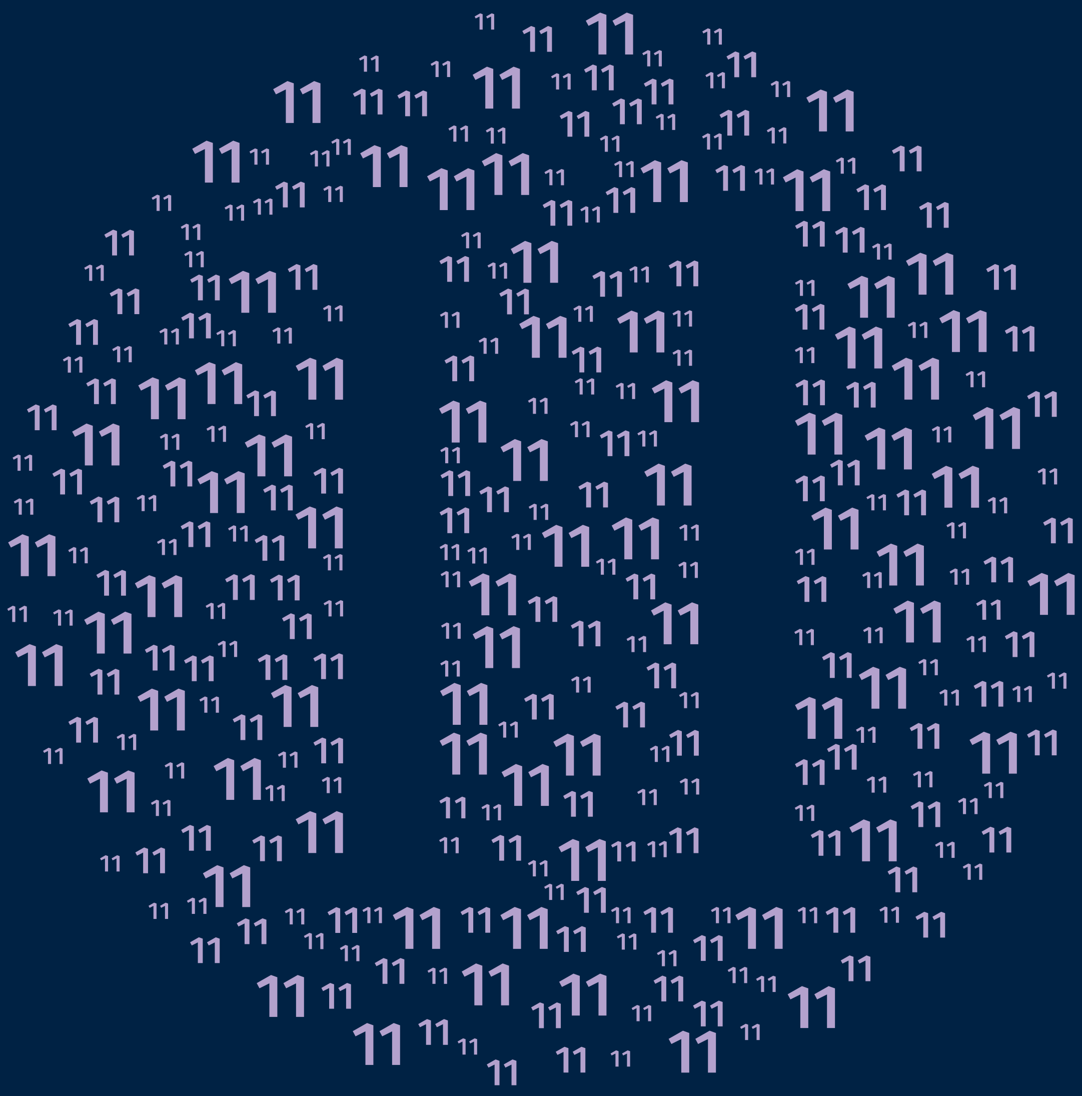


Annual Report 2011

VP Bank (BVI) Limited

Contents

Directors' Report

Financial review by management

The Bank has been able to increase net profit, after three years of decline, due to the financial crisis.
The main drivers of this positive development have been the resilience of the local market and the robust development of the Bank's commission income.

Retained earnings

The Directors hereby submit their annual report and audited financial statements for the year ended 31 December 2011 which show the state of the company's affairs.

in USD 1,000	
Net income for the year	5,262
Retained earnings brought forward	1,048
Retained earnings before allocation	**6,310**

Allocation of available earnings

The Directors recommend and propose to the shareholder:

in USD 1,000	
The allocation to general reserves	2,500
Dividend payment to the shareholder	2,500
Leaving a balance of retained earnings to be carried forward	1,310

Ernst & Young Ltd., Berne, Switzerland, qualified accountants, the current auditor, offers itself for reappointment.

By order of the board of directors, on 6 February 2012.

Georg Wohlwend
Chairman

Dr. Guido Meier
Vice-Chairman

Auditor's Report

To the Shareholder of VP Bank (BVI) Limited, Tortola
Berne, 2 March 2012

Report of the independent auditor on the financial statements

We have audited the accompanying financial statements of VP Bank (BVI) Limited, which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes, for the year ended 31 December 2011.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the law of the British Virgin Islands. This responsibility includes designing, implementing and maintaining an internal control System relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.
An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS.

Ernst & Young Ltd

Stefan Fuchs
Certified Accountant
(Auditor in Charge)

Adriano Guerra
Certified Accountant

Statement of comprehensive income

in USD 1,000	2011	2010	Notes
Interest income	6,969	6,772	
Interest expenses	–549	–656	
Net interest income	**6,420**	**6,116**	**4**
Fees and commission income	1,874	1,647	
Fees and commission expenses	–175	–146	
Net fees and commission income	**1,699**	**1,501**	**5**
Net trading income	**226**	**243**	**6**
Other income	10	0	
Net operating income	**8,355**	**7,860**	
Personnel expenses	**1,698**	**1,523**	**7**
General and administrative expenses	**1,013**	**910**	**8**
Gross income	**5,644**	**5,427**	
Depreciation and impairment losses	50	57	14
Provisions and losses	332	293	9
Net profit for the year	**5,262**	**5,077**	
Other comprehensive income for the year	0	0	
Total comprehensive income for the year	**5,262**	**5,077**	

The accompanying notes form an integral part of these financial statements

Statement of financial position

in USD 1,000	31/12/2011	31/12/2010	Notes
Assets			
Cash	134	86	
Due from banks	347,831	295,478	10
Due from customers	23,060	27,211	11
Mortgages	100,269	110,448	11
Derivative financial instruments	87	195	13
Property and equipment	50	101	14
Accrued income and prepaid expenses	71	138	
Other assets	502	501	15
Total assets	**472,004**	**434,158**	
Liabilities			
Due to banks	20,781	109,447	16
Due to customers	401,538	278,409	16
Derivative financial instruments	85	194	13
Accrued expenses and deferred income	323	435	17
Other liabilities	620	3	
Provisions	1,647	1,522	12
Total liabilities	**424,994**	**390,010**	
Shareholders' equity			
Share capital	10,000	10,000	18
General reserves	30,700	28,100	18
Retained earnings	6,310	6,048	
Total shareholders' equity	**47,010**	**44,148**	
Total liabilities and shareholders' equity	**472,004**	**434,158**	

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on 6 February 2012 and signed on its behalf by:

Georg Wohlwend
Chairman

Dr. Guido Meier
Vice-Chairman

Statement of changes in equity

in USD 1,000	Share Capital	General reserves	Retained earnings	Total
2010				
Total shareholder's equity as at 1 January 2010	10,000	23,700	7,771	41,471
Net profit for the year			5,077	5,077
Other comprehensive income				0
Allocation of profits 2009		4,400	–4,400	0
Dividends paid			–2,400	–2,400
Balance as of 31 December 2010	**10,000**	**28,100**	**6,048**	**44,148**
2011				
Total shareholder's equity as at 1 January 2011	10,000	28,100	6,048	44,148
Net profit for the year			5,262	5,262
Other comprehensive income				0
Allocation of profits 2010		2,600	–2,600	0
Dividends paid			–2,400	–2,400
Balance as of 31 December 2011	**10,000**	**30,700**	**6,310**	**47,010**

Statement of cash flows

in USD 1,000	2011	2010
Net profit	5,262	5,077
Adjustments for Interest income	–6,969	–6,772
Adjustments for Interest expense	549	656
Depreciation and impairment losses	50	57
Provisons	272	345
	–836	**–637**
Decrease/(increase) in due from banks on time	812	–2,403
Decrease/(increase) in due from customers/mort.	14,330	–7,704
Decrease/(increase) in accruals income and prepaid expenses, other assets and derivatives	174	813
(Decrease)/increase in due to banks	–999	–900
(Decrease)/increase in due to customers	123,129	–10,976
(Decrease)/increase in accrued expenses and deferred income, other liabilities and derivatives	396	–922
Interest received	6,933	6,744
Interest paid	–659	–573
Cash generated from/(used in) operating activities	**143,280**	**–16,558**
Cash flow from investment activities	**0**	**–59**
(Purchase)/Sale of property and equipment	0	–59
Cash flows from financing activities	**–2,400**	**–2,400**
Dividends paid	–2,400	–2,400
Net de-/increase in cash and cash equivalents	**140,880**	**–19,017**
Cash and cash equivalent at beginning of year	184,166	203,183
Cash and cash equivalent at end of year	**325,046**	**184,166**

Cash and cash equivalents are represented by:

in USD 1,000	2011	2010
Cash	134	86
Due from banks – at sight balances	338,428	285,263
./. Due to banks – at sight balances	–13,516	–101,183
Total cash and cash equivalents	**325,046**	**184,166**

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. Interest rates are based upon equivalent market rates.

Notes to the financial statements

1. Incorporation, ownership and principal activity

The Company was incorporated in Road Town, British Virgin Islands on 11 September 1995 under the Companies Act Cap 285 and is licensed to conduct business within the provisions of The Bank and Trust Companies Act, 1990, as amended.
The Company is a wholly-owned subsidiary of VP Bank and Trust Company (BVI) Limited, incorporated in Road Town, British Virgin Islands. Its ultimate parent companies are Verwaltungs- und Privat-Bank Aktiengesellschaft and Allgemeines Treuunternehmen, both incorporated in Vaduz, Liechtenstein.
Its principal activity is the provision of banking services.

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.
The financial statements of VP Bank (BVI) Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the law of British Virgin Islands.
The Company's accounting policies are integral to understanding its results of operations and financial condition. These policies have been consistently applied to the periods presented.
In accordance with the valuation policies laid down, all business transactions are recorded in the Company's accounts as of their trade date. Forward contracts are recorded as off-balance-sheet transactions until their settlement or value date.
All amounts included in the financial statements and notes are presented in thousand of United States Dollars except where otherwise indicated. United States Dollars is the Company's functional currency.

2.2. Adoption of new accounting policies

The accounting policies adopted are consistent with those of the previous financial year.
The Company has adopted the elements of improvements to International Financial Reporting Standards (issued 2009 and 2010) which were required for annual periods commencing on 1 January 2010 an 1 January 2011 respectively.
Adoption of these revised standards and interpretations did not have any effect on the financial performance or position.

2.3. Future changes in accounting policies

Numerous new standards, revisions and interpretations of existing standards have been published, the application of which is binding for financial years commencing on 1 January 2012 or later. The following new or amended IFRS and Interpretations are currently analyzed:

- IAS 1 Presentation of items of other comprehensive income – amendments to IAS 1
- IAS 19 Employee benefits (revised)
- IFRS 7 Financial instruments: disclosures (amendment)
- IFRS 9 Financial instruments part 1: classification and measurement
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement

The amendment to IAS 1 changes the grouping of items presented in other comprehensive in-come, separating items that would be reclassified (or recycled) to the statement of income in the future from those that will never be reclassified.
IAS 19 (revised) removes the ability to defer recognition of actuarial gains and losses (the 'corridor approach') requiring instead recognition in other comprehensive income with no subsequent recycling to the statement of income. It also introduces new quantitative and qualitative disclosures.
IFRS 7 (amendment) requires additional quantitative and qualitative disclosures related to transfers of financial assets in specific circumstances.
IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.
IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associates, and structured entities.
IFRS 13 provides a single source of guidance under IFRS for all fair value measurements.
IFRS 7 (amendment) is mandatory for annual periods beginning on or after 1 July 2011 and IAS 1 for annual periods beginning on or after 1 July 2012. All of the remaining standards noted above are effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted, and management is considering the implications of these new standards, the impact on the Company and the timing of their adoption.
In all likelihood the above amendments will have no material impact on the financial statements of the Company.

2.4. Foreign currency

Transactions in foreign currencies are measured in USD, being the functional currency of the Company and are recorded on initial recognition in USD at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange effective at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are converted using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on converting monetary items at the balance sheet date are recognised as a profit or loss.

The following exchange rates have been applied for the two most relevant foreign currencies concerned:

	2011		2010	
	EUR	CHF	EUR	CHF
Year-end rate	1.298	1.069	1.327	1.064
Average rate	1.391	1.129	1.325	0.960

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, at banks and short term deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.6. Financial Instruments

Financial assets are reflected in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, or – in the case of financial assets not at fair value – through profit or loss including the directly attributable transaction costs.

A financial asset is derecognized when

- the rights to receive cash flows from the asset have expired or
- the Company has transferred its rights to receive cash flows from the asset or
- has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

All regular purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the year generally established by regulation or convention in the marketplace concerned.

2.6.1. Loans and Receivables (Due from banks / customers and mortgages)

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, balances due from banks / customers and mortgages are measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired and through the amortization process.

Principal repayments are regarded as outstanding redemption when the payments are overdue.

2.6.2. Financial assets or financial liabilities at fair value through profit or loss (Derivative financial instrument)

Financial assets or financial liabilities held-for-trading are classified as financial assets or financial liabilities at fair value through profit or loss. These are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the short term.

Subsequent to initial recognition, financial assets or financial liabilities at fair value through profit or loss are measured at fair value (which is determined based on the quoted market prices). Any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recognized in profit or loss. Net gains or net losses on financial assets or financial liabilities at fair value through profit or loss include exchange rate differences, interest and dividend income and are recognized in the trading income.

2.6.3. Financial liabilities (Due to banks and customers)

Financial liabilities are recognized on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognized initially at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. The liabilities are derecognized when the obligation under the liability is discharged or cancelled or expired.

2.7. Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.7.1. Impaired loans and receivables

Impaired loans and receivables are amounts outstanding from clients and banks where it is improbable that the debtor can meet its obligations. The reasons for impairment in value are of a nature which is specific to the counterparty or the country of domicile of the counterparty. Interest on impaired loans and receivables are recorded throughout the period during which the interest accrues. An impairment is recorded under provisions.
A valuation allowance for credit risks is recorded as a reduction in the carrying value of a receivable in the statement of position. The amount of the reduction in value is measured essentially by reference to the difference between the carrying value and the amount which will probably be recovered after taking into account the realizable proceeds from the disposal of any applicable collateral.
For off-balance sheet positions, on the other hand, such as a fixed facility granted, a valuation allowance for credit risks is recorded under provisions. Global valuation allowances exist to cover latent, as yet unidentified credit risks on a portfolio basis.
A collectability test is performed at least once a year for all non-performing loans and receivables. Should changes have occurred as to the amount and timing of anticipated future flows in comparison to previous estimates, the valuation allowance for credit risks is adjusted and recorded in the income statement under valuation allowances for credit risks or release of valuation allowances and provisions that are no longer required.

2.8. Property and equipment / Intangible assets

2.8.1. Measurement

These assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. Minor purchases are charged directly to general and administrative expenses.

2.8.2. Depreciation

Depreciation is calculated on a straightline basis over the following useful lives periods:

Furniture and fittings	max. 8 years
Office equipment	max. 8 years
Computer hardware	max. 3 years
Software	max. 3 years

The carrying values of the property and equipment as well as intangible assets are reviewed for impairment once a year and when events or changes in circumstances indicate that the carrying value may not be recoverable.
The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.
A property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2.9. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably, for individual impairments of financial assets, and valuation allowances for credit risk of off-balance sheet positions.

2.10. Leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.
The aggregate benefit of incentives provided by the lessor is recognised as a reduction of lease expenses over the lease term on a straight-line basis.

2.11. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Com-pany and the revenue can be reliably measured.

Commission

Revenue is recognized when the Company's right to receive payment is established.

Interest income and expenses

Interest income and expense are recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price or estimated recoverable amount. Once a financial asset or a group of similar financial assets has been impaired, interest income is recognized using the original effective interest rate for the purpose of measuring impairment loss. Interest payments are regarded as overdue at the latest when the payments are more than 90 days in arrears.
Overdue and impaired interest payments are charged directly to provisions.

2.12. Income Tax

Income tax as defined under IAS 12 is not due.

3. Significant Accounting Estimates and Judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carry-ing amount of the asset or liability affected in the future.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment losses on due from banks and customers and mortgages

The Company reviews its individually significant due from banks and customers and mortgages at each statement of financial position date to assess whether an impairment loss should be recorded. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.
Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality etc.), concentrations of risks and economic data.

4. Interest income and expenses

in USD 1,000	2011	2010
Interest income due from banks	815	618
Interest expenses due to banks	–294	–312
Net interest income from banks	**521**	**306**
Interest income due from customers / mortgages[1]	6,154	6,154
Interest expenses due to customers	–255	–344
Net interest income from customers	**5,899**	**5,810**
Net interest income	**6,420**	**6,116**

[1] The interest income from impaired loans in 2011 amounted to USD 210'000 (2010: USD 189'000)

5. Fees and commission income and expenses

in USD 1,000	2011	2010
Commission income from credit business	67	81
Brokerage fees	426	233
Securities account fees	527	449
Payment fees	373	374
Commission income from other services	481	510
Total fees and commission income	**1,874**	**1,647**
Brokerage and securities account fees	57	60
Other commission and services expenses	118	86
Total fees and commission expenses	**175**	**146**

6. Net trading income

in USD 1,000	2011	2010
Foreign Currency	214	245
Bank notes, precious metals and other	12	–2
Net trading income	226	243

7. Personnel expenses

in USD 1,000	2011	2010
Salaries and wages	1,371	1,229
Social contribution by law	62	42
Expenses for pensions	107	115
Staff training	16	7
Other personnel expenses	79	73
Payroll tax	63	57
Total personnel expenses	**1,698**	**1,523**

Number of employees	13	13
Equivalent of full-time employment	11.2	10.0

Annual premium to defined contributions plans	163	161
less employees' contribution	56	46
Net expenses for pensions	**107**	**115**

8. General and administrative expenses

in USD 1,000	2011	2010
Occupancy expenses	112	115
Insurance	15	10
Professional fees	164	107
Telecommunicaiton and postage	101	82
IT systems	384	386
Other general and administrative expenses	237	210
Total general and administrative expenses	**1,013**	**910**

9. Provision and losses

in USD 1,000	2011	2010
Credit risk	294	286
Legal and litigation risks	–	–
Other	38	7
Total provisions and losses	**332**	**293**

10. Due from banks

in USD 1,000	31/12/2011	31/12/2010
Payable on demand	159,564	125,338
Fixed term deposits	188,267	170,140
Total due from banks	**347,831**	**295,478**
Fair value	**347,878**	**295,575**

The deposits are placed at various banks with maturities not exceeding one year from the date of deposit. All transactions are made at normal business conditions in line with the currency in which the client's deposits were made. No balance was at the reporting date past due but not impaired.

Credit rating system

For banks, it is used the rating of both rating agencies Standard & Poors and Moody's. Due from banks have the ratings 99.9% (2010: 99.5%) investment grade or higher and 0.1% (2010: 0.5%) are not rated.

11. Due from customers and mortgages

Credit rating system due from customers and mortgages

For non-banks, there are no external ratings available. At a portfolio level, risk management aims to avoid existence-jeopardizing risk concentrations and to maximize income within the credit risk limits. This includes analyses by rating and classes of size, economic segments and the quality of credit collateral.

As an important risk/rating factor is the type of collateral disclosed as follows:

11.1. Due from customers and mortgages by type of collateral

in USD 1,000	31/12/2011	31/12/2010
Mortgage collateral	110,017	118,366
Other collateral	8,417	17,801
Without collateral	4,895	1,492
Subtotal	123,329	137,659
Impairment for credit risks	–1,413	–1,316
Total	**121,916**	**136,343**
Outstanding Redemption payments	436	381
Fair Value (before impairment)	**125,532**	**139,957**

12. Impairment for credit risks

in USD 1,000	31/12/2011	31/12/2010
Balance at beginning of financial year	1,522	1,177
Amounts written off on loans / utilization	108	–
Creation of valuation allowances	442	345
Release of valuation allowances	209	–
Balance at end of financial year	**1,647**	**1,522**

As valuation adjustment for due from banks		
Individual valuation allowances	–	–
Lump-sum valuation allowances	234	206
Total impairment for due from banks	**234**	**206**

As valuation adjustment for due from customers		
Individual valuation allowances	1,000	840
Lump-sum valuation allowances	413	476
Total impairment for due from customers	**1,413**	**1,316**

The individual valuation allowances are mainly determined on the basis of payment delays by customers and the appraisal of the potential loss in case of default. This includes also the value deemed to be realizable for the collaterals.

13. Derivative financial instruments

in USD 1,000	Positive replacement values	Negative replacement values	Contract volumes
Foreign currencies 31/12/2011			
Forward Contracts	87	85	9,913
Combined interest-rate/currency swap			
Options (OTC)			
Options (exchange-traded)			
Subtotal	87	85	9,913
Total derivative financial instruments	**87**	**85**	**9,913**

in USD 1,000	Positive replacement values	Negative replacement values	Contract volumes
Foreign currencies 31/12/2010			
Forward Contracts	195	194	10,358
Combined interest-rate/currency swap			
Options (OTC)			
Options (exchange-traded)			
Subtotal	195	194	10,358
Total derivative financial instruments	**195**	**194**	**10,358**

All client derivative financial instruments are traded back to back with VP Bank, Vaduz (S&P Rating A–) and measured at fair value, using a valuation technique with inputs observed in the market at the time of valuation (Level 2).

14. Property and equipment

in USD 1,000	Furnitures	Computers	Total
Cost 31/12/2011			
At beginning of the year	24	173	197
Additions			–
Disposals/derecognitions			–
At end of the year	**24**	**173**	**197**
Depreciation and impairment losses			
At the beginning of the year	3	93	96
Charge for the year	10	41	51
Disposals/derecognitions			–
At end of the year	**13**	**134**	**147**
Carrying amount 31 December 2011	**11**	**39**	**50**

in USD 1,000	Furnitures	Computers	Total
Cost 31/12/2010			
At beginning of the year	167	412	579
Additions	24	36	60
Disposals/derecognitions	–167	–275	–442
At end of the year	**24**	**173**	**197**
Depreciation and impairment losses			
At the beginning of the year	167	314	481
Charge for the year	3	54	57
Disposals/derecognitions	–167	–275	–442
At end of the year	**3**	**93**	**96**
Carrying amount 31 December 2010	**21**	**80**	**101**

There were no impairments during the period under review. At 31 December 2011 and 31 December 2010, there were no commitments relating to investments in property and equipment.

15. Other assets

As required by Section 12(1)(b) of the British Virgin Islands Banks and Trust Companies Act, 1990, the company has placed a deposit of USD 500,000 with the Government of the British Virgin Islands. The deposit earned interest and has no fixed maturity date.

16. Due to banks and customers

in USD 1,000	31/12/2011	31/12/2010
Due to bank at sight	13,516	101,183
Due to bank fixed term	7,265	8,264
Total Due to banks	**20,781**	**109,447**
Fair Value Due to banks	21,982	110,035
Due to customers at sight	320,569	199,646
Due to customers fixed term	80,969	78,763
Total Due to customers	**401,538**	**278,409**
Fair Value Due to customers	401,020	278,209
Total Due to banks and customers	**422,319**	**387,856**

17. Accrued expenses and deferred income

in USD 1,000	31/12/2011	31/12/2010
Accrued interest payable	176	290
Other	147	145
Total	**323**	**435**

18. Share capital and reserves

The Company is authorized to issue 10,000,000 registered shares at a par value of USD 1 designated as common shares. All shares are issued and fully paid.
The number of shares and the share capital has not changed during 2011 and 2010. The holders of ordinary shares are entitled to receive a dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.
General reserves represent accumulated transfers from retained earnings in accordance with local legislation.

19. Contingent liabilities and irrevocable commitments

At the balance sheet date, the company had approved but unused customer loan credit lines of USD 3,830,000 (2010: USD 2,553,000) and irrevocable commitments to customers of USD 0 (2010: USD 845,000).

20. Related parties

Apart from the related party information shown elsewhere in the financial statements, the following significant transactions between Company and the holding Company took place during the financial year. Terms of transactions to related parties are at arm's length and in general not secured.

20.1. Balances with related parties

Financial position	Shareholders	Key Management	Entities under common control
Assets 31/12/2011			
Due from banks	133,886		110,560
Due from customers			
Mortgages			
Derivative financial instruments	38		
Accrued income and prepaid expenses	50		14
Other assets			
Total assets	**133,974**	**–**	**110,574**
Liabilities 31/12/2011			
Due to banks	20,728		
Due to customers		166	1,144
Derivative financial instruments	47		
Accrued expenses and deferred income	142		
Other liabilities			
Provisions			
Total liabilities	**20,917**	**166**	**1,144**
Net amount	**113,057**	**–166**	**109,430**

Financial position	Shareholders	Key Management	Entities under common control
Assets 31/12/2010			
Due from banks	133,525		94,687
Due from customers			
Mortgages		155	
Derivative financial instruments	43		
Accrued income and prepaid expenses	107		17
Other assets			
Total assets	**133,675**	**155**	**94,704**
Liabilities 31/12/2010			
Due to banks	109,352		
Due to customers		412	972
Derivative financial instruments	150		
Accrued expenses and deferred income	258		
Other liabilities			
Provisions			
Total liabilities	**109,760**	**412**	**972**
Net amount	**23,915**	**–257**	**93,732**

20.2. Transactions with related parties

	Share-holders	Key Manage-ment	Entities under common control
1 January to 31 December 2011			
Interest income	–492	–3	–290
Interest expense	294	2	
Fees and commission income			
Fees and commission expenses			72
Net trading income			
Personnel and general expenses	433	542	
Net total	**235**	**541**	**–218**
1 January to 31 December 2010			
Interest income	–490	–10	–82
Interest expense	303	5	
Fees and commission income	–13		
Fees and commission expenses			38
Net trading income			
Personnel and general expenses	364	562	
Net total	**164**	**557**	**–44**

20.3. Remuneration of the key management personnel

in USD 1,000	2011	2010
Wages, salaries and bonuses	542	562
Post-employment benefits		
Other short-term benefits		
Termination benefits		
Other long-term benefits		
Total remuneration paid to key management personnel	**542**	**562**

Certain key management personnel participates in a pension plan and management profit-sharing plan (share based payment) of VP Bank Group. Other than expenses incurred and accounted for in the reporting period, no further obligation are expected for the Company.

21. Financial Risk Management Objectives and Policies

The board of directors is responsible for managing the risk of the Company and the risk framework is based on the risk policy of its major shareholder, Verwaltungs- und Privat-Bank AG, Vaduz. The key financial risks to which the Company is exposed in the conduct of its business operation are credit risk, liquidity risk and market risk. All these risks are being managed by the Managing Director and the Head of Banking. They are also subject to ongoing and comprehensive monitoring by Verwaltungs- und Privat-Bank AG, Vaduz.

21.1. Credit risk

Credit risk is the risk that the Company will incur losses because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual and/or group of related counterparties and by monitoring exposures in relation to such limits.

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilities focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The respective risk ratings are assessed and updated regularly.

Credit risks are evaluated both at the level of the individual exposure as well as at a portfolio level through the attribution of a credit rating. The credit rating serves as an indicator for the probability of default. For bank customers, the Company uses the internationally accepted ratings from Standard & Poor's and Moody's. For non-bank customers, an internal rating system is used. The only lending product offered to non-bank customers is Lombard and mortgage secured loans.

Country risk is also evaluated with the aid of ratings from Standard & Poor's and Moody's. At the portfolio level, risk management aims at avoiding significant risk concentrations. Concentration limits are set by geographical areas and industry sectors.

The following table shows the maximum exposure to credit risk by countries before risk mitigation by means of collateral agreements. Where the financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Geographical analysis

	BVI	Liechtenstein and Switzerland	Other Countries	Total
Assets 31/12/2011				
Cash	134			134
Due from banks	475	133,886	213,470	347,831
Due from customers	23,019	1	40	23,060
Mortgages	100,269			100,269
Derivative financial instruments	49	38		87
Accrued income and prepaid expenses	21	50		71
Other assets	502			502
Assets 31/12/2010				
Cash	86			86
Due from banks	1,076	133,525	160,877	295,478
Due from customers	24,246	2,902	63	27,211
Mortgages	110,448			110,448
Derivative financial instruments	152	43		195
Accrued income and prepaid expenses	31	107		138
Other assets	501			501

Contingent liabilities and irrevocable commitments are all located in the British Virgin Islands.

Collateral and other credit enhancements

VP Bank (BVI) Limited requires an appropriate margin on the collateralizing of assets. This margin is being defined in a way that future changes in market values, market volatility, debtor creditworthiness and counterparty risk are appropriately taken into account and as a result, the receivables are backed by adequate collateral at all times. (Details see note 10 and 11)

21.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's exposure to liquidity risk arises primarily from cash flow mismatches of the maturities of financial assets and liabilities. In the management of liquidity risks, the Company monitors and maintains a level of cash deemed sufficient to finance the Company's operations and mitigate the effects of fluctuations in cash flow.
Short-term financing is also readily available from the VP Bank Group as and when required. With respect to client deposits, all clients' monies received are generally placed on a back-to-back basis with VP Bank Group. The Company also constantly liaises with the Group on the management of its liquidity to ensure that the minimum regulatory liquidity asset requirements are adhered to at all times.
The table below summarises the maturity profile of the Company's financial assets and financial liabilities as of 31 December 2011:

	Up to three months	Three to twelve months	Over one year	Total
Assets 31/12/2010				
Due from banks	338,428	9,403		347,831
Due from customers / mortgages	115,470	1,166	6,693	123,329
All other assets	344		500	844
Total assets	**454,242**	**10,569**	**7,193**	**472,004**
Liabilities 31/12/2010				
Due to banks	13,516	2,780	4,485	20,781
Due to customers	392,135	9,403		401,538
All other liabilities	2,675			2,675
Total liabilities	**408,326**	**12,183**	**4,485**	**424,994**
Net exposure	**45,916**	**-1,614**	**2,708**	**47,010**

21.2 Liquidity risk (continued)

	Up to three months	Three to twelve months	Over one year	Total
Assets 31/12/2009				
Due from banks	285,263	10,215		**295,478**
Due from customers / mortgages	130,300		7,359	**137,659**
All other assets	521		500	**1,021**
Total assets	**416,084**	**10,215**	**7,859**	**434,158**
Liabilities 31/12/2009				
Due to banks	101,182	1,000	7,265	**109,447**
Due to customers	268,244	10,165		**278,409**
All other liabilities	2,154			**2,154**
Total liabilities	**371,580**	**11,165**	**7,265**	**390,010**
Net exposure	**44,504**	**-950**	**594**	**44,148**

21.3 Market risk

Market risk is the risk that the value of a portfolio – due to investment or trading decisions – will decrease and its implied volatility will increase. The four standard risk factors are security prices, interest rates, foreign currency exchange rates and commodity prices. The associated market risks are equity risk, interest rate risk, currency risk and commodity risk respectively. The market risks of the Company's own investments are managed within the scope of asset and liability management ("ALM"). Group Finance & Risk of Verwaltungs- und Privat-Bank AG is responsible on a strategic level for ALM, whereas the Company is responsible for the management of its own investments at the subsidiary. The Managing Director of the Company consults regularly with Group Risk Control as to the action to be taken for the management of market risk to ensure that action is being taken on a timely basis.

As at 31 December 2011 the Company is not exposed to any significant market risk as the assets and liabilities are almost perfectly matched regarding terms, currency and reinvestment perspective.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.
The table below gives evidence of the sensitivity of the overall portfolio value to a change in interest rates:

Sensitivity analysis for interest rate risk

	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
2011	+100	–113	379
	–100	113	–255
2010	+100	–154	95
	–100	154	–60

Foreign currency risk

The Company has the following net foreign currency exposures arising from its financial assets and financial liabilities that are denominated in currencies other than the functional currency of the Company.

Currency	31/12/2011 Net assets / (liabilities) USD	31/12/2010 Net assets / (liabilities) USD
CHF	2	1
EUR	13	11
GBP	8	2
Others	14	2
Total	**37**	**16**

Possible changes in all currencies against the US-Dollar being the functional currency of the Company, with all other variables held constant, would not result in any significant changes of the Company's financial results or its equity capital.

22 Capital

22.1 Regulatory requirements

The regulatory capital requirements are determined in accordance with laws and guidance in the British Virgin Islands. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank of International Settlement (BIS). During the year, VP Bank (BVI) Ltd. has complied in full with all of our regulatory capital requirements.

BIS standards require that banks maintain minimum Tier 1 and Tier 1 & Tier 2 ratios of 4% and 8% respectively.

22.2 Regulatory capital

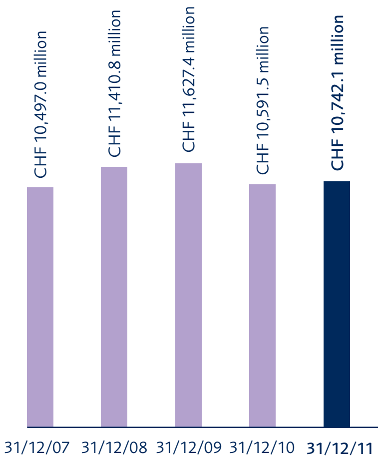
Regulatory capital consists of Tier I and Tier II capital, less certain deductions. Tier I Capital comprises common stock, retained earnings and other deductions. Tier II Capital principally comprises hybrid capital instruments such as subordinated debt and general provisions.

	31/12/2011	31/12/2010
Tier 1	26.6%	25.2%
Tier 1 & Tier 2	27.3%	25.6%
Total risk weighted assets	**176,859**	**183,065**

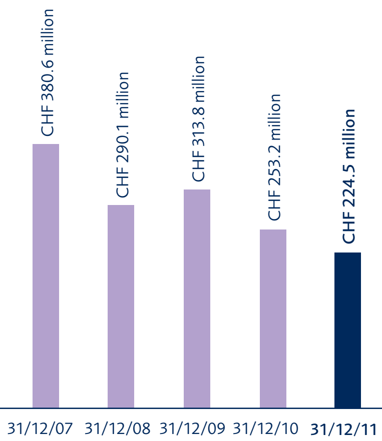
23. Subsequent events

The financial statements for the year ended 31 December 2011 were authorised for issue by the Directors on 6 February 2012. There have been no events between 31 December 2011 and 6 February 2012 that have caused an adjustment of the carrying amounts of the Company's assets and liabilities or that the Company is required to disclose here.

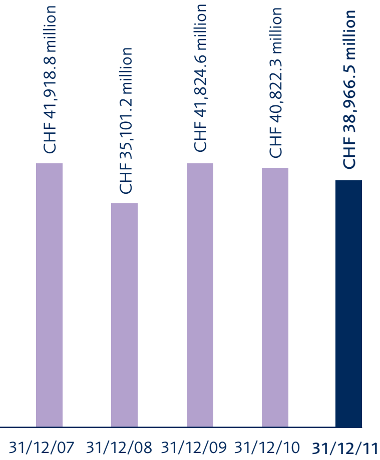
Key figures of VP Bank Group



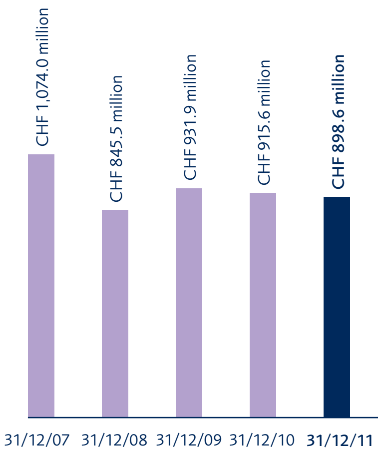
Total assets



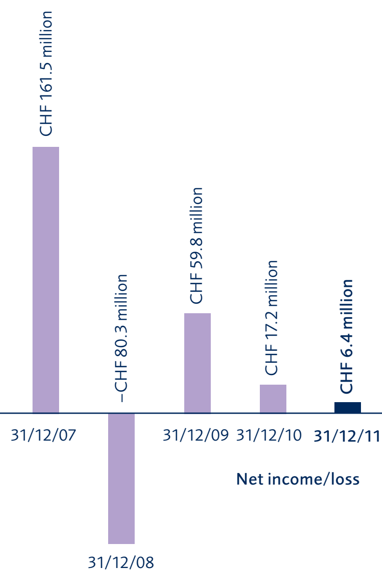
Total net operating income



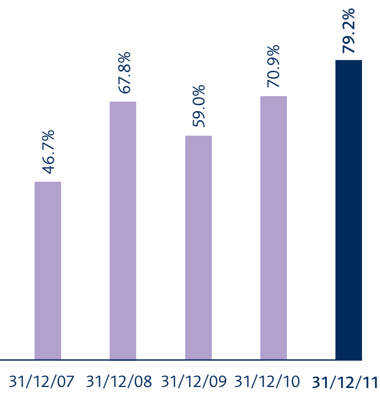
Client assets



Total shareholders' equity



Net income/loss



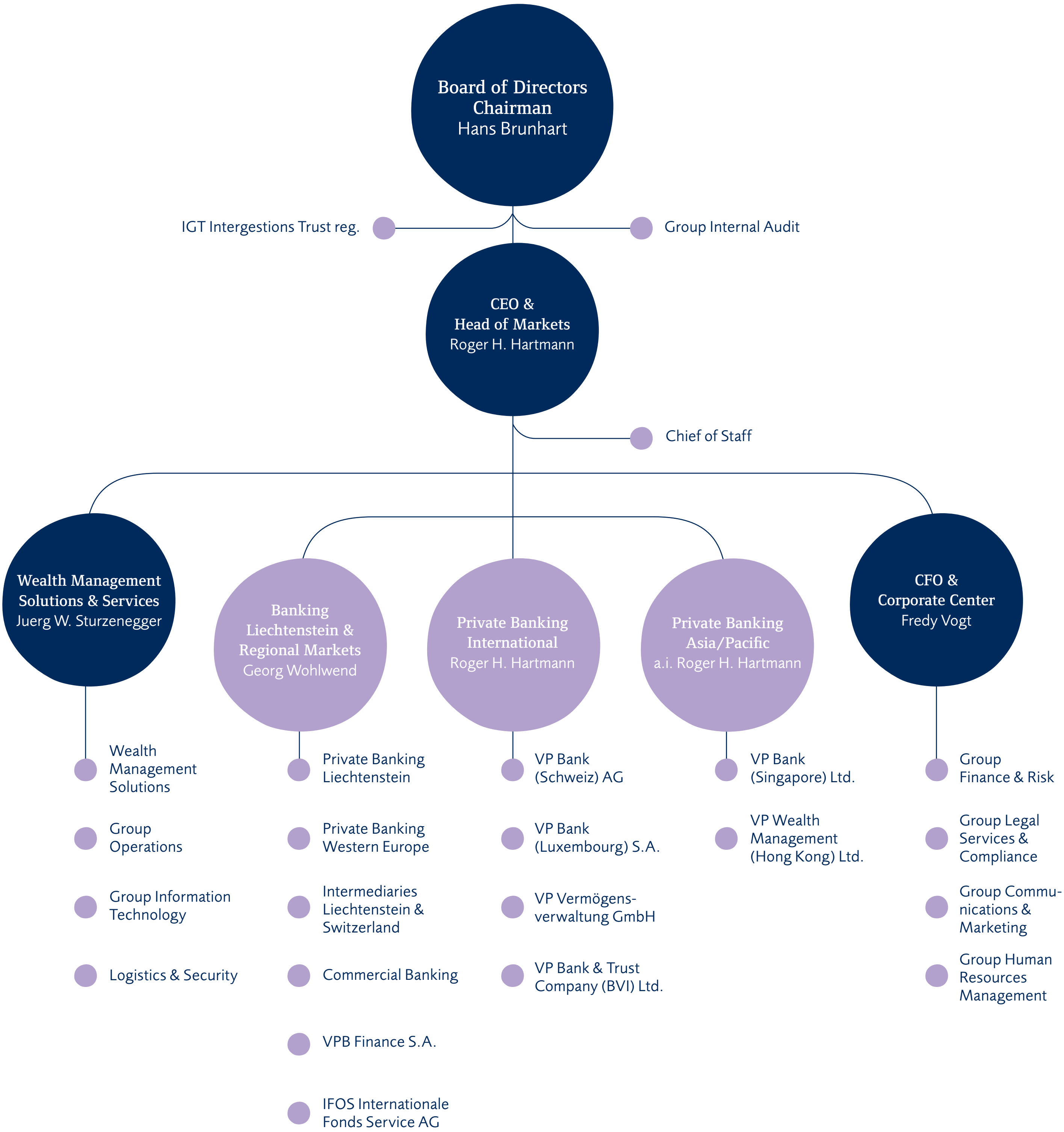
Cost/income ratio

Key figures of VP Bank Group

	2011	2010	Variance in %
Key balance sheet data in CHF million[1]			
Total assets	10,742.1	10,591.5	1.4
Due from banks	5,143.9	5,622.8	–8.5
Due from customers	3,851.1	3,266.9	17.9
Due to customers	8,692.5	8,707.2	–0.2
Total shareholders' equity	898.6	915.6	–1.9
Shareholders' equity, attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	879.6	897.8	–2.0
Equity ratio (in %)	8.2	8.5	–3.4
Tier 1 ratio (in %)[2]	18.2	19.0	–4.2
Key income statement data in CHF million			
Total net operating income	224.5	253.2	–11.4
Interest income	66.6	74.5	–10.6
Income from commission business and services	121.9	133.0	–8.3
Income from trading activities	29.4	45.9	–36.0
Operating expenses	177.7	179.5	–1.0
Net income	6.4	17.2	–62.9
Net income attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	4.3	15.1	–71.3
Client assets in CHF million[2]	**38,966.5**	**40,822.3**	**–4.5**
On-balance-sheet customer deposits (excluding custody assets)	9,028.4	9,288.1	–2.8
Fiduciary deposits (excluding custody assets)	696.6	580.3	20.0
Client securities accounts	17,703.8	18,357.7	–3.6
Custody assets	11,537.7	12,596.2	–8.4
Net new money	994.5	75.9	n.a.
Key operating indicators			
Ratio of foreign assets (in %)	47.3	49.6	–4.5
Return on equity (in %)[1, 3]	0.5	1.7	–71.1
Cost/income ratio (in %)[4]	79.2	70.9	11.7
Headcount (expressed as full-time equivalents, excluding trainees)[5]	737.8	727.2	1.5
Total net operating income per employee in CHF 1,000	304.2	348.2	–12.6
Total operating expenses per employee in CHF 1,000	240.9	246.9	–2.4
Net income per employee in CHF 1,000	5.9	20.7	–71.7
Key indicators related to shares of VP Bank in CHF[1]			
Net income per bearer share[6]	0.75	2.62	–71.3
Net income per registered share[6]	0.08	0.26	–71.3
Dividend per bearer share	1.50[7]	3.50	–57.1
Dividend per registered share	0.15[7]	0.35	–57.1
Dividend yield (in %)	1.8	3.0	–40.7
Payout ratio (in %)	199.5	133.7	n.a.
Total shareholders' return on bearer shares (in %)	–24.7	17.5	n.a.
Shareholders' equity per bearer share on the balance sheet date	153.06	156.21	–2.0
Shareholders' equity per registered share on the balance sheet date	14.97	15.25	–1.8
Quoted price per bearer share	83.00	114.80	–27.7
Quoted price per registered share	7.25	10.50	–31.0
Highest quoted price per bearer share	119.00	142.50	–16.5
Lowest quoted price per bearer share	74.00	98.00	–24.5
Market capitalisation (in CHF million)[8]	485	673	–28.0
Price/earnings ratio per bearer share	110.36	43.85	n.a.
Price/earnings ratio per registered share	96.40	40.11	n.a.
Rating Standard & Poor's	A–/Stable/A–2	A–/Stable/A–2	

1 The reported key data and operating indicators are computed and reported on the basis of the share of the net profit 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 per cent of equivalent full-time employees.
6 Based on the weighted average number of shares (bearer) (note 11).
7 Subject to approval by the annual general meeting.
8 Including registered shares.

The organisational structure of VP Bank Group



VP Bank, Vaduz, head office

Segment	Area	Head
Board of Directors	Group Internal Audit	Nikolaus Blöchlinger
Chief Executive Officer & Head of Markets	Chief of Staff	Armin Lauer
Chief Financial Officer	Group Finance & Risk Group Legal Services & Compliance Group Communications & Marketing Group Human Resources Management	Siegbert Näscher Monika Vicandi Tanja Muster Dr Karl Walch
Banking Liechtenstein & Regional Markets	Private Banking Clients Liechtenstein Private Banking Clients Western Europe Commercial Banking Clients Intermediaries Liechtenstein & Switzerland	Werner Wessner Martin Engler Rolf Jermann Günther Kaufmann
Wealth Management Solutions & Services	Group Information Technology Group Operations Logistics & Security Wealth Management Solutions	Dr Andreas Benz Andreas Zimmerli Lorenz Kindle Tobias Kaeser

Subsidiaries with bank status

Company	Country	City	Head
Verwaltungs- und Privat-Bank Aktiengesellschaft	Liechtenstein	Vaduz	Roger H. Hartmann, Fredy Vogt, Juerg W. Sturzenegger
VP Bank (Schweiz) AG	Switzerland	Zurich	Dr Marcel Tschanz, Katharina Vogt-Schädler, Jürg Moll, Marc Wallach, Tobias Kaeser
VP Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	Yves de Vos, Romain Moebus, Marco Predetti
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 (Hong Kong) Ltd.	China	Hong Kong	Clare Lam

Fund management companies

Company	Country	City	Head
IFOS Internationale Fonds Service Aktiengesellschaft	Liechtenstein	Vaduz	Alexander Boss, Sothearith Kol
VPB Finance S.A.	Luxembourg	Luxembourg	Enrico Mela, Joachim Kuske, Jos Wautraets
ATU Fund Administrators (BVI) Limited	British Virigin Islands	Tortola	Dr Christoph Gutmann

Trust companies

Company	Country	City	Head
IGT Intergestions Trust reg.	Liechtenstein	Vaduz	Viktor Büchel
ATU General Trust (BVI) Limited	British Virgin Islands	Tortola	Dr Christoph Gutmann
ATU General Trust (Anguilla) Inc.	Anguilla	The Valley	Dr Christoph Gutmann

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

VP Bank Group

Verwaltungs- und Privat-Bank Aktiengesellschaft is a bank domiciled in Liechtenstein and is subject to the Finanzmarktaufsicht Liechtenstein (FMA), Landstrasse 109, Postfach 279, LI-9490 Vaduz, www.fma-li.li

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