results of the subsidiaries FIB Finanz- und Beteiligungs-AG, Vaduz, Proventus Treuhand und Verwaltung AG, Vaduz, and IGT Intergestions Trust reg., Vaduz are also embedded within the Corporate Center. The negative pre-tax contribution of the Corporate Center in the prior year turned positive in 2009: it improved by CHF 210.4 million and amounted to CHF 16.4 million. Personnel costs in the Corporate Center decreased by 22 percent, and general and administrative expenses increased by 5 percent, which is to be attributed to the new concept of Group Treasury. Integrated therein were various areas of activity and employees which previously were allocated to the unit Operations in the business unit Banking Services.

Because of the non-achievement of target figures in 2009, the level of the variable component of employee compensation was lower than in the prior year. For this reason, personnel expense declined; on a net basis, it decreased by CHF 5.7 million (cost decrease because of downsizing of 14.3 positions as well as a reduced level of expense resulting from the variable compensation model).

Group subsidiaries – excluding Verwaltungs- und Privat-Bank Aktiengesellschaft in Liechtenstein (the parent company) – contributed a profit before taxes of CHF 15.4 million (2008: CHF 16.3 million) to consolidated net income.



Client assets under management
(in CHF million)

Client assets – increase through rally on financial markets

In aggregate, client assets under management increased in 2009 by 4 percent from CHF 28.5 billion to CHF 29.5 billion. In total, there was an outflow of funds of CHF 1.1 billion, of which CHF 1.0 billion (net) had occurred already as of June 30, 2009. CHF 0.7 billion of the net outflow of client assets related to the business unit Private Banking Clients and CHF 0.4 billion to the business unit Intermediaries. On a year-to-year basis, the net outflow of client assets represented 3.9 percent of the average client assets under management and could be greatly reduced in the second half-year.

The rally in prices on equity markets – on average some 23 percent in the course of the year – has more than compensated for the withdrawals of client assets. The positive change in market values amounted to CHF 2.1 billion.

As a result of the new product line, the automated depository function, custody assets almost doubled in value: they grew by CHF 5.7 billion to CHF 12.3 billion. The increase was particularly strongly felt in the first half-year of 2009 (CHF +4.4 billion).

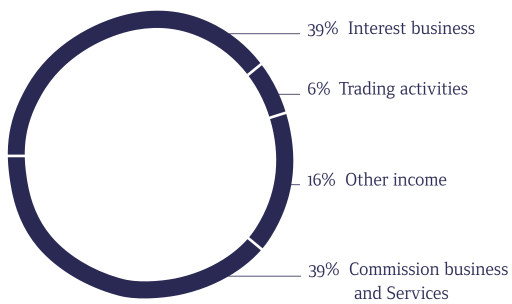
Client assets including custody assets as of December 31, 2009, aggregated CHF 41.8 billion. This is CHF 6.7 billion more than at December 31, 2008 (CHF 35.1 billion).

In comparison to the end of 2008, investment categories in client portfolios underwent the following changes: as a result of the positive performance of equity markets, the share of equities rose from 15 percent (2008) to 17 percent (2009); the share of liquid positions decreased from 41 percent in the prior year to 37 percent in the current year. The share of bonds declined marginally from 25 percent (2008) to 24 percent (2009), investment funds and other assets accounted for 22 percent at the end of 2009 (2008: 19 percent).

The composition by currency as of December 31, 2009, remained almost unchanged in comparison to that of the prior year whereby a certain trend away from the principle currencies is perceptible.

Income statement

Total operating income increased by 8 percent over the comparative period of 2008 to CHF 313.8 million.



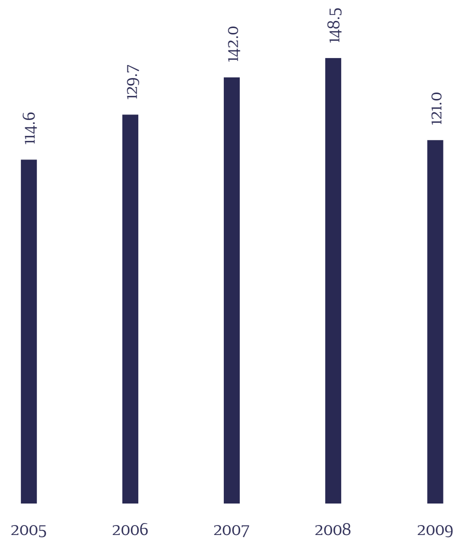
Composition of income
(in percent)

Money market

Interest – 3 months	12/31/2009	Δ Prior year
Swiss-franc LIBOR	0.25%	–41 BP
Euribor	0.66%	–224 BP
Dollar LIBOR	0.25%	–117 BP
Yen LIBOR	0.28%	–56 BP

Capital market

Benchmark bonds – 10 years	12/31/2009	Δ Prior year
Switzerland	1.93%	–13 BP
Germany	3.38%	+44 BP
USA	3.84%	+159 BP
Japan	1.28%	+11 BP



Income from interest-differential business
(in CHF million)

Income from interest-differential business
(Decrease of 19 percent or CHF 27.5 million over prior year)

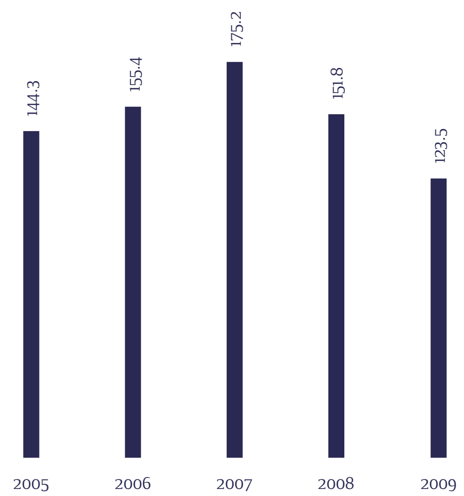
Interest and discount income includes, on the one hand, revenues from the account-maintenance business, on the other hand, those from transactions entered into for the purposes of balance-sheet management (interest-rate derivatives). Already in the early phase of the financial crisis, VP Bank had increased its liquidity to the detriment of profitability. During the past year, income from the interest-differential business in VP Bank Group declined year-on-year by CHF 27.5 million or by 19 percent. The main driver for this decline is the lower interest-rate level over that of the prior year and the accompanying decline in margins. In combination with a balance-sheet structure which is money-market dependent, the largest negative effect of CHF 33.7 million thus stemmed from the account-maintenance business. The positive impact from the inflow of on-balance-sheet client funds to CHF 1.5 billion is hereby significantly overcompensated.

Foreign-exchange rates have moved since December 2008 as follows:

Forex rates

Exchange rates	12/31/2009	12/31/2008	Δ Prior year
EUR	1.4850	1.5000	–1.0%
USD	1.0375	1.0650	–2.6%
JPY	1.1220	1.1735	–4.4%
GBP	1.6600	1.5340	8.2%

On a Group-wide basis, the positive effect of foreign-exchange fluctuations on interest income amounted to some CHF 1.0 million. Furthermore, interest income from the Group's own financial investments contributed CHF 27.9 million to the interest income. Interest and dividend income from the Group's own investments increased by some CHF 3.2 million.



Income from commission business and services
(in CHF million)

Income from commission business and services
(Reduction of 19 percent or CHF 28.3 million over prior year)

With the financial crisis, the pressure on the operating gross margin increased significantly. As a consequence, the latter declined from 99.1 bp (basis points) in the prior year to 90.4 bp for 2009. The following factors impacted primarily the commission business and services whereby large variances exist between the first and second halves of the year and, in part, between the various Group locations: smaller client-trading volumes as a result of the uncertainties on financial markets in the first four months, the shift within client portfolios from products with higher margins (such as equities, investment funds and structured products) to a higher level of liquid assets with correspondingly lower margins and, in the final count, to the withdrawal of funds as a result of the uncertainty surrounding the regulatory framework and tax amnesties.

As a result, income from commissions and services declined to CHF 123.5 million (2008: CHF 151.8 million).

The losses on equity and financial markets in the first quarter (up to 20 percent) as well as the outflows of assets were felt in the marked reduction of all asset- or portfolio-related commissions over those of the comparative prior period. In 2009, these commissions contributed some 59 percent to income from commissions and services (2008: 64 percent); in total they recorded a decline of 24 percent. Brokerage income, on the other hand, dropped only by CHF 0.9 million aggregating CHF 45.3 million (–2 percent) for the year; because of the increased risk appetite of clients in the second half of the year, the contribution to income was higher than in the first half-year. With the captions "Income VP Bank investment funds" and "Income third-party investment funds", Funds Management in 2009 contributed CHF 49.3 million to total operating income (–22 percent or CHF –13.6 million over the prior-year period).

In 2009, expenses related to the commission business and services declined proportionately to the gross commission revenues by CHF 6.6 million or 13 percent.

Profit from trading activities
(Reduction of 42 percent or CHF 12.8 million over prior year)

Profit from trading activities declined from CHF 30.3 million to CHF 17.6 million. With CHF 22.3 million, the foreign-exchange business generated 12 percent lower income than in 2008. This decline correlates with the aforementioned brokerage revenues. On average, the Euro and the US dollar lost 1.0 percent and 2.6 percent, respectively, against the Swiss franc.

The negative variance from the prior period in the caption securities trading stems from revaluation losses on hedging transactions entered into for the purpose of balance-sheet management (hedging of own investments). The contraposition with a positive profit contribution is included in other income.

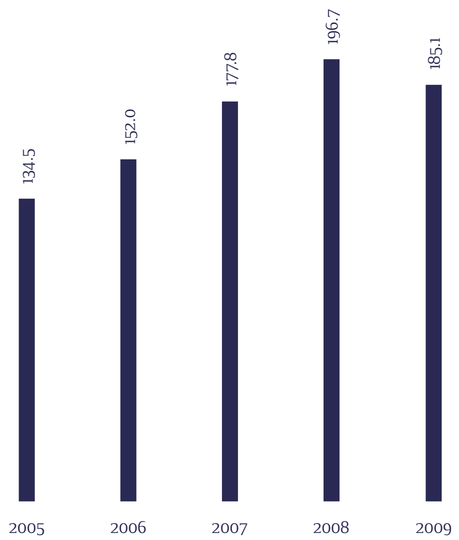
Other income
(Increase of CHF 92.3 million over prior year)

Other income increased markedly year-on-year to CHF 51.8 million (2008: CHF -40.6 million); the profit contributions resulted from revaluation gains on own financial investments.

Furthermore, other income reflects releases of provisions totaling CHF 8.3 million. These had been established in a prior accounting period in connection with a change at the time in a local financial-statement accounting policy which were no longer required operationally in 2009.

Operating expenses

On a year-to-year basis, operating expenses decreased by 6 percent to CHF 185.1 million under the influence of the banking project "FOCUS". The ratio of operating expenses/total operating income (cost/income ratio) could again be improved in view of the decrease in costs and increase in revenues; the cost/income is now 59.0 percent (2008: 67.8 percent).



Operating expenses (in CHF million)

Personnel expense
(Decrease of 6 percent or CHF 7.7 million over prior year)

Personnel expense represents the single largest cost factor, and it makes up some 67 percent of operating expenses. In the course of its internationalization, VP Bank Group increased its personnel numbers by 210 full-time positions or 37 percent between 2005 and 2008, particularly noticeably in the business unit Private Banking Clients (from the first quarter of 2005 through to the third quarter of 2008 by 82 positions, which represents 46 percent of the total increase). In view of the financial crisis, VP Bank has halted personnel recruitment. During 2009, the number of employees, expressed in full-time equivalents, decreased by 55.5 to 720.2; 53 percent of this reduction relates to the customer relationship units Private Banking Clients (–26.5 employees or –10.1 percent) and Intermediaries (–2.9 employees or –2.6 percent) without thereby weakening the strength of the distribution force.

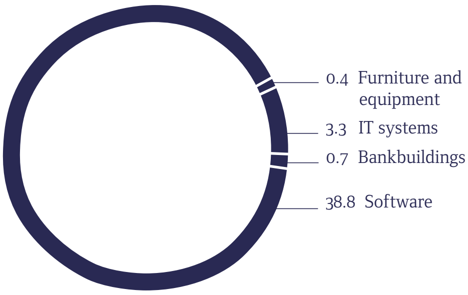
In comparison to the 2008 level, the absolute level of personnel expense was reduced from CHF 131.8 million to CHF 124.1 million – not only as a consequence of the reduction in headcount but also as a result of a reduction of the average personnel cost per employee.

General and administrative expense
(Decrease of 6 percent or CHF 3.9 million over prior year)

In 2009, general and administrative expenses totaled CHF 61.0 million (2008: 65.0 million). Cost increases in some positions in the amount of CHF 6.2 million were more than offset by cost savings in other positions in the amount of CHF 10.1 million. The largest part of the cost increases was in the area of Information Technology (IT). The cost increase in this area (+CHF 3.9 million) relates to higher license fees and – resulting therefrom – higher maintenance costs (more expensive products) as well as to new outsourcing solutions which were incurred for the first time under general and administrative expenses.

Fees expense also increased (+CHF 1.5 million). Because of technical reorganizations in prior periods and as a consequence of a reorientation of certain banking activities, a multitude of processes and operating routines had to be re-adapted or re-defined. In 2009, there was a concentration of such activities for these were postponed in prior years as a result of introducing the banking software Avaloq Banking Systems; a catch-up requirement thus arose.

A noticeable reduction in costs, conversely, could be realized in Marketing and Corporate Communications (–CHF 5.0 million), without neglecting in the process its principal purpose, brand positioning and ensuring uniformity in image and message. This was achieved through a streamlining of the portfolio of activities of front units and through cost savings in the central portfolio. Also, general and administrative expense declined noticeably (–CHF 4.2 million); on the one hand, this resulted from a reduction in traveling activities and, on the other, in that setup costs for new locations did not recur. These locations passed from the pilot to the operating phase and now carry their own accountability for results.



Investments (in CHF million)

Investment in property and equipment

In 2009, investments in property and equipment aggregated CHF 43.2 million (December 31, 2008: CHF 83.5 million).

General and recurrent investing activities in respect of bank buildings and other real estate, furniture and fitments and equipment amounted to CHF 1.0 million (prior year: CHF 9.9 million).

Replacement of banking software

The investment categories IT systems and software, which experienced increases aggregating CHF 42.1 million over the prior year, reflect primarily the replacement of the previous banking application by the new banking software Avaloq Banking Systems and all related subsequent follow-on investments and disinvestments.

Depreciation and amortization

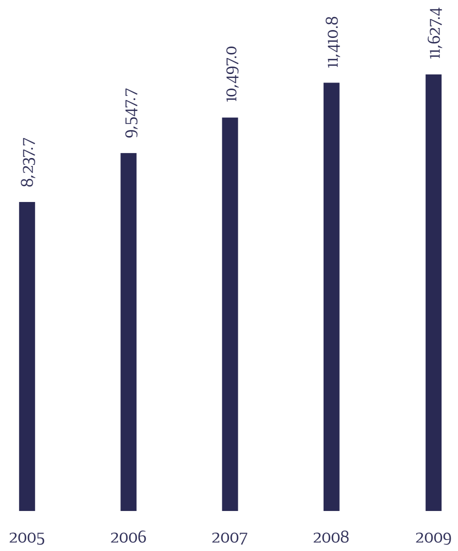
Depreciation and amortization increased in line with the investing activities in the investment categories IT systems and software by CHF 12.1 million or 43 percent to CHF 40.5 million.

Valuation allowances, provisions and losses

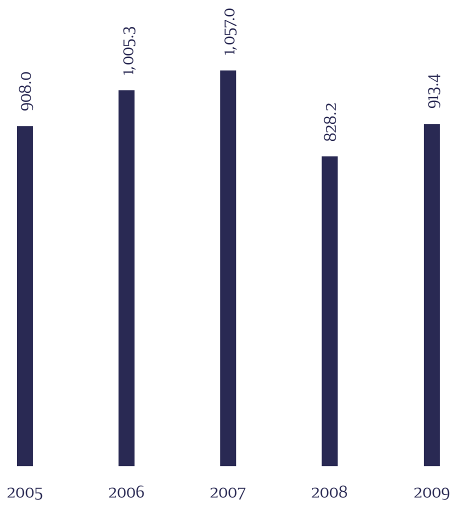
Additions to valuation allowances, provisions and losses were CHF 137.3 million less than those of the comparative prior period at a clearly reduced level of CHF 15.9 million.

Available-for-sale financial instruments on hand are classified as value-impaired if objective indications point to the fact that the declines in market prices have reached such a point that the recovery of the acquisition value cannot reasonably be expected within a foreseeable period.

In 2009, required valuation allowances on own financial investments were CHF 0.5 million whereas in 2008 these were at the level of CHF 62.6 million as a result of the financial crisis. A further element which did not recur in 2009 in comparison to 2008 is the provision for the support to the VP Bank Cash & Money Market Funds amounting to CHF 68.1 million. On February 19, 2009, the Board of Directors of VP Bank Group resolved to acquire, at their respective carrying values, certain securities from the Cash & Money Market Funds of VP Bank no longer meeting the quality demands of the Bank and transfer these to the Group's own financial investments and to provide liquidity to the funds in the equivalent value of approx. CHF 293 million. The provision raised as of December 31, 2008, was thus used through this decision.



Total assets (in CHF million)



Shareholders' equity (in CHF million)

Total assets in excess of CHF 11 billion

Total assets expanded in 2009 by CHF 0.2 billion to CHF 11.6 billion (+2 percent over December 31, 2008). The higher total assets result from the increase in the liability captions "due to customers- savings and deposits" by CHF 291 million to CHF 1.0 billion and "due to customers- other liabilities" by CHF 108 million to CHF 9.0 billion: the reason for the increase of both captions relates to the increase in holdings by clients in liquid assets (shift from off-balance-sheet business).

As a consequence, the asset captions "cash and cash equivalents" and "receivables arising from money-market paper" increased accordingly; as a result of the liquidity management of the Bank and in the wake of the financial crisis, amounts due from banks were cut back significantly (–10 percent over December 31, 2008).

Shareholders' equity

Current international regulatory initiatives foresee an increase in the equity base of banks both from quantitative and qualitative points of view. The new Guidelines represent a tightening of the capital-adequacy rules whereby these initiatives will only take shape quantitatively at the end of 2010. Measured by the currently valid capital-adequacy prescriptions and policies of VP Bank, the equity base of VP Bank is good.

Shareholders' equity (shareholders' equity including the shares attributable to minorities) increased by CHF 86.4 million against December 31, 2008, to CHF 932 million. Shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, amounted CHF 913 million at year-end 2009 (December 31, 2008: CHF 828 million). The equity ratio, defined as the percentage of shareholders' equity to total assets, reached 7.9 percent (December 31, 2008: 7.3 percent).

Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, as of December 31, 2009, was 17.1 percent (December 31, 2008: 13.6 percent). As VP Bank Group has included no hybrid capital in its eligible equity and because, in accordance with International Financial Reporting Standards (IFRS), it offsets no assets against liabilities (thus no reduction in total assets), the tier 1 ratio of VP Bank is not "diluted" and can be described as very solid. In these conditions, VP Bank will continue to possess a good equity base (future tier 1 ratio and leverage ratio).

Treasury shares

As required by IFRS, bearer and registered shares of VP Bank held in treasury stock are deducted from shareholders' equity.

As of the balance-sheet date, VP Bank Group held a total of 150,745 bearer shares as well as 12,915 registered shares (prior year: 151,695 bearer shares and 9,915 registered shares). This equates an unchanged share of capital of 2,6 percent (same as in prior year). Reference is made to note 30 (p. 144, Annual Report VP Bank Group) for more details on the holdings of and movements in treasury shares.

Development of risks – clear and structured redimensioning of financial investments

VP Bank employs the Value-at-Risk concept to measure market risk. On the basis of changes in market data during the last 260 trading days, the historical Value-at-Risk indicates the possible loss which will not be exceeded during a holding period of one month with a statistical probability of 99 percent.

Market risk declined year-on-year by CHF 31.3 million or 48 percent to CHF 34.1 million (December 31, 2008: CHF 65.4 million). On the one hand, equity share positions were reduced. On the other, the VaR in 2009 improved significantly year-on-year as is to be seen from the following extreme values. In 2009, the highest recorded VaR amounted to CHF 39.6 million (month of June) and the lowest was CHF 34.1 million (month of December). In the prior year, the extreme VaR values were CHF 65.4 million and CHF 34.6 million, respectively.

Detailed commentaries on the development of risks in 2009 for all risk categories are to be found under "Risk Management of VP Bank Group" (p. 93, Annual Report VP Bank Group).

Financial investments

In view of the ongoing financial and economic crisis, the main focus in the management of financial investments for the purpose of equity management continued to be capital security and liquidity as opposed to growth in yields. The risk was further reduced in view of the uncertain market situation, and the share of equities was reduced from 22 percent as at the end of 2008 to 10 percent. In aggregate, financial investments under management totaled CHF 886.2 million, whereof 90 percent was invested in interest-bearing instruments.

Consolidated Income Statement

in CHF 1,000	2009	2008	Variance absolute	Variance in %
Interest income	205,882	356,609	–150,727	–42.3
Interest expenses	84,866	208,084	–123,218	–59.2
Total income from interest-differential business	**121,016**	**148,525**	**–27,509**	**–18.5**
Commission income	166,144	201,048	–34,904	–17.4
Commission expenses	42,623	49,219	–6,596	–13.4
Total income from commission business and services	**123,521**	**151,829**	**–28,308**	**–18.6**
Income from trading activities	17,565	30,323	–12,758	–42.1
Other income	51,746	–40,585	92,331	n.a.
Total net operating income	**313,848**	**290,092**	**23,756**	**8.2**
Personnel expenses	124,067	131,773	–7,706	–5.8
General and administrative expenses	61,029	64,966	–3,937	–6.1
Operating expenses	185,096	**196,739**	**–11,643**	**–5.9**
Gross income	**128,752**	**93,353**	**35,399**	**37.9**
Depreciation and amortization	40,493	28,422	12,071	42.5
Valuation allowances, provisions and losses	15,869	153,148	–137,279	–89.6
Income/loss before income tax	**72,390**	**–88,217**	**160,607**	**n.a.**
Taxes on income	12,563	–7,914	20,477	n.a.
Net income/loss	**59,827**	**–80,303**	**140,130**	**n.a.**
Net income attributable to minority interests	2,416	2,944	–528	–17.9
Net income/loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	**57,411**	**–83,247**	**140,658**	**n.a.**

Undiluted consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	
Net income/loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft (in CHF 1,000)	–83,247
Weighted average number of bearer shares	5,213,195
Weighted average number of registered shares	5,995,609
Total weighted average number of shares (bearer)	5,812,756
Undiluted net income/loss per bearer share	–14.32
Undiluted net income/loss per registered share	–1.43
Fully-diluted consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	
Adjusted net income/loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft (in CHF 1,000)	–83,247
Number of shares used to compute the fully-diluted consolidated income	5,812,756
Fully-diluted consolidated income/loss per bearer share	–14.32
Fully-diluted consolidated income/loss per registered share	–1.43

Consolidated Statement of Comprehensive Income

in CHF 1,000	2009	2008	Variance absolute
Consolidated net income	**59,827**	**–80,303**	**140,130**
Financial instruments available for sale			
• Reclassifying adjustments recorded in Income Statement	12,509	–2,344	14,853
• Net change in unrealized gains/losses	30,181	–52,945	83,126
Total financial instruments available for sale	42,690	–55,289	97,979
Foreign-currency translation differences	–775	–3,621	2,846
Other comprehensive income for the period recognized directly in equity (net-of-tax)	**41,915**	**–58,910**	**100,825**
Total comprehensive income for the period (net-of-tax)	**101,742**	**–139,213**	**240,955**
Attributable to minority shareholders	1,893	1,880	13
Attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	99,849	–141,093	240,942

Consolidated Balance Sheet

Assets

in CHF 1,000	2009	2008	Variance absolute	Variance in %
Cash and cash equivalents	267,666	215,182	52,484	24.4
Receivables arising from money-market paper	777,654	109	777,545	n.a.
Due from banks	6,319,844	7,023,989	–704,145	–10.0
Due from customers	3,026,639	2,985,188	41,451	1.4
Trading portfolios	2,105	4	2,101	n.a.
Derivative financial instruments	42,355	59,254	–16,899	–28.5
Financial instruments designated at fair value	156,820	175,227	–18,407	–10.5
Financial instruments available for sale	728,945	630,630	98,315	15.6
Associated companies	48	2,565	–2,517	–98.1
Property and equipment	146,636	156,597	–9,961	–6.4
Goodwill and other intangible assets	103,699	91,180	12,519	13.7
Taxes receivable	447	487	–40	–8.2
Deferred tax assets	3,448	14,765	–11,317	–76.6
Accrued receivables and prepaid expenses	31,222	43,420	–12,198	–28.1
Other assets	19,883	12,226	7,657	62.6
Total assets	**11,627,411**	**11,410,823**	**216,588**	**1.9**

Liabilities and shareholders' equity

in CHF 1,000	12/31/2009	12/31/2008	Variance absolute	Variance in %
Due to banks	71,998	124,837	–52,839	–42.3
Due to customers – savings and deposits	969,267	677,866	291,401	43.0
Due to customers – other liabilities	9,024,384	8,916,107	108,277	1.2
Derivative financial instruments	44,048	62,502	–18,454	–29.5
Medium-term notes	199,637	356,236	–156,599	–44.0
Debenture issue	248,486	247,894	592	0.2
Tax liabilities	4,687	4,083	604	14.8
Deferred tax liabilities	7,830	14,739	–6,909	–46.9
Accrued liabilities and deferred items	33,569	54,599	–21,030	–38.5
Other liabilities	89,784	36,627	53,157	145.1
Provisions	1,803	69,847	–68,044	–97.4
Total liabilities	**10,695,493**	**10,565,337**	**130,156**	**1.2**
Share capital	59,148	59,148	0	0.0
Less: treasury shares	–38,302	–38,521	219	0.6
Capital reserves	–6,093	–6,045	–48	–0.8
Income reserves	907,755	865,131	42,624	4.9
IAS 39 reserves	503	–42,187	42,690	n.a.
Foreign-currency translation differences	–9,622	–9,370	–252	–2.7
Shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	**913,389**	**828,156**	**85,233**	**10.3**
Minority interests	**18,529**	**17,330**	**1,199**	**6.9**
Total shareholders' equity	**931,918**	**845,486**	**86,432**	**10.2**
Total liabilities and shareholders' equity	**11,627,411**	**11,410,823**	**216,588**	**1.9**

Consolidated Changes in Shareholders' Equity

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Reserves financial instruments IAS 39	Foreign-exchange translation differences	Equity of shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 1/1/2008	**59,148**	**–11,925**	**–9,954**	**1,013,440**	**13,102**	**–6,813**	**1,056,998**	**17,019**	**1,074,017**
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to income statement					–2,344		–2,344		–2,344
• change in unrealized gains and losses (net of tax)					–52,945		–52,945		–52,945
Foreign-currency translation differences						–2,557	–2,557	–1,064	–3,621
Consolidated net income				–83,247			–83,247	2,944	–80,303
Total reported result 12/31/2008	**0**	**0**	**0**	**–83,247**	**–55,289**	**–2,557**	**–141,093**	**1,880**	**–139,213**
Dividend 2008				–65,062			–65,062	–1,569	–66,631
Management equity-participation plan (LTI)			5,996				5,996		5,996
Change in treasury shares		–26,596	–2,087				–28,683		–28,683
Total shareholders' equity 12/31/2008	**59,148**	**–38,521**	**–6,045**	**865,131**	**–42,187**	**–9,370**	**828,156**	**17,330**	**845,486**
Total shareholders' equity 1/1/2009	**59,148**	**–38,521**	**–6,045**	**865,131**	**–42,187**	**–9,370**	**828,156**	**17,330**	**845,486**
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to income statement					12,509		12,509		12,509
• change in unrealized gains and losses (net-of-tax)					30,181		30,181		30,181
Foreign-currency translation differences						–252	–252	–523	–775
Consolidated net income				57,411			57,411	2,416	59,827
Total reported result 12/31/2009	**0**	**0**	**0**	**57,411**	**42,690**	**–252**	**99,849**	**1,893**	**101,742**
Dividend 2008				–14,787			–14,787	–694	–15,481
Management equity-participation plan (LTI)			–157				–157		–157
Change in treasury shares		219	109				328		328
Total shareholders' equity 12/31/2009	**59,148**	**–38,302**	**–6,093**	**907,755**	**503**	**–9,622**	**913,389**	**18,529**	**931,918**

Consolidated Statement of Cash Flow

in CHF 1,000	2009	2008
Cash flow from operating activities		
Group net income	57,411	–83,247
Share of minority interests in Group net income	2,416	2,944
Depreciation and amortization	40,493	28,422
Write-off for value impairment on financial investments available for sale	503	62,648
Increase / reduction in retirement pension provisions	1,468	–1,188
Release / increase in provisions	–58,616	82,536
Unrealized gains and losses on trading portfolios	–284	0
Unrealized gains and losses on financial instruments designated at fair value	–6,803	30,428
Unrealized gains and losses on financial instruments available for sale	2,831	14,135
Deferred income taxes	9,192	–10,786
Tax on income paid, interest received less interest paid and dividends received	–124,346	–136,496
Subtotal	**–75,735**	**–10,604**

Changes in assets and liabilities in connection with operating business activities, after adjustment for non-cash-related transactions		
Due from/to banks, net	861,727	–1,280,465
Trading portfolios, including replacement values, net	–3,432	2,373
Interest received from interest-differential business	192,401	332,508
Interest received from trading portfolio interests	66	6
Dividends received from trading portfolio interests	3	22
Interest received on financial instruments designated at fair value	4,592	7,790
Dividends received on financial instruments designated at fair value	4	37
Interest received on financial instruments available for sale	23,292	15,379
Dividends received on financial instruments available for sale	2,044	3,490
Due from/to customers	333,485	1,044,700
Foreign-exchange impact on intra-group payments	–3,229	–10,013
Accrued receivables, prepaid expenses and other assets	–10,987	–18,380
Accrued liabilities and other liabilities	30,136	9,724
Interest paid in connection with interest-differential business	–96,846	–209,542
Taxes on income paid	–1,210	–13,194
Net cash flow from operating activities	**1,256,311**	**–126,169**

Consolidated Statement of Cash Flow (continued)

in CHF 1,000	2009	2008
Cash flow from investment activities		
Net decrease in financial investments designated at fair value	60,091	68,701
Net increase in financial instruments available for sale	–53,222	–52,634
Acquisition of property and equipment and intangible assets	–40,667	–77,440
Disposal of property and equipment and intangible assets	0	24,928
Acquisition of associated companies	0	–2,565
Cash flow from financing activities	**–33,798**	**–39,010**
Net increase in treasury shares		
Net decrease / increase in treasury shares	328	–28,684
Dividends paid	–14,787	–65,061
Redemption/issue of medium-term notes	–156,599	–4,336
Dividend payments to minority shareholders	–694	–1,569
Net cash flow from financing activities	**–171,752**	**–99,650**
Impact of foreign-currency translation (including minority interests)	–6,122	936
Net decrease / increase in cash and cash equivalents	**1,044,639**	**–263,893**
Cash and cash equivalents at the beginning of the financial year	1,005,917	1,269,810
Cash and cash equivalents at the end of the financial year	2,050,556	1,005,917
Net decrease / increase in cash and cash equivalents	**1,044,639**	**–263,893**
Cash and cash equivalents are represented by		
Cash	267,666	215,182
Receivables arising from money-market paper	777,654	109
Due from banks – at-sight balances	1,005,236	790,626
Total cash and cash equivalents	**2,050,556**	**1,005,917**

At-sight balances due from banks bear interest at daily rates or are invested in interest-bearing short-term money-market deposits between one day and three months, depending upon the liquidity needs of VP Bank Group. Interest rates are based upon equivalent market rates. The fair value of cash and cash equivalents amounts to CHF 2,050.6 million (2008: CHF 1,005.9 million).

Consolidated Off-Balance-Sheet Transactions

in CHF 1,000	12/31/2009	12/31/2008
Contingent liabilities		
Credit guarantees and similar	3,483	9,440
Performance guarantees and similar	112,368	144,179
Irrevocable commitments	0	0
Other contingent liabilities[1]	0	113,603
Total contingent liabilities	**115,851**	**267,222**
Credit risks		
Irrevocable facilities granted	17,616	22,647
Capital subscription and margin obligations	0	0
Commitment credits	0	0
• Liabilities arising from deferred payment obligations	0	0
• Acceptances	0	0
• Other commitment credits	0	0
Commitments arising from artificial repurchase transactions	0	0
Total credit risks	**17,616**	**22,647**
Fiduciary transactions		
Fiduciary deposits[2]	2,616,093	3,339,248
Fiduciary loans	8,393	8,510
Other fiduciary financial transactions	0	0
Total fiduciary transactions	**2,624,486**	**3,347,758**

[1] As a result of the crisis in financial markets, VP Bank provided support to the VP Bank Cash & Money Market Funds. For this reason, Verwaltungs- und Privat-Bank Aktiengesellschaft, in its capacity as parent entity of VP Bank Group, resolved to acquire securities from the VP Bank Cash & Money Market Funds in an amount of CHF 293 million as part of its own financial investments and to provide liquidity to the funds as counter-value. Verwaltungs- und Privat-Bank Aktiengesellschaft issued for this in 2008 a payment bond in favor of IFOS Internationale Fonds Service AG. As a result, a contingent liability of CHF 113.6 million as well as a related provision of CHF 68.1 million (note 27, Annual Report VP Bank Group) were recorded in the 2008 financial statements.

[2] Placements with banks which Group companies made with non-consolidated Group companies in their own name.

Securities lending and repurchase and reverse-repurchase transactions with securities

in CHF 1,000	12/31/2009	12/31/2008
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities, as well as securities in own portfolio transferred within the framework of repurchase transactions	350,881	182,509
• of which securities where the unlimited right to sell on or pledge has been granted	249,045	182,509
Securities received as collateral within the scope of securities lending or borrowed within the scope of securities borrowing activities, as well as received under reverse repurchase transactions, where the unlimited right to resell or repledge has been granted	494,742	51,065
• of which securities which have been resold or repledged	228,117	51,065

These transactions were conducted on conditions which are customary for securities lending and borrowing activities as well as trades for which VP Bank acts as intermediary.

Maturity structure

in CHF 1,000	At sight	1 year	1 to 5 years	over 5 years	Total
12/31/2009					
Contingent liabilities	31,117	68,284	12,677	3,773	115,851
Credit risks	6,963	9,874	779		17,616
12/31/2008					
Contingent liabilities	37,392	98,916	127,559	3,355	267,222
Credit risks	614	21,393	640		22,647

VP Bank Group

Verwaltungs- und Privat-Bank Aktiengesellschaft is a bank domiciled in Liechtenstein and is subject to the Liechtenstein Financial Market Authority (FMA), Heiligkreuz 8, P.O. Box 279, LI-9490 Vaduz, www.fma-li.li

Verwaltungs- und Privat-Bank Aktiengesellschaft
Aeulestrasse 6 - LI-9490 Vaduz - Liechtenstein - Tel +423 235 66 55 - Fax +423 235 65 00
info@vpbank.com - www.vpbank.com - VAT No. 51.263 - Reg. No. FL-0001.007.080

VP Bank (Schweiz) AG
Bahnhofstrasse 3
Postfach 2993
CH-8022 Zürich
Schweiz
Tel +41 44 226 24 24
Fax +41 44 226 25 24
info.ch@vpbank.com

IFOS Internationale Fonds Service Aktiengesellschaft
Aeulestrasse 6
LI-9490 Vaduz
Liechtenstein
Tel +423 235 67 67
Fax +423 235 67 77
ifos@vpbank.com

IGT Intergestions Trust reg.
Aeulestrasse 6
LI-9490 Vaduz
Liechtenstein
Tel +423 233 11 51
Fax +423 233 22 24
igt@vpbank.com

VP Bank (Luxembourg) S.A.
Avenue de la Liberté 26
LU-1930 Luxemburg
Luxemburg
Tel +352 404 770-1
Fax +352 481 117
info.lu@vpbank.com

VPB Finance S.A.
Avenue de la Liberté 26
LU-1930 Luxemburg
Luxemburg
Tel +352 404 777 383
Fax +352 404 777 389
vpbfinance@vpbank.com

VP Bank and Trust Company (BVI) Limited
3076 Sir Francis Drake's Highway
Road Town, Tortola
VG-British Virgin Islands
Tel +1 284 494 11 00
Fax +1 284 494 11 99
info.bvi@vpbank.com

VP Vermögensverwaltung GmbH
Theatinerstrasse 12
DE-80333 München
Deutschland
Tel +49 89 21 11 38-0
Fax +49 89 21 11 38-99
info@vpvv.de

Verwaltungs- und Privat-Bank Aktiengesellschaft Hong Kong Representative Office
Suites 1002-1003
Two Exchange Square
8 Connaught Place
Central - Hong Kong
Tel +852 3628 99 99
Fax +852 3628 99 11
info.hk@vpbank.com

VP Wealth Management (Hong Kong) Ltd.
Suites 1002-1003
Two Exchange Square
8 Connaught Place
Central - Hong Kong
Tel +852 3628 99 00
Fax +852 3628 99 55
info.hkwm@vpbank.com

VP Bank (Singapore) Ltd.
9 Raffles Place
#42-01 Republic Plaza
Singapore 048619
Tel +65 6305 0050
Fax +65 6305 0051
info.sg@vpbank.com

VP Bank (Switzerland) Limited Moscow Representative Office
World Trade Center
Entrance 7, 5th Floor, Office 511
12 Krasnopresnenskaya Emb.
RU-123610 Moscow
Russian Federation
Tel +7 495 967 00 95
Fax +7 495 967 00 98
info.ru@vpbank.com

VP Wealth Management (Middle East) Ltd.
Dubai International Financial Centre
The Gate Village
Building no 5
4th Floor, Unit 8
Dubai
United Arab Emirates
Tel +971 4 425 9250
Fax +971 4 425 9240
info.ae@vpbank.com

Imprint
Media and Investor Relations
Verwaltungs- und Privat-Bank Aktiengesellschaft
Tanja Gartmann
Head of Corporate Communications
Aeulestrasse 6
LI-9490 Vaduz
Tel +423 235 67 62
Fax +423 235 77 55
corporate.communications@vpbank.com
www.vpbank.com

Realization
VP Bank, Vaduz