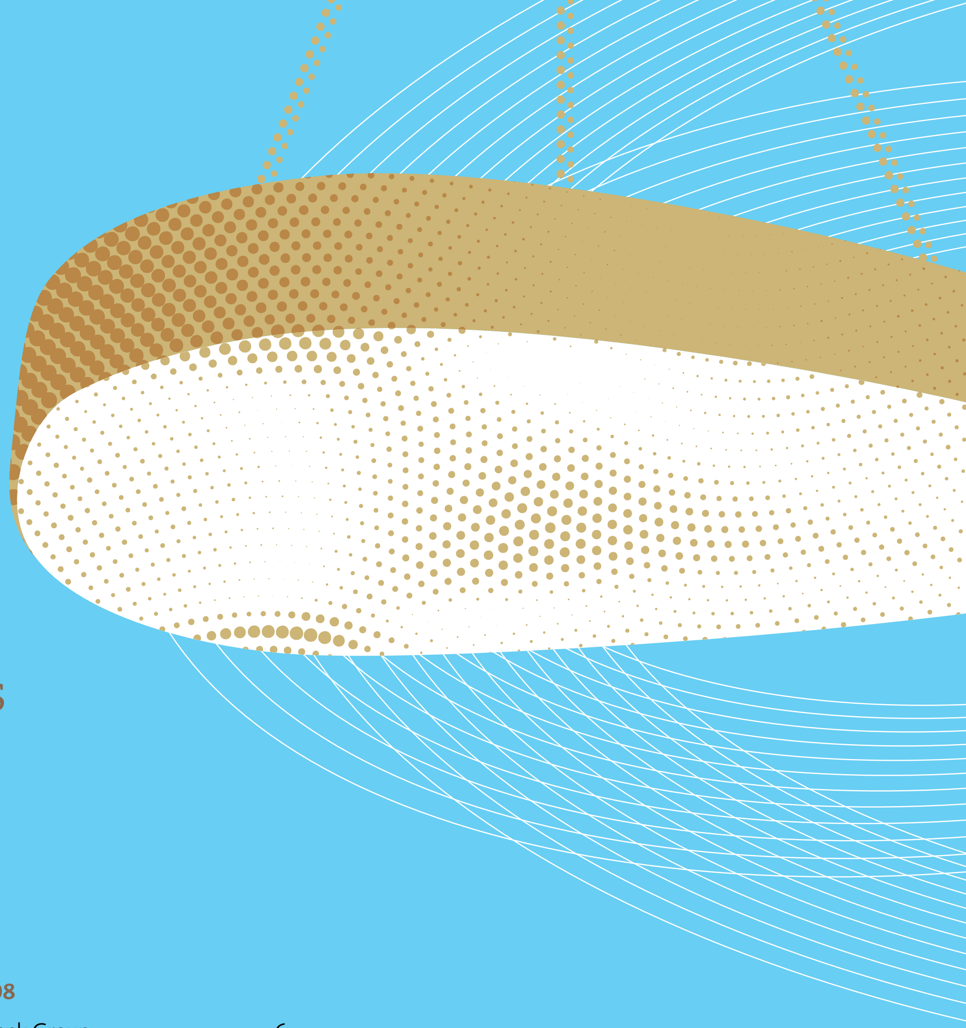
Annual Report 2008



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

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7. Financial Report Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

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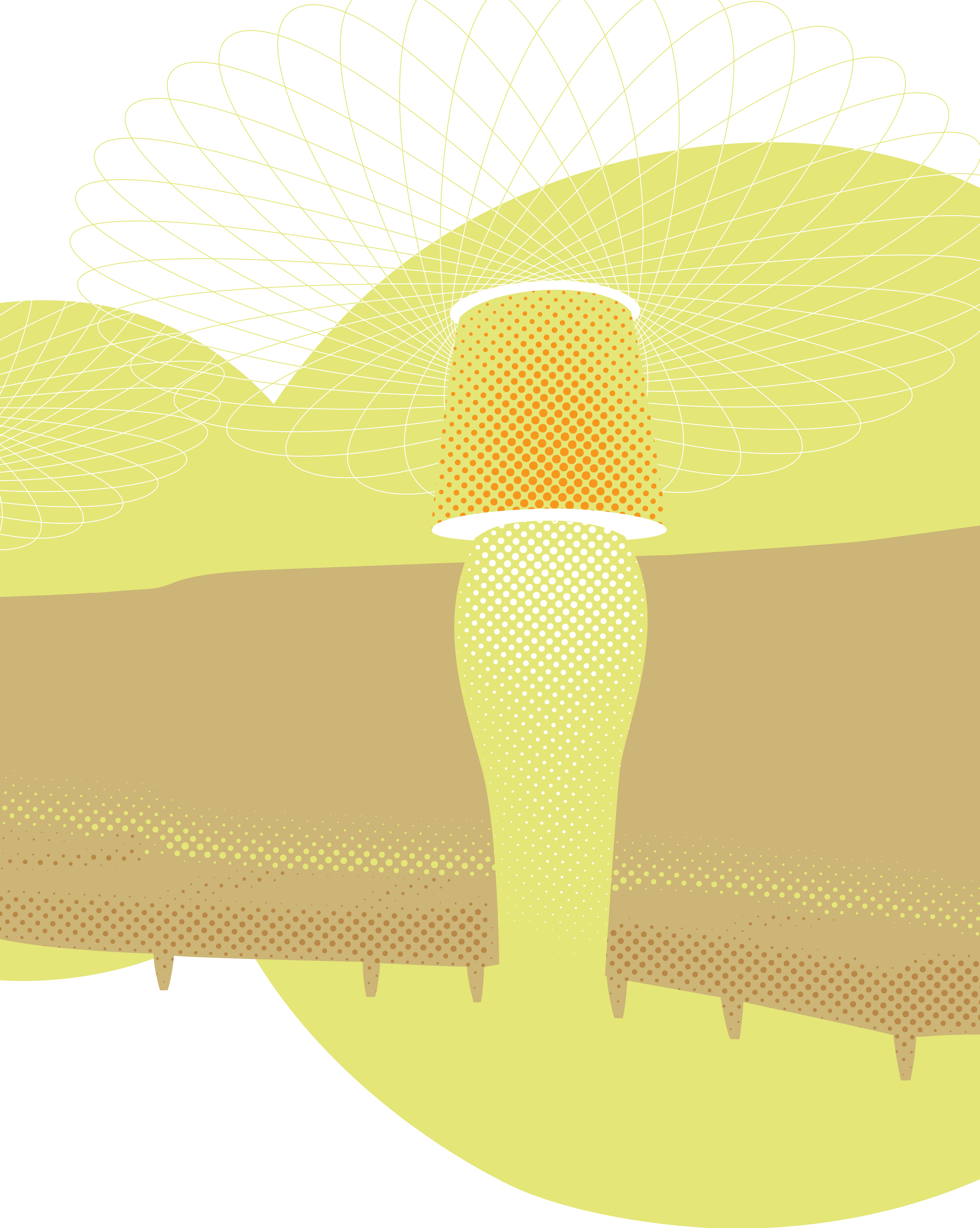
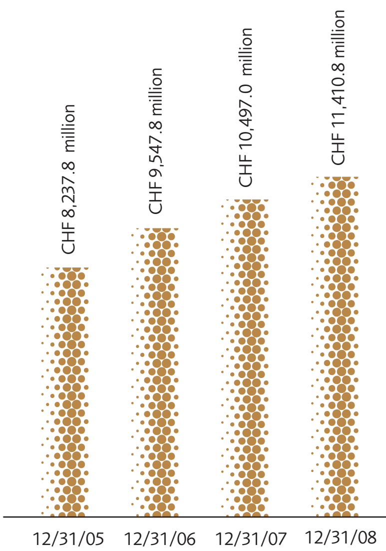
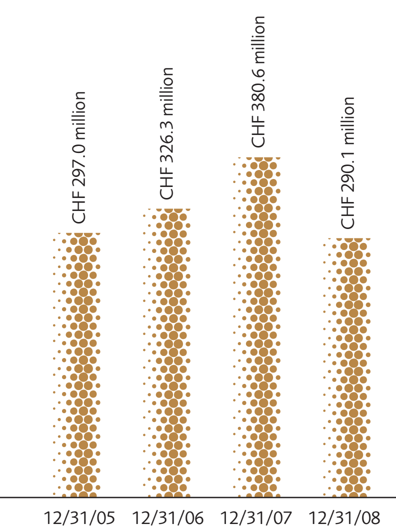
Financial Year 2008



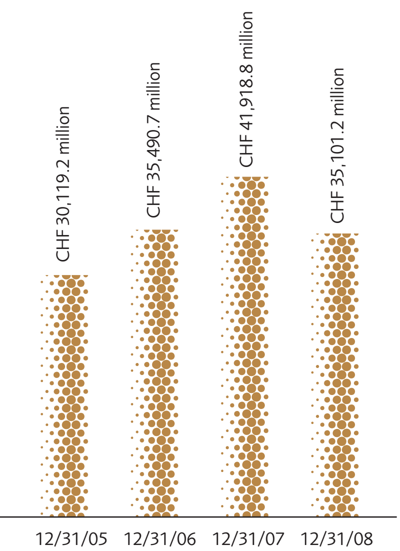
Key figures of VP Bank Group



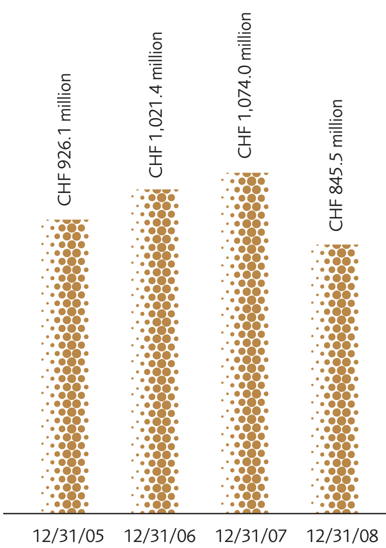
Total assets



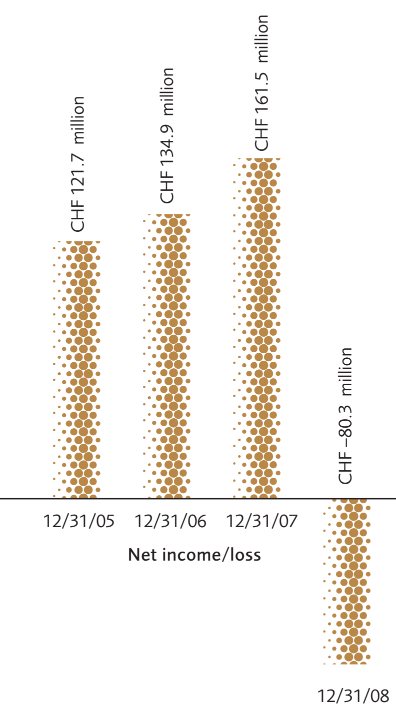
Total net operating income



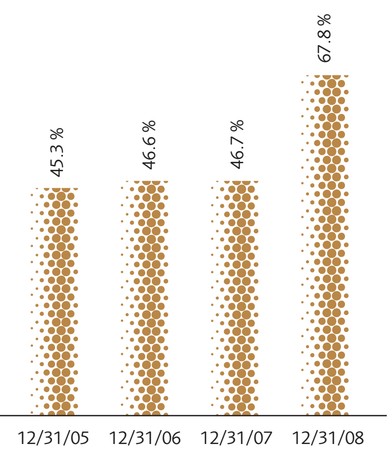
Client assets



Total shareholders' equity



Net income/loss



Cost/income ratio

Key figures of VP Bank Group

	2008	2007	Variance in %
Key balance sheet data in CHF million [1]			
Total assets	11,410.8	10,497.0	8.7
Due from banks	7,024.0	6,069.4	15.7
Due from customers	2,985.2	3,014.5	–1.0
Due to customers	9,594.0	8,561.4	12.1
Total shareholders' equity	845.5	1,074.0	–21.3
Shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	828.2	1,057.0	–21.7
Equity ratio (in %)	7.3	10.1	–27.9
Tier 1 ratio (in %) [2]	13.6	16.0	–14.9
Key income statement data in CHF million			
Total net operating income	290.1	380.6	–23.8
Income from interest-differential business	148.5	142.0	4.6
Income from commission business and service	151.8	175.2	–13.3
Income from trading activities	30.3	25.1	21.0
Operating expenses	196.7	177.8	10.6
Net loss/income	–80.3	161.5	–149.7
Net loss/income attributable to shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	–83.2	157.8	–152.8
Client assets in CHF million [3]	35,101.2	41,918.8	–16.3
On-balance-sheet customer deposits (excluding custody assets)	10,131.9	9,117.3	11.1
Fiduciary deposits (excluding custody assets)	2,117.5	3,578.2	–40.8
Client securities accounts	16,269.5	25,540.4	–36.3
Custody assets	6,582.3	3,682.9	78.7
Net new money	–1,261.2	3,026.0	–141.7
Key operating indicators			
Ratio of foreign assets (in %)	65.3	61.7	5.9
Return on equity (in %) [1, 4]	n.a.	15.8	n.a.
Cost/income ratio (in %) [5]	67.8	46.7	45.1
Headcount (expressed as full-time equivalents, excluding trainees) [6]	775.7	681.4	13.8
Total net operating income per employee in CHF 1,000	374.0	558.5	–33.0
Total operating expense per employee in CHF 1,000	253.6	261.0	–2.8
Net loss/income per employee in CHF 1,000	–107.3	231.6	–146.3
Key indicators related to shares of VP Bank in CHF [1, 6]			
Net loss/income per bearer share [7]	–14.32	26.78	–153.5
Net loss/income per registered share [7]	–1.43	2.68	–153.5
Dividend per bearer share	2.50 [8]	11.00	–77.3
Dividend per registered share	0.25 [8]	1.10	–77.3
Dividend yield (in %)	1.8	3.9	–54.5
Pay-out ratio (in %)	n.a.	41.2	n.a.
Total shareholders' return on bearer shares (in %)	–46.1	–10.7	n.a.
Shareholders' equity per bearer share	144.13	180.06	–20.0
Shareholders' equity per registered share	14.02	17.90	–21.6
Quoted price per bearer share	140.10	280.25	–50.0
Price per registered share	13.50	26.00	–48.1
Highest quoted price per bearer share	279.50	337.00	–17.1
Lowest quoted price per bearer share	135.10	265.00	–49.0
Capitalization (in CHF million) [9]	829	1,658	–50.0
Price-earnings ratio per bearer share	n.a.	10.47	n.a.
Price-earnings ratio per registered share	n.a.	9.71	n.a.
Rating Standard & Poor's	A/Negative/A-1	A/Stable/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 In accordance with Basel I in respect of 2007, and Basel II in respect of 2008.
3 Details in the notes to the consolidated income statement and consolidated balance sheet.
4 Net income / average shareholders' equity less dividend.
5 Total operating expense / total net operating income.
6 In accordance with legal requirements, trainees are to be included in headcount statistics as 50 percent of equivalent full-time employees.
7 Based on the weighted average number of shares (bearer) (note 10).
8 Subject to approval by the Annual General Meeting.
9 Including registered shares.

Hans Brunhart
Chairman of the Board of Directors

Dear Shareholders,
Ladies and Gentlemen

Regrettably, VP Bank Group must look back on a difficult 2008 financial year. The conditions particularly in the financial markets and global economy have changed dramatically. These developments are reflected mainly in VP Bank Group's consolidated financial statements due to the need to make valuation adjustments and to other one-time factors, but to a significantly lesser degree in the Bank's operating results.

In the past year, VP Bank recorded a sizeable decline in consolidated net income. The Group's financial statements, which were prepared in accordance with International Financial Reporting Standards, show a loss (including minority interests) of CHF 80.3 million. The causes for this lie primarily in the valuation allowances on the Bank's own financial investments in the amount of CHF 171.9 million due to the financial market crisis; of that total, CHF 116.6 million was charged directly to the income statement, of which CHF 62.6 million for valuation allowances, and CHF 55.3 million to the sharholders' equity of VP Bank Group.

However, the operative business at the gross income level excluding other income was only slightly lower on a year-over-year basis (–3 percent).

The Group's voluntary action to hold investors in the VP Bank Cash & Money Market funds harmless also exerted a significant negative influence on the bottom line. As a result of the financial market crisis, the quality and security of various investments were impaired and today no longer correspond to the goals of the Bank and the funds' investors. For that reason, VP Bank decided to take a portion of those securities into its own financial investments account at book value and inject the countervalue into the liquidity of the VP Bank Cash and Money Market funds. The result was a further charge to the 2008 annual financial statements in the amount of CHF 68.1 million.

The interest-differential business contributed CHF 148.5 million (+4.6 percent) to operating income, the commission and services business CHF 151.8 million (–13.3 percent), and trading activities CHF 30.3 million (+21.0 percent). Given the general circumstances, these income figures have to be considered gratifying. They contrast with operating expenses that totaled CHF 196.7 million (+10.6 percent), an increase that was anticipated and is attributable among other things to the realization of large-scale projects relating to the Bank's market expansion and introduction of the Avaloq banking software system.

It was not possible to keep the cost/income ratio at the low levels seen in recent years. It rose to 67.8 percent, however VP Bank aims to bring the ratio back to roughly 50 percent over the longer term. The tier 1 ratio declined from 16.0 to 13.6 percent due to the consolidated loss, but in comparative terms it is still at a very high level. Shareholders' equity at the end of 2008 stood at CHF 845.5 million, while total assets rose from CHF 10.5 billion (December 31, 2007) to CHF 11.4 billion as of the balance sheet date.

Due to the negative developments in the financial markets, client assets under management decreased to CHF 28.5 billion (–25.4 percent). Contributing most to that drop were price declines in the equity markets and a weakening of the major currencies versus the Swiss franc. In total, VP Bank Group experienced a net money outflow of CHF 1.3 billion in 2008, whereby CHF 0.5 billion of that outflow is attributable to double counts in the funds area.

Enter. Welcome to VP Bank.
Please feel free to discover the world of private banking.

Dividend proposal

At the Annual General Meeting on April 24, 2009, the Board of Directors will propose a dividend of CHF 2.50 per bearer shares and CHF 0.25 per registered share (previous year: CHF 11.0 per bearer share; CHF 1.10 per registered share). This proposal is in keeping with the goal of maintaining continuity in dividend distributions but is also a reflection of the VP Bank Group's operating results.

General circumstances

The negative developments in the financial markets and global economy have led to state intervention of a magnitude never seen before. Moreover, traditional offshore financial centers such as Liechtenstein and Switzerland were faced with specific challenges.

In its strategy, VP Bank has adapted to the changing circumstances. It has expanded its activities in new markets and supports the policy of the Liechtenstein government in terms of cooperating in tax-related matters because the Bank is of the opinion that, by doing so, the legitimate and inviolable interests of the Liechtenstein financial center can be protected the best. Within its sphere of influence, VP Bank will continue to give priority to safeguarding the privacy of its clients. Nonetheless, it must take into account the changed legal circumstances in the countries of domicile of its clients in terms of client advice and asset management.

Focal points

During the past year, our business model was also subject to a "stress test" – and it held up well at the operating level. VP Bank has a balanced diversity on the revenue side and is flexible enough to adapt the expense side to the given requirements. 2008 was an unusual year in terms of expenses. As planned, the continued penetration of new markets, in particular the establishment of the new bank in Singapore, represented a considerable cost factor. Also, additional outlays in connection with the introduction of the Avaloq banking software system had an impact on the figures. Both projects are investments in the future – on one hand in terms of new client acquisition and, on other, with the aim of gaining synergies and improving the quality of the Bank's services.
However, VP Bank's focal points are not merely limited to "size" and large-scale projects, but also to the principles that underpin its business activities. For example, the Business Excellence project continued its efforts in the area of quality enhancement. Targeted steps were taken in terms of heightening the qualifications of employees for the betterment of clients. The Board of Directors and Group Executive Management have adopted a "Code of Conduct" that defines the rules of comportment applicable both to the company as a whole and its employees in particular. We are convinced that, especially in times of difficult market circumstances, we offer our clients a trust-based range of services that relies heavily on the competence of our employees.

Adolf E. Real
Chief Executive Officer

Outlook

2009 will also be a difficult year. The downward spiral in the financial markets and global economy has apparently not yet drawn to a close. That fact will bring new and added challenges for the Bank.
It can be assumed that 2009 will witness important decisions in terms of the Liechtenstein financial center's status quo. Following the conclusion of relevant agreements with the USA, the negotiation of the Anti-Fraud Agreement with the EU, and based on contacts with the OECD, the facts are clear and do not differ significantly from those that could have been expected for quite some time now. Thanks to its geographical and service-related diversification, VP Bank Group is well positioned to master these challenges successfully. It is not surprised by these developments; rather, it already made strategic decisions that take the changing circumstances into account. That being said, tremendous efforts will be required in order to adapt further to the new conditions and the related requirements.
The cost side represents another significant challenge, inasmuch as revenue flows are uncertain due to the financial market crisis and general economic developments. In effort to continue to have a healthy cost/income ratio, VP Bank introduced already in 2008 measures aimed at achieving significant expense reductions in 2009. Moreover, the introduction of the new banking software system should lead to synergies and lower costs; however, a certain lag time has to be taken into account.

The Bank's stability represents the key goal of the Board of Directors and Group Executive Management – this in the best interest of its clients, shareholders and employees. Even under challenging circumstances, that goal will not change. On the contrary, it gains in importance.

A word of gratitude

During the year under review, two previous long-time members of the Board of Directors passed away. Both contributed enormously to the positive development of VP Bank, and we would like to take this occasion to express our sincere thanks. Olaf Walser, who for years was Vice Chairman and represented the Bank's major shareholder on the Board of Directors, shaped our institution since its very start both through his entrepreneurial vision and socially sensitive attitude, thereby standing as a lasting role model for VP Bank – a truly significant part of his impressive lifetime achievements. Princely Justice Counselor Dr. Gerard Batliner, thanks to his expertise in legal and political matters, contributed significantly to the assessment of the circumstances in an international context.

And in the face of the aforementioned difficult conditions, the employees of the VP Bank Group performed outstandingly in 2008, as is evidenced by our operating results. For that, we would like to thank all of the Group's employees for their tremendous commitment and faithful identity with goals of the company.

Above all, we thank our clients for their loyalty trust and gratifying collaboration. But particular thanks go to you, our valued shareholders, for your abiding support and the trust you have in our work. Combined with our clients' trust and employees' commitment, those factors represent the very foundation of VP Bank Group's ability to flourish in the future.

Hans Brunhart
Chairman of the Board of Directors

Adolf E. Real
Chief Executive Officer

Structure of VP Bank Group

Board of Directors
Hans Brunhart

Group Internal Audit
Nikolaus Blöchlinger

Chief Executive Officer
Adolf E. Real

Chief Financial Officer
Fredy Vogt

Private Banking Clients
Ernst Näf

Intermediaries
Georg Wohlwend

Banking Services
Gerhard Häring

Private Banking Clients

- **Private Banking Clients Liechtenstein**
  Werner Wessner
- **Private Banking Clients Western Europe**
  Martin Engler
- **Private Banking Clients Switzerland Central & Eastern Europe**
  Jürg Moll
- **Private Banking Clients Overseas**
  Patrick A. Wild
- **Credit & Product Management**
  André Pahud
- **Wealth Management Solutions**
  Juerg W. Sturzenegger

Intermediaries

- **Intermediaries Liechtenstein & Switzerland**
  Günther Kaufmann
- **Intermediaries Europe**
  Yves de Vos
- **Fund Solutions**
  Georg Wohlwend
- **VP Bank & Trust Company (BVI) Ltd.**
  Dr. Peter Reichenstein

Banking Services

- **Group Quality Management**
  Martin Brander
- **Information Technology**
  Sönke B. Vetsch
- **Operations**
  Andreas Zimmerli
- **Logistics & Security**
  Lorenz Kindle
- **Banking Services Zurich**
  Daniel Hug
- **Banking Services Luxembourg**
  Paul Harr
- **Banking Services Singapore**
  Reto Isenring

Corporate Center

- **Corporate Development**
  Martin Matt
- **Corporate Communications**
  Tanja Gartmann
- **Group Marketing**
  Thomas Weidmann
- **Group Finance**
  George M. Isliker
- **Group Risk Management**
  Dr. Hans-Fredo List
- **Group Legal Services**
  Thomas Ritter
- **Group Compliance**
  Max Widmer
- **Group Human Resources Management**
  Dr. Karl Walch

Parent bank

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

Subsidiaries with bank status

Company	Country	City	Head
Verwaltungs- und Privat-Bank Aktiengesellschaft	Liechtenstein	Vaduz	Adolf E. Real, Fredy Vogt, Georg Wohlwend, Ernst Näf, Gerhard Häring
VP Bank (Schweiz) AG	Switzerland	Zurich	Jürg Moll, Daniel Hug, Patrick A. Wild, Juerg W. Sturzenegger
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	Winston Yuen

VP Bank shares

Economic environment

The economic data for markets of relevance to VP Bank deteriorated continually during 2008. After having registered a modest rate of growth in the first half of the year, the USA witnessed a breakdown in commercial activity caused by falling real estate prices, banks' restrictive lending practices and reticence in terms of private spending. Due not least to a deteriorating labor market, US consumer confidence economic developments is at its lowest level in decades.
In the euro zone, all signs pointed toward recession: industrial output and GDP growth have been losing steam since 2006, and this trend persisted through the end of reporting period.
Once again, Switzerland recorded a higher pace of growth than the EU and USA, whereby the dynamic eased. By late fall, the financial crisis had also taken hold in Switzerland, where a recession is also anticipated in 2009.
In 2008, the emerging and developing markets continued to grow and were the only significant contributors to global economic growth.

Equity markets

2008 was one of the most difficult years ever for the world's stock markets, with some indices losing up to 50 percent of their value. The downward trend commenced in 2007 and accelerated in 2008.
During the past financial year, the equity markets have not only lost value in absolute terms – their corrections have also exceeded the average of those that accompanied previous recessions. Subprime-related losses, high oil prices and inflation risks were supplanted during the course of the year by the banking crisis and fears of recession.
2008 will go down in the history books as one of the worst years for US stocks since 1931, and European equity markets performed even worse than Wall Street in 2008. Germany's DAX index lost more than 40 percent in 2008, the second poorest performance in its history. The EU states and America have slid into deep recessions. In the second half of the year, European governments launched rescue packages for financial institutions.
For quite some time now, the Swiss equity market has outperformed its European counterparts, but still lost 34 percent of its value during the course of the year.

The shares of VP Bank

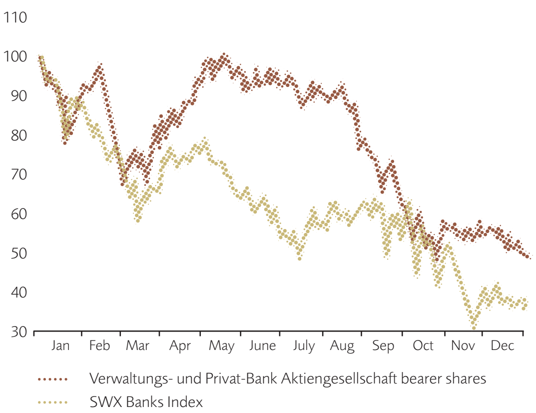
With its 5,314,347 bearer shares, VP Bank has been listed on Switzerland's stock exchange (today known as SIX Swiss Exchange) since 1983. As at december 31, 2008, those shares represented a total market capitalization of CHF 829 million.
Triggered by the credit crunch, the loss of investor confidence in financial institutions led to a plunge in the share prices of those companies. VP Bank shares were not spared in this regard.
In line with the general decline during the past financial year, the price of VP Bank shares was in the grip of a downward trend. Compared to the 2008 opening price of CHF 271.00 and year-end close at CHF 140.10, however, it outperformed the SIX Swiss Exchange's SWX Banks Index. The high for the year was reached on May 16, 2008 at CHF 279.50, and the low recorded on October 28, 2008 at CHF 135.10.

Investor relations

The goal of VP Bank's investor relations efforts is to foster an open, ongoing dialogue with shareholders and other capital market participants by providing them with a true and fair view of VP Bank Group while also informing the interested public in a timely manner about the latest corporate developments.
The tasks involved in this investor relations work include conducting discussions with analysts and investors, disclosing ad hoc information regarding business situations of relevance under securities law, producing the company's annual and semiannual reports, as well as organizing the Annual General Meeting of shareholders. As was the case in the pre-

vious years, the Investor Relations department supplemented those activities in 2008 by means of international roadshows and press conferences.
In Switzerland's largest assessment of corporate annual reports, VP Bank's 2007 annual report – among those of the 129 participants – was ranked in first place in the Design category and eighth place in the Value Reporting category.
The regular disclosure of these up-to-date developments serves to enhance communication with institutional as well as private investors. In addition, VP Bank's newly designed website (www.vpbank.com) makes available all of the latest information concerning and generated by the Bank.
Analysts at Credit Suisse, Crédit Agricole Switzerland, Neue Zürcher Bank, Sal. Oppenheim jr. & Cie, Vontobel as well as Zurich Cantonal Bank provide research coverage on VP Bank's shares.
During the period under review, VP Bank was rated "A" by Standard & Poor's.

Price of VP Bank bearer shares vs. SWX Banks Index, Jan.–Dec.



Details of VP Bank shares	
Bearer share listed on SIX Swiss Exchange	
Amount listed	5,314,347
Free float	67.9 %
Symbol SIX	VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216
Sedol number	5968006 CH

Share-related statistics 2008	
High	CHF 279.50
Low	CHF 135.10
Year-end close	CHF 140.10
Average price	CHF 220.05
Market capitalization in million	CHF 829
Consolidated net loss per bearer share	CHF 14.32
Dividend per bearer share (proposed)	2.50
Net dividend yield in %	1.8
Rating: Standard & Poor's (12/31/08)	A (A/Negative/A-1)

For more information concerning the VP Bank shares, capital structure and shareholder base see pages 68 and 69.

Agenda 2009
Tuesday, March 10, 2009
Media and analyst conference on 2008 financial results
Friday, April 24, 2009
46^{th} ordinary General Meeting
Wednesday, April 29, 2009
Dividend payment date
Tuesday, August 25, 2009
Roundtable on semiannual results 2009

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Internet www.vpbank.com/Investors & Media

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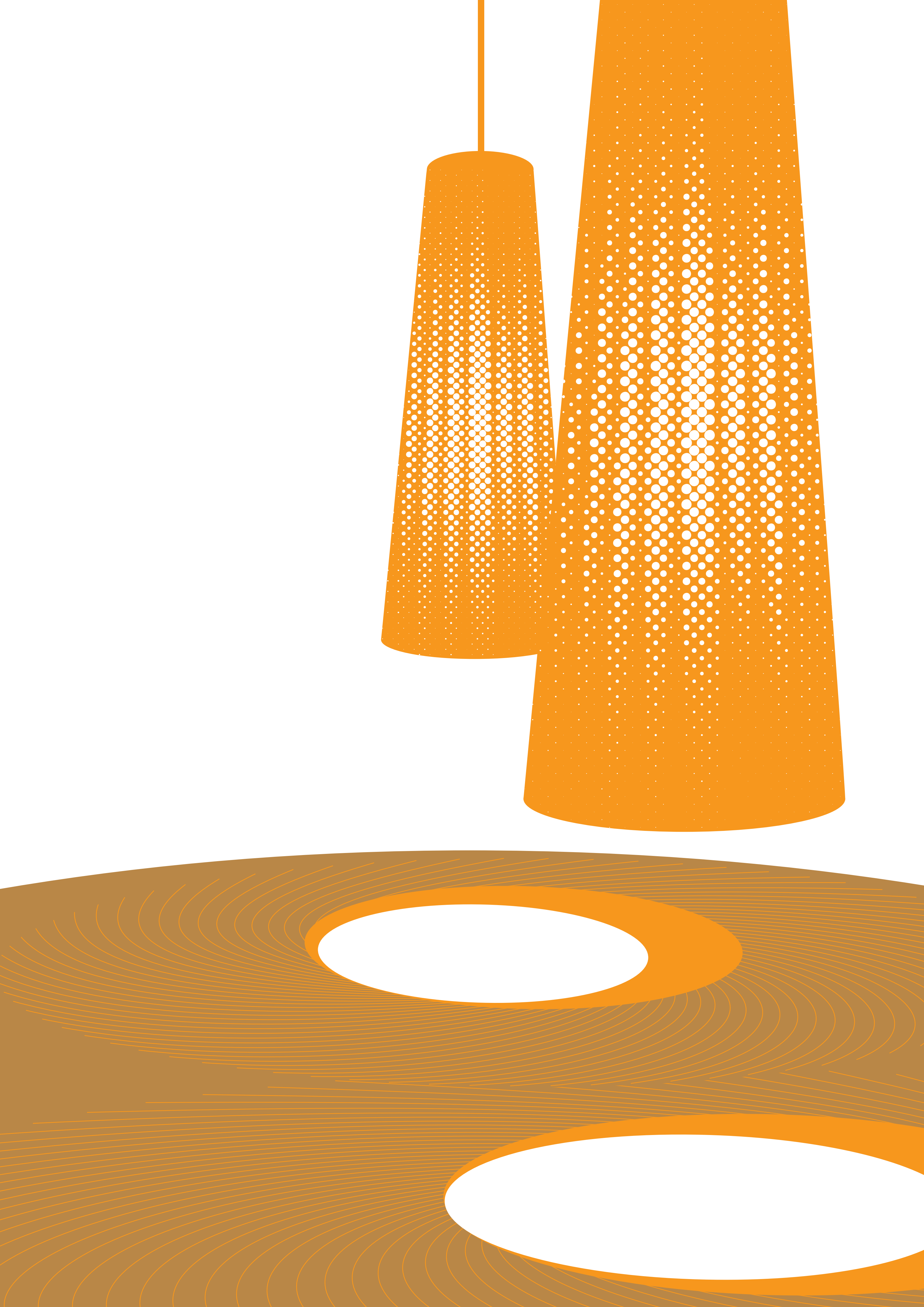
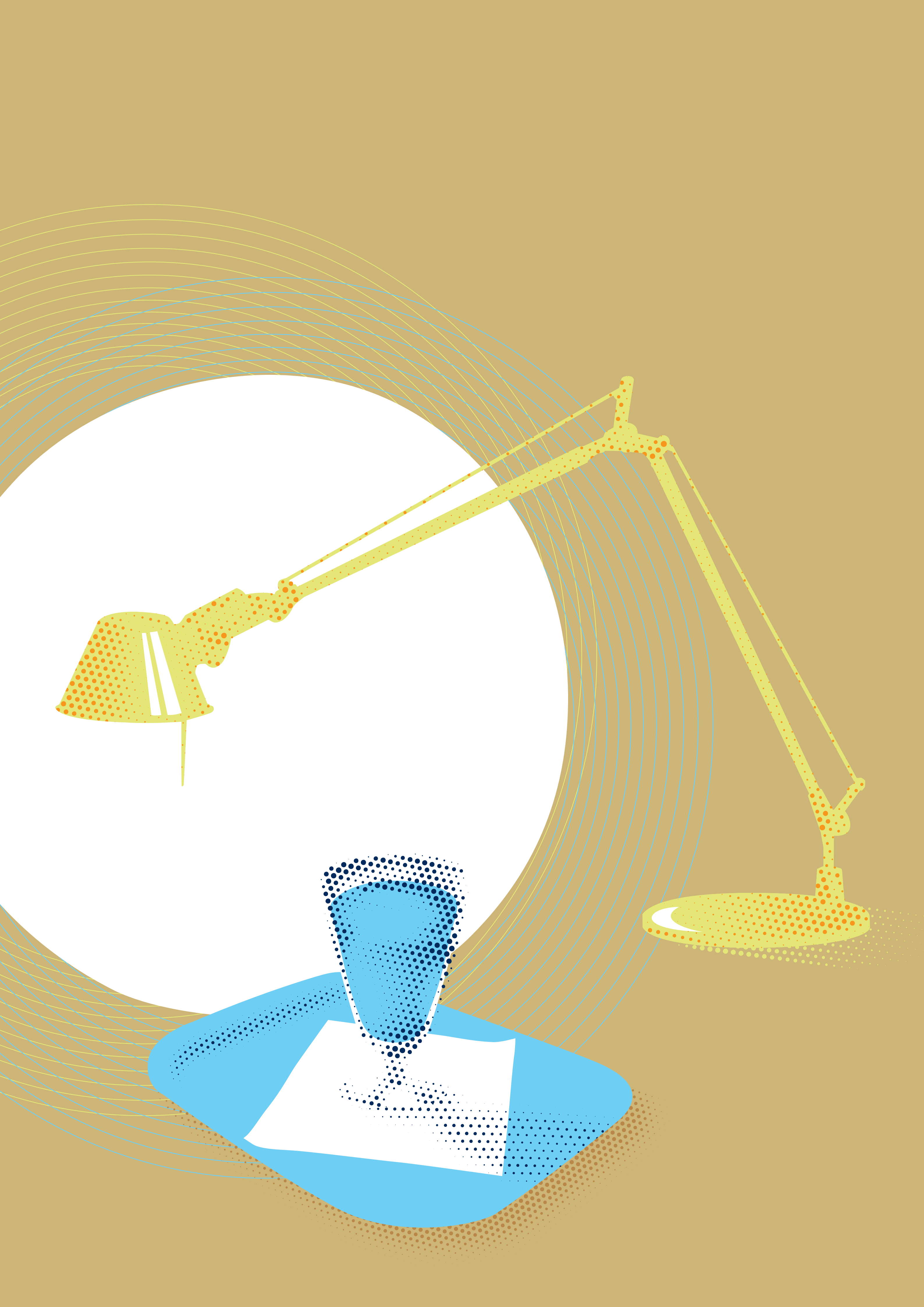
Strategy Report





Strategy Report

The macroeconomic and regulatory environment of the entire fincancial industry was shaped in 2008 by dramatic change – a trend that is likely to continue in the coming years. Various market-related factors have changed as a result of the financial market crisis: capital flows, the positioning of financial institutions, as well as the overall economic situation. Changes are also taking place in the regulatory area because politicians, regardless of national boundaries, are in agreement that the financial markets must be subjected to stricter supervision. Liechtenstein has been forced to counter a one-two punch in the turbulent months of 2008 – not only does the country have to deal with the financial market crisis, but also with the financial center crisis. Liechtenstein's economy, in which financial services companies generate almost 30 percent of the national gross domestic product, is likely to be confronted with a structural transition.

In its 2007 annual report, VP Bank introduced its strategy for the years 2008 through 2010. This three-year plan, which is continually adapted on a rolling basis, remains valid. VP Bank is convinced that, with this growth and internationalization strategy, it is in the best position to confront the highly competitive global environment. The Bank considers this strategy to be the most suitable way of realizing its vision: to be one of the best private banks. Given the crisis in the financial markets and the uncertainties surrounding the future of the financial center as such, it is currently unrealistic to think that these goals can be achieved within that three-year time frame. But by maintaining its financial goals, VP Bank wishes to signal that it has confidence in its strategy, that its business model is sufficiently robust to be successful even in an adverse business environment, that its positioning will be resolutely driven forward, and that there is a sincere desire to achieve a solid performance for all of its stakeholders.

In parallel with its medium-term strategy, VP Bank has developed its long-term "Corporate Strategy 2018" during the past financial year. While the 2008–2010 strategy focuses on the private clients business, the strategy through 2018 places emphasis on the intermediaries business as an independent, equally important business unit. The initial steps for implementing this Group-wide strategy were consistent with the fundamental structural reorganization that has taken place. It is VP Bank's firm conviction that the new structure (see "Segments" section, page 55.) corresponds to today's market needs.

Strategy 2018

Based on a specific market analysis, in early 2008 VP Bank identified three trends that are evolving in the financial services industry:

- The need for holistic advice and financial planning is on the rise. In addition, investors are expressing the desire to have the lion's share of their assets held "onshore", i.e. in their country of residency.
- Independent asset management will gain in significance. As a result, the intermediaries business will become a strategic growth segment for the banks.
- The global distribution of wealth is taking on new dimensions. It is characterized by a shift to new financial centers; the markets in the Middle East, Asia and Eastern Europe are likely to gain in significance.

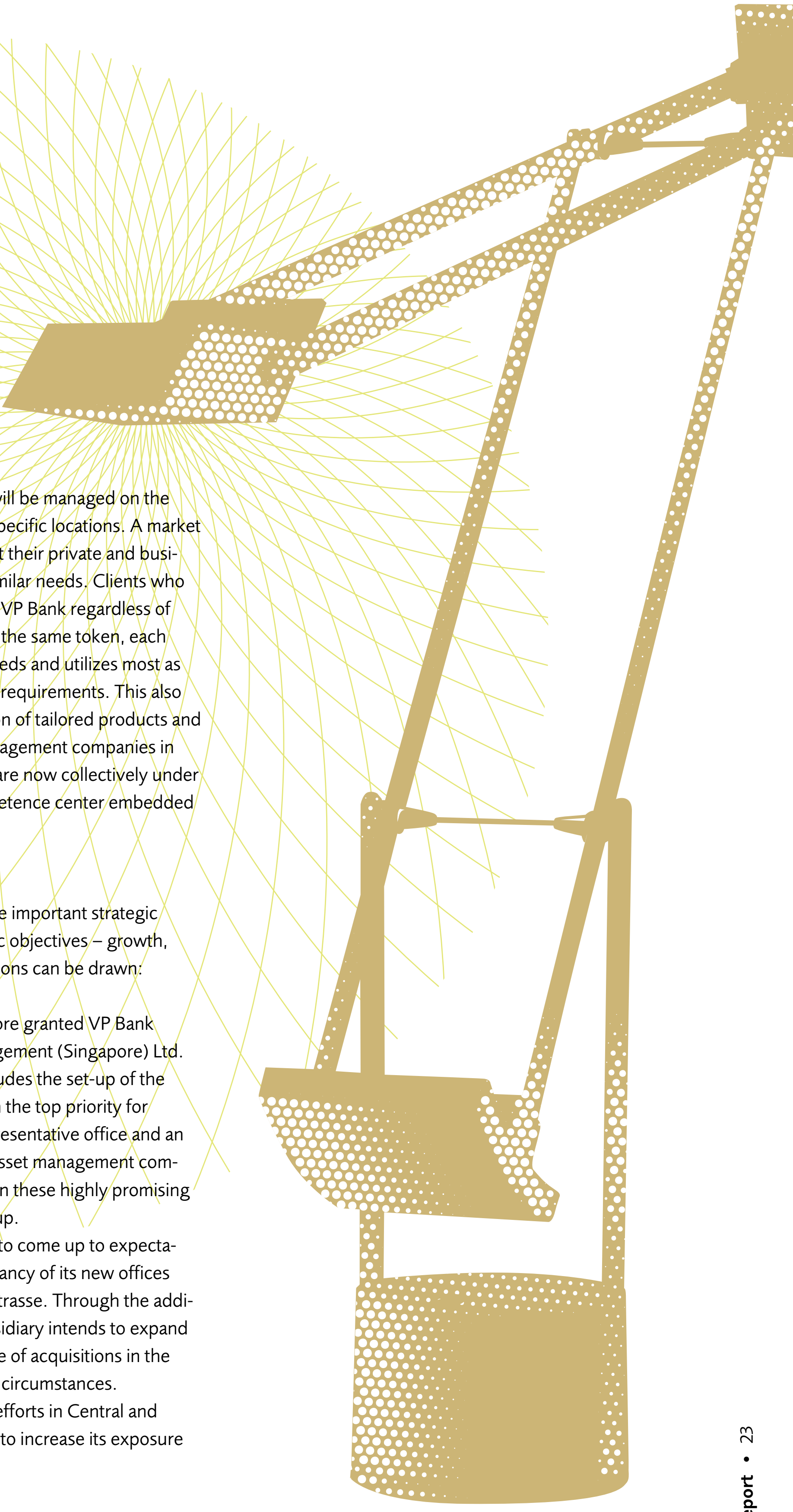
These trends confirm the strategic orientation of VP Bank in two decisive ways. Firstly, the core business of a private bank focuses on providing clients, namely high net worth individuals, with comprehensive advice and care in all financial matters, a spectrum that includes inheritance issues, succession planning, taxes and wealth structuring, but also extends to art and philanthropy.

Secondly, the Bank's move toward internationalization is mainly aimed at gaining a foothold in the Middle and Far East and thereby having the ability to establish relationships with new clients in the emerging markets.

In one aspect, the long-term strategy has to extend beyond the Bank's medium-term planning: the 2008–2010 strategy is mainly targeted at positioning in the private banking business. But a long-term concept must also take into consideration the optimal servicing of the intermediaries clientele. VP Bank has therefore decided to create two equally important business units: "Private Banking Clients" and "Intermediaries". Independent of each other, both have the goal of gaining market share and thereby translating the Group's growth strategy into reality.

This reorganization, which was concluded in the first half of 2008, aims to tailor the Bank's structures to the needs of the marketplace. Private clients and intermediaries require different services and varying forms of support. While the value proposition of the Private Banking Clients business unit centers on excellent advice and performance, that of the Intermediaries business unit promises the highest degree of professionalism in the operational handling of transactions and in the fund business.

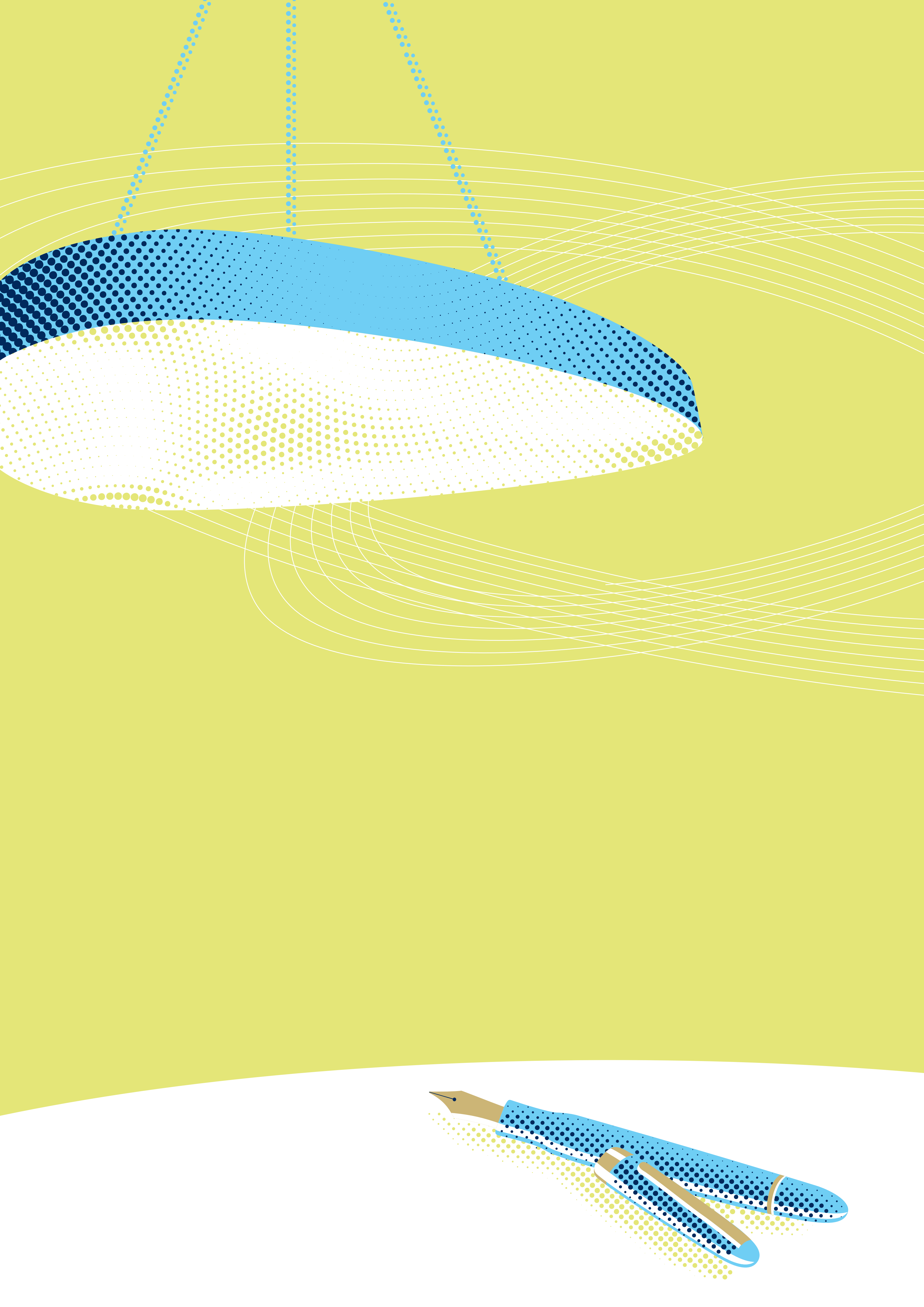
The power of light. Come along with us.
We'll enlighten you on all aspects of your financial planning.



Both of these complementary business units of VP Bank will be managed on the basis of markets rather than, as was previously the case, specific locations. A market in this regard is defined as a group of clients who go about their private and business life under the same conditions and therefore have similar needs. Clients who reside in Switzerland, for example, represent a market for VP Bank regardless of the locations where those clients are actually serviced. By the same token, each business unit assumes responsibility for the products it needs and utilizes most as well as enables product-specific innovation to meet those requirements. This also fosters closeness to the customer and drives the innovation of tailored products and services. By way of example, the three separate fund management companies in Liechtenstein, Luxembourg and the British Virgin Islands are now collectively under the "Fund Solutions" umbrella – an investment fund competence center embedded in the Intermediaries business unit.

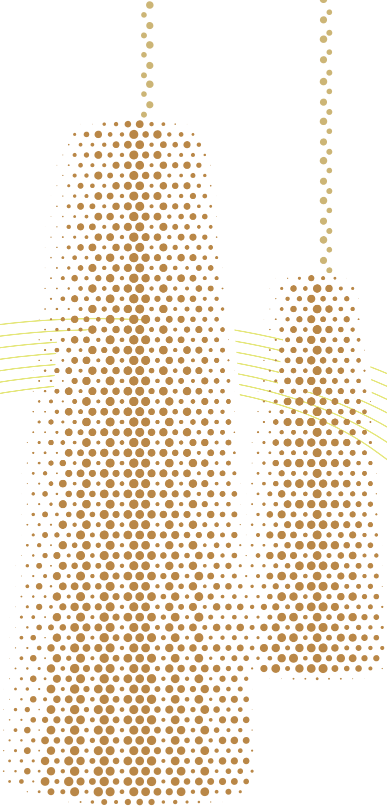
Implementation of the strategy
During the past financial year, VP Bank was able to achieve important strategic goals. Assessed on the basis of the three primary strategic objectives – growth, core competencies and efficiency – the following conclusions can be drawn:

Growth: In June 2008, the Monetary Authority of Singapore granted VP Bank Group a banking license which enabled VP Wealth Management (Singapore) Ltd. to be converted into VP Bank (Singapore) Ltd. That concludes the set-up of the Group's Middle and Far Eastern locations, which has been the top priority for VP Bank since 2005. In addition, VP Bank maintains a representative office and an asset management company in Hong Kong as well as an asset management company in Dubai. The Bank is now making every effort to turn these highly promising markets into strong revenue-generating pillars of the Group.
Expansion of the core Swiss and German markets has yet to come up to expectations. In June 2008, VP Bank (Schweiz) AG took up occupancy of its new offices in the "old stock exchange" building on Zurich's Bahnhofstrasse. Through the addition of further highly qualified employees, the Zurich subsidiary intends to expand its Swiss private client base in a targeted manner. The pace of acquisitions in the German market slowed in 2008 as a result of the changed circumstances.
VP Bank has put its plans to intensify market-penetration efforts in Central and Eastern Europe on the back burner. Nonetheless, it wants to increase its exposure to these economic regions over the longer term.



Core competencies: VP Bank perceives its core competencies to lie in four areas: client relationship management, client advice, expertise in terms of the investment process, as well as the analysis and evaluation of third-party providers and their products. By drawing a clear line of demarcation between private clients and intermediaries, VP Bank has put the pieces in place for catering even more to the specific needs of both client groups. The Bank's holistic advisory process is tailor-made for its private banking clientele. As a part of the recent reorganization, the structured investment process of VP Bank was placed in the hands of the Private Banking Clients business unit and thus is now even more specifically geared toward the needs of those customers.
VP Bank has expanded its core competencies by hiring a team of 21 specialists in the area of wealth management solutions.
On the other hand, financial intermediaries require less service in terms of advice but instead it is competent and efficient support that they rely on. The business model of the Intermediaries business unit is designed in such a way that it enables an outstanding link to those external asset managers.
A key element in this regard is the principle of "open architecture": VP Bank not only offers its clients in-house products and solution, but also those of third-party providers. As a result, the Bank can offer clients the best possible solutions, which in turn solidifies the credibility of the advice it provides.

Efficiency: The topic of efficiency embraces all of VP Bank's activities aimed at strengthening its own operative competency. For that reason, the term efficiency goes hand-in-hand with quality. And the optimization of processes must always take into account both aspects: efficiency and the enhancement of service quality.
The changeover to the new banking software package has to be viewed in this light. It was one of VP Bank's most important strategic initiatives in the 2008 financial year. The new Avaloq system was installed and tested; in parallel, the employees were trained in the use of Avaloq. In January 2009, it was introduced on schedule in Liechtenstein, Switzerland, the British Virgin Islands and Singapore. During the course of 2009, Avaloq will be implemented in Luxembourg. As a result, VP Bank will have a common IT platform at all of its global locations; this decentralized yet standardized solution will ensure that the same systems and processes are in place at all sites. A globally compatible banking software system provides the technological foundation for the expansion into new markets and supports the growth strategy of VP Bank.



Quality management

Ever since 2004, VP Bank has been implementing step-by-step the Business Excellence program, the goal of which is to implement throughout the entire organization structures and work methods to enhance both the effectiveness and quality of its operating activities. Now, after five years, VP Bank is close to achieving that goal. It has systematically redefined processes and allocated responsibilities in a clear-cut manner. Perhaps most importantly, however, it has managed to anchor an all-pervading mindset of continual improvement throughout the organization.
With this program, quality management at VP Bank has achieved highly ambitious goals. Thus within the scope of the Group's reorganization, it was possible to decommission the Business Excellence unit. Certain remaining tasks have been delegated to other departments (e.g. Corporate Development, Information Technology). In an effort to make the ongoing goal of improvement visible even from an organizational standpoint, the new Group Quality Management department was established. It bears responsibility for quality management in all areas of the VP Bank Group.
It is also responsible for resolutely continuing the Business Excellence program, an important dimension of which is the Bank's successful participation in the competition for Switzerland's ESPRIX quality award. Given the many resource-intensive expenditures on projects during the 2008 financial year, VP Bank has shifted its roadmap in this regard by one year to 2011. Nonetheless, as early as December 2007, VP Bank achieved the level of "Recognized for Excellence" with four of the five possible stars. The consequence of this level takes the form of a feedback report in which external assessors identified strengths and potential areas for improvement. The latter were weighted and assigned priorities in the past financial year.
VP Bank has integrated "improvement management" into the systematics of ISO. It has bundled the ISO certifications of individual units and today is certified under ISO 9001 for the Bank's Vaduz and Zurich locations. Moreover, VP Bank is the first bank in the German-speaking region of Europe to have its information technology certified under ISO 20000, which attests to the consistency of the Bank's IT infrastructure with its business model. Certification under the SQS 9004 quality standard was achieved at the divisional level during 2008 and now is to be combined into an overall certification. The first steps in the direction of certification under ISO 14001 (environmental management systems) and ISO 27001 (information security) were also introduced. The decisive advantage of such quality norms lies in the fact that they are perceptible in daily business and the quality can be repeatedly verified by means of annual audits. Quality and improvement management consists of many little steps; the greatest challenge is in conducting it resolutely and continually.

See through it all.
Get to know us. We focus on your wishes.

Value-oriented management

Since 2006, VP Bank has avowed a value-oriented approach to management. This principle has already been implemented to a considerable extent. For example, economic profit (i.e. invested capital multiplied by the difference between total return on capital and the total cost of capital) at the Group level is now a key performance indicator for use in steering the company's activities. There remains the important strategic goal to imbue and refine value-oriented management within the Group even further. Ultimately, the Bank's objective is to achieve a risk-adjusted means of controlling the revenue flows of all business units via key performance indicators.

An important element in the aspiration to achieve value-oriented management is the Bank's new compensation system: in order to couple corporate management's remuneration more closely with the sustainable success of the Bank, a long-term incentive (LTI) system was introduced in the 2008 financial year for Group Executive Management and second-level managers at VP Bank. The profit participation plan is focused on measuring the implementation of the Bank's strategy and enhancing enterprise value on a sustainable basis. The understandable and transparent formulation of this approach should further increase VP Bank's attractiveness in the eyes of investors, clients and employees (see section "Corporate governance", page 84; "Financial report", pages 94 and 98; "Employees", page 38).

Human resources strategy

In December 2007, VP Bank adopted a human resources strategy that is aligned with the Group's overall strategy. The Human Resources Management department also is its activities toward the strategic issues of growth, core competencies and efficiency. All of its initiatives are subdivided into three categories:

- Personnel marketing – VP Bank wishes to position itself as an attractive employer. In order to address young talent, it is expanding its collaboration with universities and technical colleges. Together with the Marketing department, Human Resources Management (HRM) is striving to heighten the level of recognition of VP Bank. With performance-linked compensation models, flexible working hours arrangements and a performance-based culture, VP Bank creates a motivating work environment. Its aim is also to promote staff loyality to the company.
- Personal career development – Value-oriented leadership and management development are closely linked: together, they reinforce a performance-based culture. VP Bank has quantified the strategic goals of HRM by adopting relevant Key Performance Indicators (KPIs); a controlling process monitors the achievement of its goals. The resolute development of management capabilities is an ongoing assignment. In order to fulfill that task, VP Bank and the University of St. Gallen jointly run the VP Bank Academy as a strategic development platform, which, among other things, is intended as a means of teaching and imbuing common management methods within the company. In addition, the aim is to identify and retain key individuals as well as to further enhance the professional and interpersonal skills of employees at all corporate levels.
- Internationalization and a Group-wide perspective – As a result of its expansion into new markets and cultural areas, VP Bank now faces the challenge of achieving a balance between internationality and region-specific responsibility. The new corporate structure offers an ideal means of combining central leadership with the necessary leeway at the Bank's worldwide offices. As a part of this, it draws on international standards in order to unify the processes involved in human resources management. Decisive measures in this regard are the international exchange of employees and the development of a highly competent approach to expatriate management.

In executing its human resources strategy, VP Bank aims to achieve two goals. On the one hand, it wants to hire for the Group, and especially for the new locations, employees who are highly qualified and fit into the Bank's corporate culture. On the other, it is pressing ahead with employee training and continuing education by coordinating all related activities via the VP Bank Forum.

Brand strategy

A brand is an asset, even though its value is not capitalized on any balance sheet. It embodies everything a company stands for: its values, corporate culture, value proposition as well as the strategy used to manifest those factors. Good brand management reinforces the trust of clients and investors, heightens employees' commitment, enhances the attractiveness of the company as an employer and shapes its image in the eyes of the wider public. The brand is a value driver and as such is an integral component of value-oriented corporate management.

In keeping with its vision of being among the best private banks, VP Bank adapted its brand policy in 2003. This value proposition to stakeholders is a determining factor in the company's strategy and simultaneously formulates the claim which, in turn, the brand must uphold. Ever since, VP Bank has pursued a clear-cut brand strategy: quality, flexibility, dynamism, uniqueness and creativity are all characteristics that VP Bank wishes to communicate. All of the Bank's marketing efforts focus on these key messages. Decisive factors in this regard are the harmony, distinctiveness and consistency of the company's "face to the public". They are prerequisites for the consistency of brand perception: it must evoke the same subliminal associations and emotions for each person who comes into contact with VP Bank.

VP Bank's strategy of underscoring the elegant and unusual has most definitely been well received – the eye-catching advertising campaign of VP Bank is lauded on a regular basis; the Annual Report 2007 shared first place in Switzerland for best design; and the new Internet portal reflects VP Bank's claim by combining functionality with elegance.

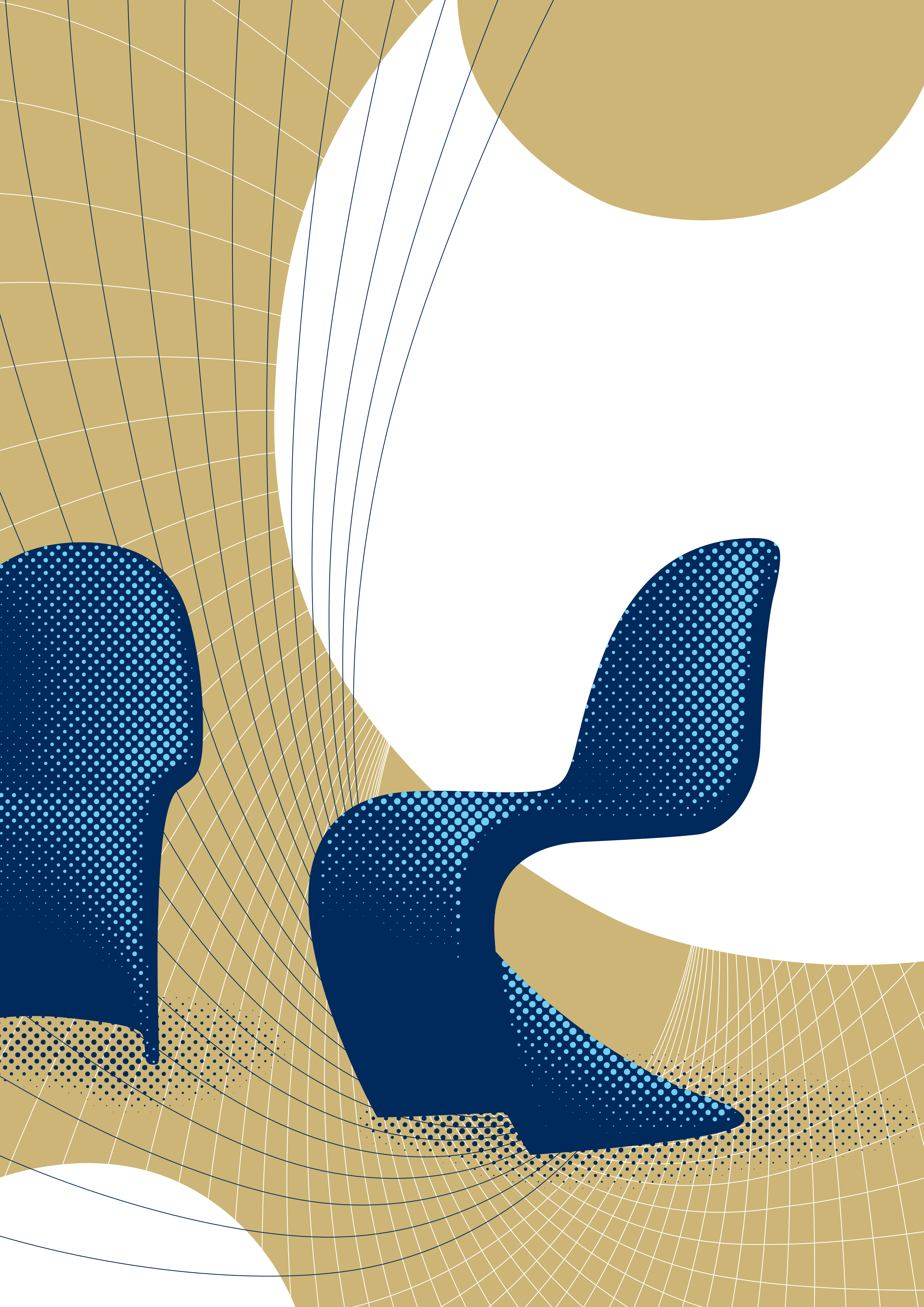
After six years, VP Bank is now starting to develop its brand strategy even further. It is examining which modifications can be made in view of the Strategy 2018 and recent developments in the Liechtenstein financial center. The focus will continue to be placed on differentiation through quality aspects. In the stiff competition to gain recognition, it is difficult for the Bank to present itself as a global player. The budgets are too tight to achieve a global level of recognition. Nonetheless, in those markets in which VP Bank is present, it wants to present a single face to the public and awaken the same – positive – associations.

Strategy for 2009

In the 2008 financial year, VP Bank made sizeable investments in the establishment and expansion of new locations, its reorganization, as well as the changeover to the new Avaloq banking software package. These investments and the commensurate increase in the Bank's cost/income ratio are the result of the expansion strategy and were foreseen. However, extraneous factors such as the full extent of the financial market crisis and the issues with which the Liechtenstein financial center is confronted were not calculable. The 2009 financial year will therefore be marked by consolidation. The new Bank locations must grow roots; the new organizational structure must be cemented.

The planned increase in costs for 2008 stood in contrast to an unexpected decline in revenues. In order to close the gap, VP Bank has introduced a program aimed at efficiency enhancement and cost reduction. This program will enable VP Bank Group to stay on its strategic course.

3 Stakeholders’ Report



Clients

With its Corporate Strategy 2018 (see "Strategy Report" section, page 21), VP Bank is pursuing one goal in particular: its aim is to align the Bank's entire organization in such a way that the client is the focus of attention. VP Bank has two client segments, each of which requires different services and thus places differing demands on the Bank: while private clients seek personalized, high-quality advice, intermediaries expect to have their transactions handled in a rapid and error-free manner. The new Group structure that comprises the Private Banking Clients and Intermediaries business units enables VP Bank to address the specific needs of those client segments in an even more targeted fashion. Moreover, VP Bank Group has decided to manage its activities according to the specific markets in which it is involved. This closeness to clients fosters heightened sensitivity to their specific needs.
In its private banking activities, VP Bank's value proposal is excellence in terms of advice and performance. Being among the best private banks is the key to meeting that ambitious claim. The Bank's value proposition for intermediaries is excellence in operational business activities. The Bank gears its infrastructure in this regard toward the needs of its asset management clients in such a way that both parties support each other and thereby enable transactions to be handled optimally. But regardless of the given segment, the overarching premise is that sustainable and loyal client relationships represent the greatest asset a financial institution can have; they form the very foundation for its existence.

Client satisfaction

Every two years, VP Bank conducts a client satisfaction survey. The most recent survey in 2007 showed gratifying results both in terms of satisfaction and clients' loyality to VP Bank (see Annual Report 2007, page 32). These findings underscore that the comprehensive client relationship program launched two years ago under the name "Top for Clients" has had the desired effect. VP Bank is eagerly awaiting the results of its 2009 survey. It will be conducted under totally different circumstances: the financial market crisis has caused a crisis of confidence in the industry as a whole. Moreover, the pressure on the Liechtenstein financial center has increased.

Client relationship management

VP Bank continues to enhance its approach to client relationship management (CRM). "Top for Clients" has the aim of professionalizing the way in which the Bank provides customer care and attention. The core message is: understanding clients, advising them in accordance with their specific needs, translating their wishes into reality, and supporting them in all issues pertaining to wealth management. Holistic counseling – one of VP Bank's greatest strengths – is underpinned with a computer application that, among other things, calculates and illustrates individualized investment strategies while taking into account the risk/return aspects. Since early 2008, the detailed advisory process has been available to all VP Bank employees via its in-house intranet. It describes each step involved in client counseling, provides all of the necessary background information, indicates detailed ways of proceeding, and includes forms and contact addresses.

Client feedback management

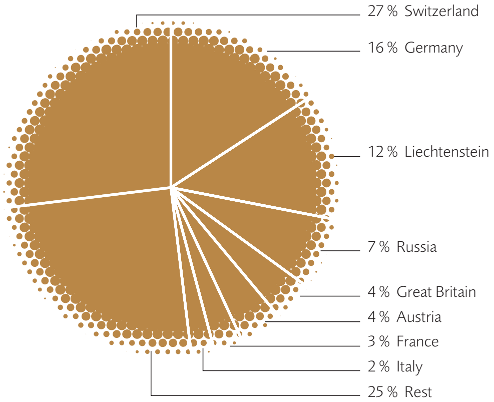
An important element of CRM is client feedback management; by means of feedback, client satisfaction can be systematically measured and subsequently enhanced by taking targeted measures. It is a crucial factor in professional client feedback management: it should not be limited merely to complaints. To gain a full understanding of client satisfaction, VP Bank compiles and pools all of the feedback it receives. The system offering those technological capabilities is installed at the Bank's Vaduz and Zurich offices and is to be introduced at all other Group locations. It enables Client Advisors to enter comments and feedback in each phase of the counseling process; afterwards, the key information is collated and expanded into an overall guidance system for use in providing client advice. However, this feedback management approach extends beyond just the technological dimension: it also focuses on the comportment of employees and the continual improvement of the relevant processes.

Quality of advice

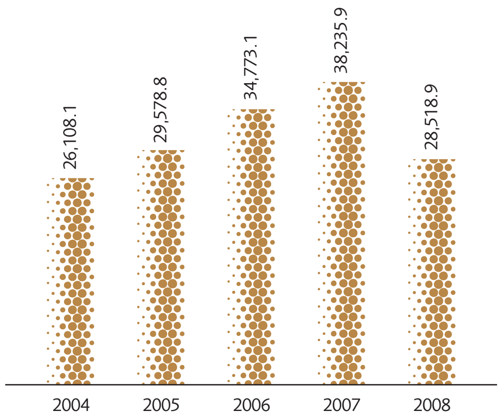
VP Bank's quality of investment advice ranks among the best in Europe. In 2008, the renowned German Elite Report once again evaluated VP Bank Group's client orientation, quality of advice, product transparency and service. The result: VP Bank was accorded the highest rating, summa cum laude.

Please take a seat. Make yourself comfortable.
Design a way for us to handle your investments.

The origin of assets under management in 2008



Client assets under management 2004 through 2008
(in CHF million)



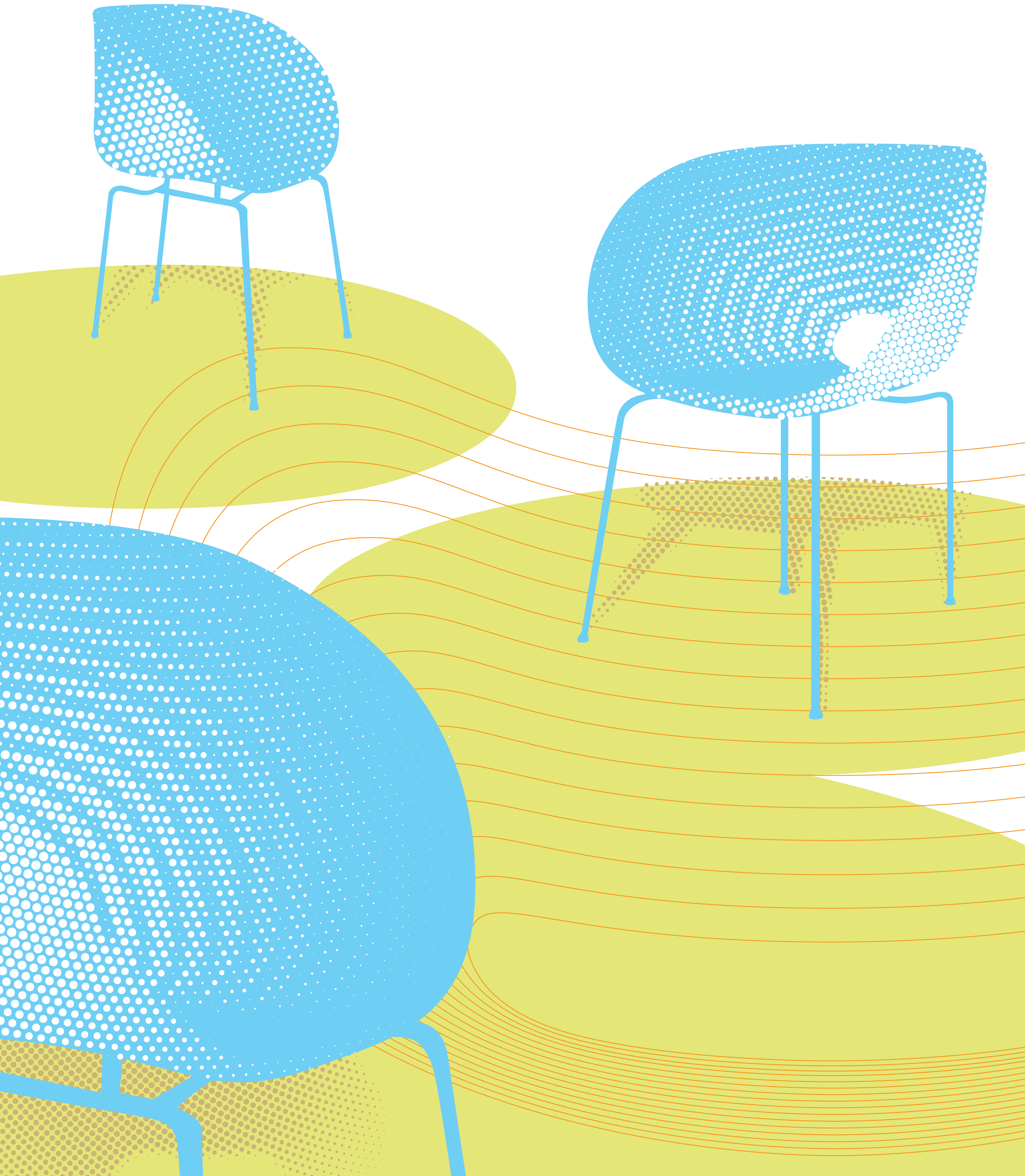
Family offices in Asia

A full understanding of the client requires that his/her financial situation and environment be grasped entirely. This knowledge is all the more important when it relates to clients from regions that differ from an economic and cultural standpoint. In an effort to gear its range of services in the Far East to meet the needs of clients situated there, VP Bank – in collaboration with the University of St. Gallen's Swiss Institute for Banking and Finance – has conducted a study of family offices in Asia[1]. Family offices are competence centers for the building, further development and preservation of large family wealth that extends over generations. In Europe and America, family offices are long-established but similar models are not necessarily applicable in Asia.

The study assessed the current market situation for family offices and market developments through 2015. It is based on anonymized written expert opinions, interviews and literature research and covers eleven emerging markets in Asia (China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea, Taiwan, Thailand, the Philippines and Vietnam). In this greater region, there are currently close to 10,000 individuals or families with private wealth that exceeds USD 30 million. Apart from in Hong Kong and Singapore, professional wealth management is not well established in these countries. In addition to macroeconomic and demographic factors, it is mainly the cultural characteristics that have an influence on the demand for the services of family offices. Wealthy Asians tend to be highly sensitive to the price factor and have a pronounced desire for confidentiality; even vis-à-vis family members, the disclosure of one's actual wealth is often taboo. At the same time – in contrast to Western investors – Asian wealth management clients are known for being more aggressive investors and for exhibiting a greater appetite for risk in the asset allocation process. However, it should not be forgotten that a large portion of the assets are held in bank deposits.

Although the family office market has yet to evolve fully in Asia, there are a number of local providers of such services: from globally active financial institutions, to local asset managers, to law firms. In order to address the market situation in a need-consistent manner, models are required that take into account the specific requirements in Asia. VP Bank and the University of St. Gallen consider a hybrid network model to be the most suitable approach. Such an approach is the prefered way of taking into account the need for diversity in the counseling and the dynamics of the still-young family office market in Asia. This type of model corresponds to the business policy of VP Bank, which offers carefully selected asset management services for wealthy families and ensures access to a network of attorneys, asset managers and other specialists who render complimentary services.

[1] Family Offices in Asia –The Evolution of the Asian Family Office Market (www.vpbank.com)



Employees

In living up to VP Bank's value proposition vis-à-vis its clients, competent and dedicated employees are an indispensible element. For that reason, the Bank views the investments it makes in its employees as being an investment in client relationships and thus in its sustainable business success. The employee survey conducted in early 2008 revealed that they have a high degree of satisfaction and pronounced level of commitment. VP Bank views this as being an important indicator of the success it has achieved from positioning itself as an attractive employer. This is evidenced by the decline in the staff turnover rate from 9.3 to 8.7 percent.
The Human Resources Management (HRM) strategy for 2008 through 2010 is derived from the Bank's long-term growth and internationalization strategy. The HRM approach centers on three main aspects:

- A performance-oriented culture should be reinforced within the Bank. In this regard, key individuals are to be identified and retained, and their professional and management capabilities continually nurtured. As in 2007, VP Bank again took important steps towards anchoring results-oriented management in the 2008 financial year: it intensified the development of management and team-related skills by means of the VP Bank Academy as well as through leadership training sessions. Moreover, it created further performance incentives that are coupled with the Group's overall achievements. For example, the compensation model for the Bank's managers that was introduced in May 2008 is based on a value-oriented participation plan (see "Strategy Report", page 27).
- By means of targeted personnel marketing efforts, VP Bank wishes to heighten its reputation and differentiate itself even further as an employer. The level of recognition and popularity of a company is a decisive factor in arousing the interest of qualified professionals. In order to retain young talented individuals, VP Bank has developed promotional program designed specifically for different educational paths.
- Given the Bank's move toward internationalization, its corporate culture must also accommodate new needs and aspirations. The goal in this regard is to achieve a balance between centralized guidelines and regional leeway. The new Group structure introduced in mid-2008 puts the organization pieces in place to achieve this goal. The fostering of intercultural understanding and – as a logical extension – the exchange of employees from location to location will represent one of the most important issues for VP Bank's human resources policy in the coming years.

Investment in training and continuing education

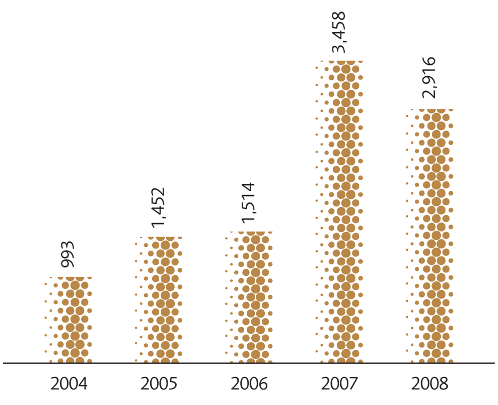
In the 2008 financial year, VP Bank invested CHF 2.9 million in the training and continuing education of its employees. The average per-employee investment by VP Bank made for educational purposes amounted to approximately CHF 3,500 – twice as much as four years ago.
In 2007, VP Bank launched an education initiative in order to prepare its employees for the Bank's internationalization. This project was resolutely continued in 2008, with the focus placed mainly on training employees in the use of the new Avaloq banking software system. In-house and external specialists have given the necessary expertise to more than 500 participants in this training process – i.e. the two-thirds of the Bank's entire workforce directly affected by this new system. Those trainers applied various learning methods: attendance courses, workshops, e-learning and on-the-job training.

Employee satisfaction

In a two-year cycle, VP Bank conducts a survey of the satisfaction and commitment of its employees. The latest took place among all Group employees in April/May 2008. For the first time ever, VP Bank participated in the "Cash Employer Award", which was already used as a benchmark in previous surveys. Of the 81 participants, VP Bank achieved the twelfth best ranking. The "Cash Employer Award" developed by the Swiss business magazine "Cash" in conjunction with GfK Trustmark AG is Switzerland's only survey in which employees can evaluate their own company. The measurement model assesses two factors: human capital and organizational capital. Based on the total universe of 516 valid questionnaires, the following core statements can be made in terms of human capital:

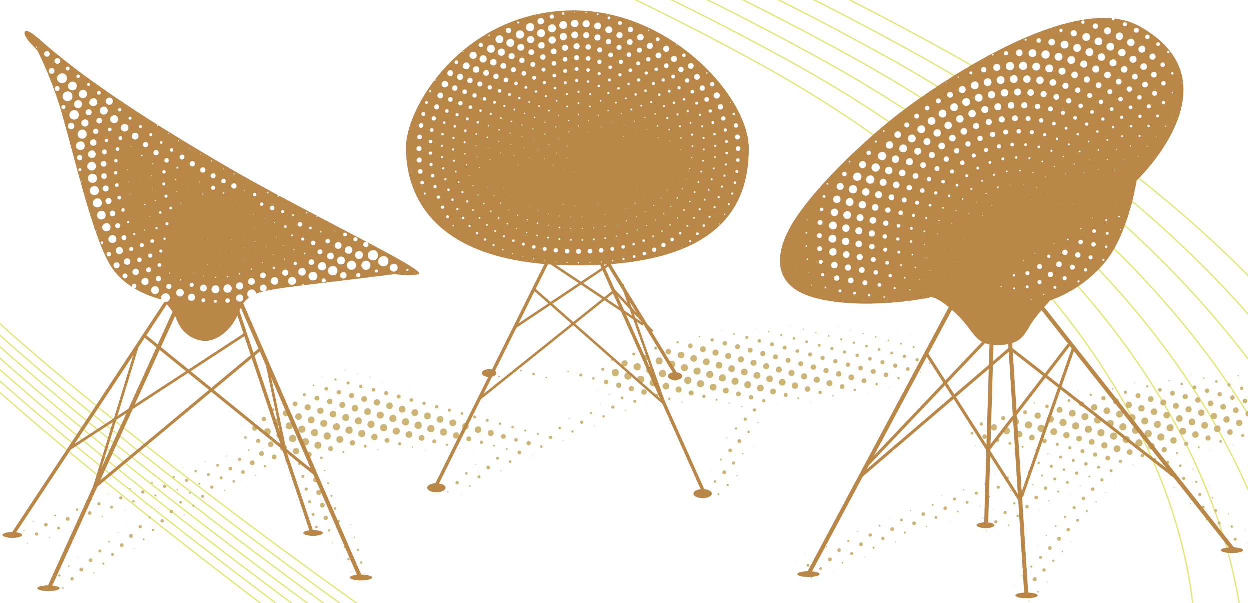
- Satisfaction – On the whole, employees of VP Bank are satisfied; compared with 2006, the total rose by 3 points to 87 percent. Of the overall satisfaction rate, Liechtenstein (88 percent) and the BVIs (100 percent) was the highest, while the figures for Munich (61 percent) and Luxembourg (56 percent) were the lowest. In the entire Group, the number of "totally satisfied employees" rose slightly to 69 percent.
- Commitment – One indicator of heightened commitment is the fact that significantly fewer employees are contemplating a job change (24 versus 28 percent in 2006). Dedication to the Bank reached a record high: 99 percent of the respondents indicated that they identify strongly with the future of VP Bank (up 3 percentage points). In addition, 97 percent said that they would strive continuously to perform even better. Given these favorable results, it is perhaps somewhat astounding that the sense of belonging – although still at a high level – fell from 93 to 89 percent.

Investment in training and continuing education
(in CHF 1,000)



As regards organizational capital, the employees have perceived the following significant advances: the encouragement of employees, performance incentive, agreed goals, work processes and corporate strategy. For example, according to 90 percent of the VP Bank's employees, the Bank persues long-term goals that also influence their daily work. Based on the survey, VP Bank identified that its strenths include:

- Performance incentives and goal-agreement system – 82 percent of the respondents are of the opinion that they receive fair compensation compared to employees at other companies, (up 10 percentage points compared with the 2006 survey). 94 percent indicate that their performance is apraised on the basis of the agreed goal (up 7 percentage points).
- Inclusion of employees – 90 percent of the respondents feel that they are motivated to contribute ideas and suggestions for improvement; 88 percent emphasize their ability to take responsibility for their own decisions.
- Work processes – The employees have emphasized the continued improvement in work processes (87 percent) and the short decision-making paths at VP Bank (89 percent). 93 percent of them indicate that there are clearly defined department-specific goals and that their own work goals derive from that bigger picture.

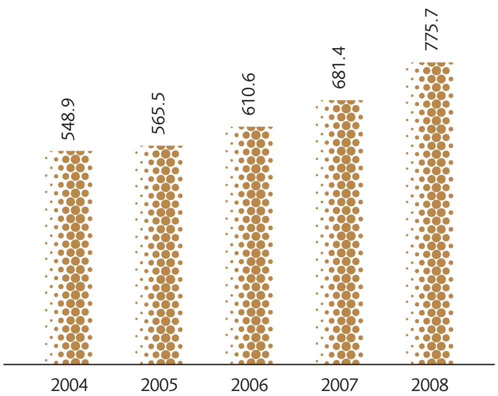


The Bank's employees report that they appreciate the ongoing investments in their own capabilities (91 percent) and see promising opportunities for their professional development (89 percent). The collaboration they have with their immediate supervisor is also something they view very favorably. On the other hand, Group Executive Management's (GEM) communication with the employees could be broadened further: while 91 percent of the respondents indicate that the GEM informs them of important changes, only 69 percent feel that the interaction and contact is intensive enough. Additional areas of improvement were uncovered in the survey particularly in respect of the following issues: after changes take place, more time is needed for the related successes to evolve; the approach to delegating decision-making competencies should be refined; interdepartmental coordination could be better organized.

Employee statistics

In the 2008 financial year, VP Bank's workforce again expanded noticeably. Based on full-time equivalents (FTEs), VP Bank Group employed 775.7 individuals, representing an increase in the number of employees of 94.3 or 14 percent. The largest growth in this regard took place at the Liechtenstein headquarters and the Zurich subsidiary, each of which added 30 and 36 jobs, respectively. Among the 556 employees at the parent Bank, 81 individuals (14.6 percent of the workforce) are employed on a part-time basis with working hours between 30 and 90 percent.
The average age of a parent Bank employee is 38.0; for the entire Group, the average is 38.9 and thus remains practically unchanged from the previous year. That also applies to the breakdown by gender at the parent Bank, 331 (60.5 percent) of the employees are men and 216 (39.5 percent) are women.
At the Liechtenstein facilities, the average length of service is 8.2 years (previous year: 8.4); 18 percent of the workforce has been with VP Bank for more than 16 years. At the Group level, the average is clearly lower at 4.4 years, which is attributable to the fact that in the past five years VP Bank has preferred to hire local employees for its newly established international offices.
At the parent Bank in Vaduz, 44 percent are Liechtenstein citizens and 38 percent are of Swiss origin.
The total amount of salaries paid in the 2008 financial year amounted to CHF 109.7 million. Over the past three years, that total has increased by 48 percent; during the same time frame, the headcount has increased by 37 percent.

Headcount (full-time equivalents) **2004 through 2008**



Lean back. Allow yourself to be surprised by investment suggestions that sit well.

Corporate citizenship

Responsibility as an employer

As an employer, VP Bank demonstrates its responsibility as a corporate citizen at various levels. On the one hand, VP Bank offers attractive and modern employment conditions that far exceed the legally prescribed minimum. On the other, VP Bank and the VP Bank Foundation together contributed more than CHF 500,000 during 2008 in the form of charitable grants.

VP Bank also fosters the personal commitment of its employees, be it related to community organizations, public office, colleges and universities, or social and non-profit institutions.

In 2008, VP Bank donated more than CHF 200,000 to associations and institutions in Liechtenstein.

Commitment to society, culture and education

Annual report of the VP Bank Foundation for 2008

The VP Bank Foundation, which was established on the occasion of the 50th anniversary of VP Bank and funded with the approval of the Annual General Meeting of shareholders in 2006 and 2007, supported a wide array of institutions and projects in 2008. Under its statutes, the primary goal of the Foundation is to foster projects, institutions and individuals who have stood out for their activities in the areas of the environment, art, education, sciences or culture. Grants are also made to projects, institutions or individuals that serve the public good. In addition, this support should in some way be connected with or closely related to both the Principality of Liechtenstein and the corporate values of VP Bank. Moreover, donations can be made for welfare and social purposes as well as other forms of charitable activities.

The Foundation's board of trustees in 2008 consisted of Hans Brunhart, Chairman of the Board, and Adolf E. Real, CEO of VP Bank Group; they held four meetings during the course of the year.

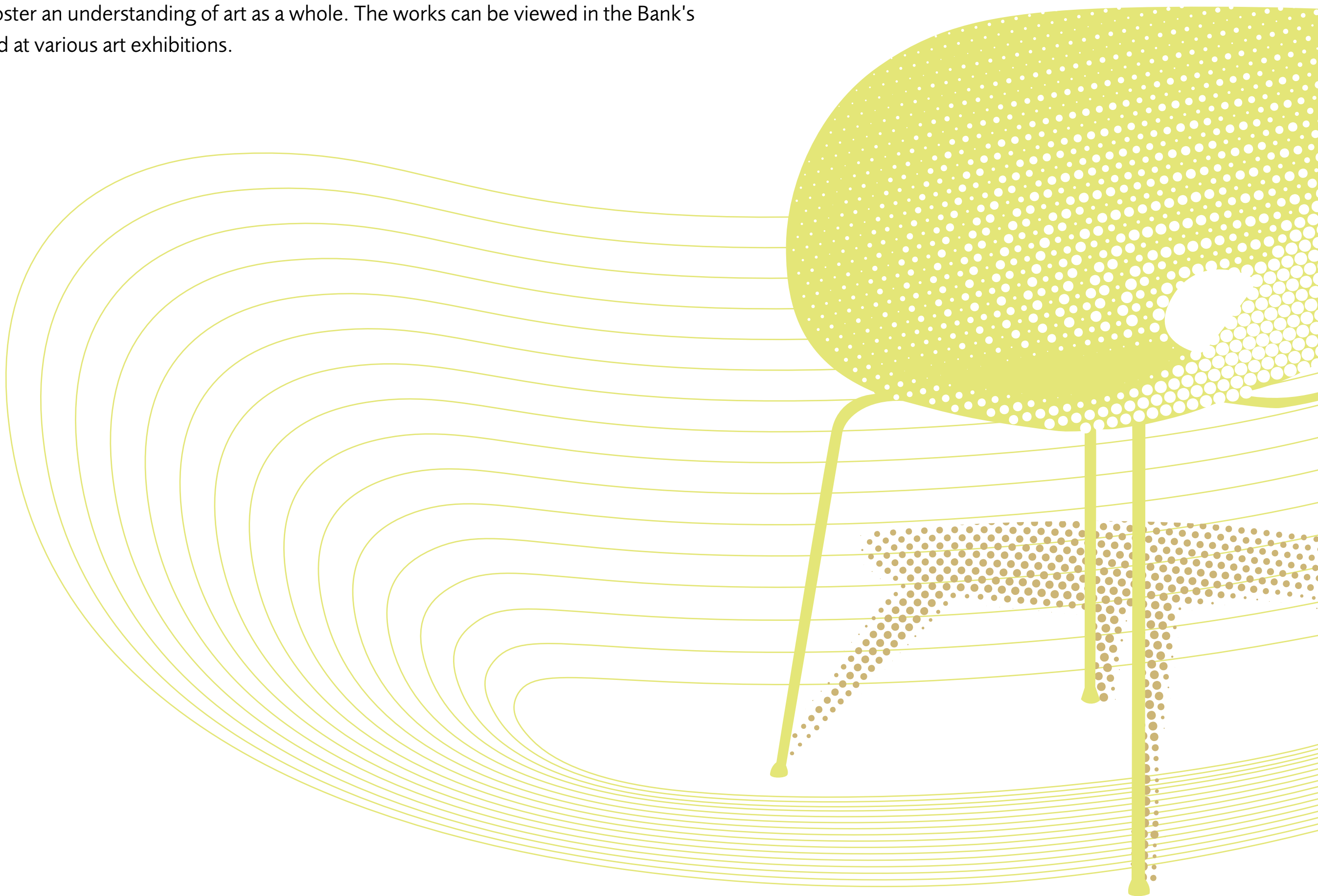
In the year under review, the Foundation distributed approximately CHF 350,000. In particular, the Foundation the "Lichtblick" (or "glimmer of light") initiative, which had been supported by VP Bank in previous years, with a donation of ca. CHF 100,000. This initiative benefits numerous socially active institutions in Liechtenstein.

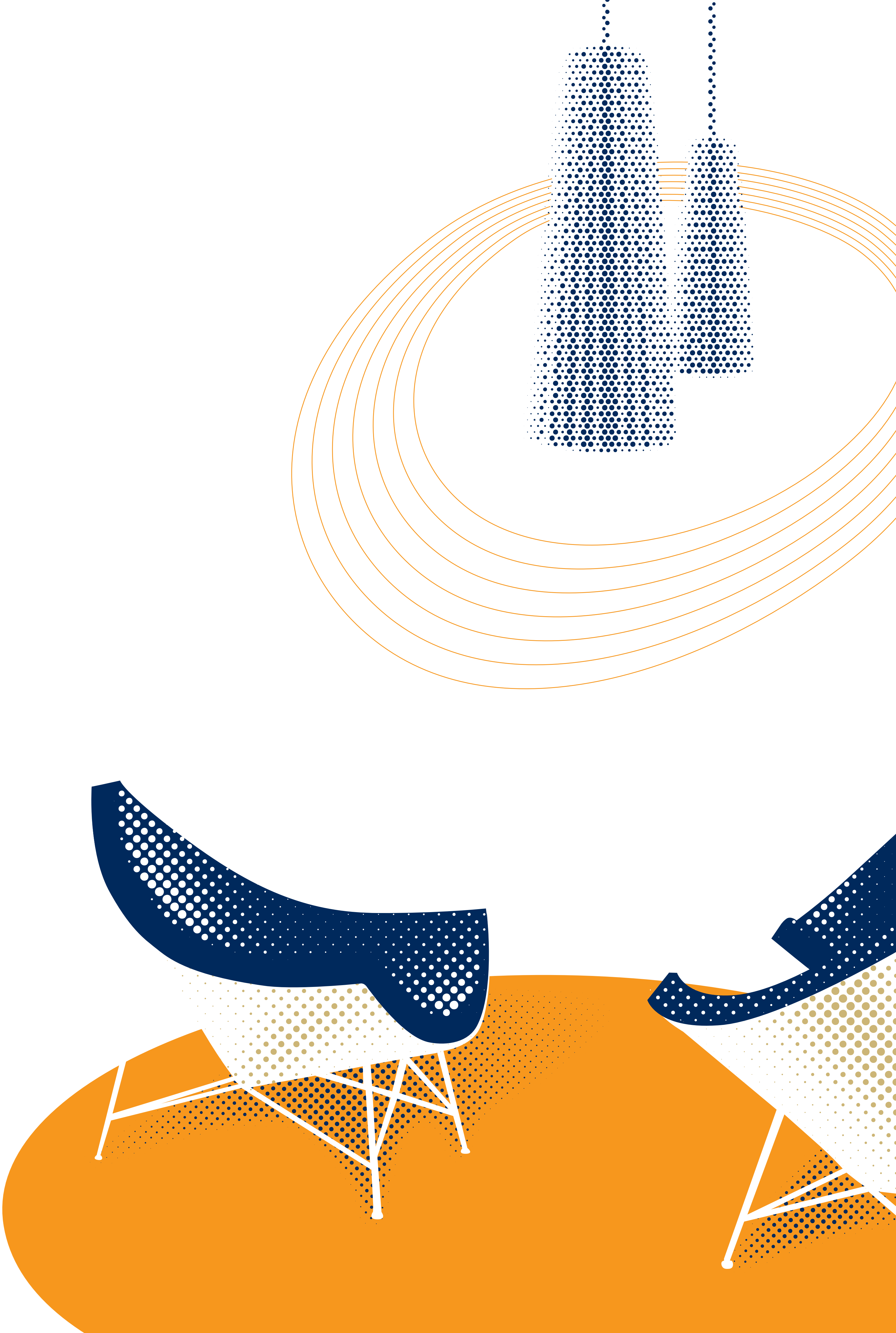
Relax. Enjoy the services of true professionals,
because we are truly committed to achieving your goals.

Sizeable contributions were also made in the areas of science and education. For example, the Foundation granted CHF 50,000 to the continuing education center of the University of St. Gallen (HSG) and participated with CHF 40,000 in Liechtenstein's support of the Lindau (Lake Constance) meeting of Nobel prize winners. A meaningful contribution by the VP Bank Foundation went to the Liechtenstein Economic Research Center's project "The specific structure of Liechtenstein as a micro-economy".
As in previous years, an amount of CHF 50,000 was donated in 2008 to the "Foundation pro natura – pro ski", which VP Bank initiated in 1996 and has received substantial support from the Bank ever since. Within the framework of the Alpine Conference in 2009, the Foundation will for the first time confer an award for the sustainable environmental management of winter sports areas. During the period under review, the Foundation intensified its collaboration with an institute of Vienna's University of Natural Resources and Applied Life Sciences.
Other contributions were made in the areas of environmental protection, the protection of nature, sports for the disabled, the furtherance of young artists in the theater and music, as well as the P.E.N. Club Liechtenstein.

VP Bank Art Foundation

VP Bank's commitment to the fine arts gained additional expression through the 1996 founding of the VP Bank Art Foundation. Its objective is to collect contemporary artwork and thereby foster an understanding of art as a whole. The works can be viewed in the Bank's offices and at various art exhibitions.





Environment and sustainability

Bearing responsibility – accepting responsibility

Companies that focus on sustainability are more successful than others in the long term. The principle of sustainable development maintains that people and organizations must act in such a way that future generations can also meet their economic, ecological and social needs. VP Bank Group supports this principle. With its sustainability program, the Bank contributes to the responsible handling of resources.

VP Bank Group is geared toward the long-term assurance of its commercial success. For that reason, it has set the goal of reinforcing and anchoring ever more deeply the Bank's economic, ecological and social values. However, sustainable development is a change process that achieves its goal through many small steps. For VP Bank Group, being geared to accommodate sustainability criteria has an impact on two particular areas:

In its direct sphere of influence, VP Bank views its task as bearing social responsibility for its employees as well as reducing the use of energy and natural resources.

Indirectly, VP Bank can incorporate the objectives of sustainability into its product range. In this regard, the sustainability of financial services means that – apart from purely economic aspects – they also take into account ecological and social dimensions. In addition, VP Bank perceives its business activities as being a contribution that bolsters Liechtenstein as a commercial and industrial center.

Doing business with a view to the future, as well as responsible dealings, have always formed the foundation of VP Bank Group's commercial success. By documenting these activities, it also discloses to stakeholders the Bank's contribution in terms of sustainable responsibility.

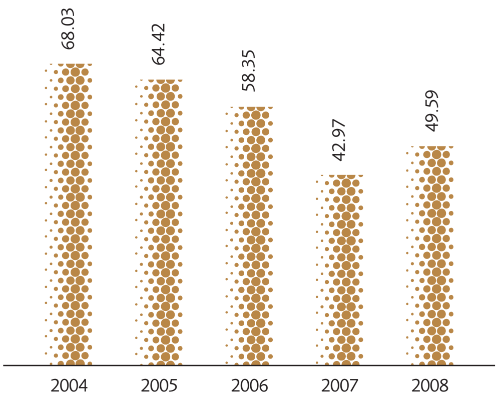
Mobility management

Travel abroad has been unavoidable during the build-up phase of the Bank's new locations in the Middle and Far East; however, the eco-balance in regional transportation is something that can be addressed. It is for that reason, that VP Bank has developed for the parent bank a mobility concept, which was implemented in early 2008. It includes a graduated fee structure for employee parking spaces and offers financial incentives for using public transportation. Within Liechtenstein, employees can ride the bus between the Bank's locations at no cost. The concept also encourages car-pooling.

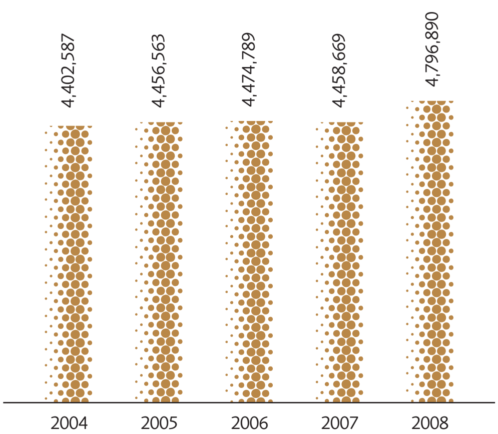
In 2008, the proceeds from previously rented parking spaces in Vaduz were used to install a completely new parking lot routing system that optimizes the efficiency of the parking lot and – in combination with other mobility management measures – is an incentive for employees to use public transportation. To date, more than 200 employees have taken advantage of this offer.

In terms of foreign travel, the eco-balance for 2008 did not improve significantly due to the increased workforce and numerous external project staff.

Paper consumption
(in tons)



Power consumption
(in kilowatt-hours)



Use of paper

It is VP Bank's policy as a general rule to send out client asset statements only once a year, and to print/send daily or quarterly statements only at the express wish of the client. This has led to a considerable reduction in the use of paper for forms and vouchers. However, as a part of the introduction of Avaloq, the use of paper increased significantly at times. With the proper operation of the new banking software system, the use of paper will now also be reduced and return to its previous level. Due to this exceptional situation, the continuous decline seen in recent years has been interrupted.
VP Bank takes care to ensure that its publications – including this Annual Report – are printed on environmentally certified paper. FSC (Forest Stewardship Council) certification guarantees that the paper used stems from wood harvested in exemplary, environmentally friendly forestry operations.

Energy

VP Bank Group ensures its responsible consumption of energy through numerous measures. Examples of this are the environmentally friendly manner in which the renovation of the Bank's headquarters in Vaduz has been accomplished, as well as the newly constructed service center in Triesen, the use of geothermal energy for heating and cooling, motion-activated lighting in the Bank's facilities, and the consistent furnishing of offices with flat-panel displays and energy-saving lamps.
As early as in 1995, a photovoltaic power generator was installed on the roof of the Bank's Vaduz building. It supplies environmentally friendly energy that is fed into the power network of VP Bank. An extension of this solar energy solution to the administrative offices in neighboring Triesen is currently being examined.
Given these different buildings, an overall concept is called for that brings the Triesen and the Vaduz location to the same level in terms of power technology. That concept will be finalized during the course of 2009 and should bring about a positive energy balance. Among other things, it foresees an alignment of the two existing installations, an optimization of the power distribution, as well as the efficient exploitation of heat loss. Plans are for the concept to be implemented in the coming year.
After a decline of 0.36 percent in 2007, energy use rose in 2008 by 7.59 percent. This is attributable to the higher number of employees in VP Bank Group and, partly to the parallel operation of the data processing centers during the introduction of Avaloq. Oil consumption, however, declined thanks to energy-saving renovations.

Waste avoidance

As was the case in 2007, the growth of VP Bank Group caused an increased in the amount of waste material. The heightened use of paper is also reflected in the waste paper statistics. The separation of waste material – particularly in terms of paper, glass and PET bottles – has been conducted resolutely for years now.

Promotion of good health

Sustainability also involves the manner in which employees are treated. VP Bank Group takes numerous measures to maintain at and foster the high level of satisfaction and health of its employees.

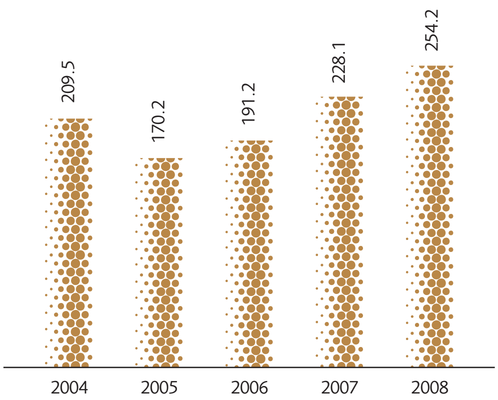
The VP Bank Sports Club is a motivational force for many activities such as Nordic walking, spinning, bowling and skiing. These activities are free of charge or available at sharply reduced prices. For those employees who come to work via bicycle or who work out during their lunch break, showers and a free towel service are available. Moreover, the ability to have a massage is offered in the VP Bank facilities.

Environmental management

Responsibility for the Bank's ecological sustainability is borne by the Logistics & Security unit. The head of the unit represents VP Bank in the Swiss Network for Sustainability and Management. In early 2008, the unit initiated preparations for certification under ISO 14001, the international standard for environmental management. This certification is in the project phase and will be pursued in the coming years. In conjunction with that, comprehensive reporting on environmental management will be introduced.

In a multi-day workshop, the relevant areas of VP Bank Group were trained on the topic of environmental management. Moreover, the workshop resulted in valuable suggestions for future measures that will be implemented in steps over the coming years.

Waste statistics
(total tons)



Legislation and supervisory authorities in Liechtenstein: compliance with the rules

Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank), Vaduz, is constituted as a joint-stock company under Liechtenstein law. It is the parent company of VP Bank Group.
The responsible supervisory body in its country of domicile is therefore Liechtenstein's Financial Market Authority (FMA, www.fma-li.li). Because the shares of the parent company are listed on SIX Swiss Exchange, VP Bank is also subject to the rules laid down by SIX on the basis of the Swiss Federal Act on Stock Exchanges and Securities Trading of 1995 (SESTA) and the related implementing ordinances. The business activities of VP Bank Group are supervised by the competent authorities of each country in which the Bank has subsidiary companies or representative offices.

General

The activities of Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank) are subject in Liechtenstein primarily to the Law on Banks and Finance Companies (Banking Act, BankA) of October 21, 1992, as well as the Ordinance on Banks and Finance Companies (Banking Ordinance, BankO) of February 22, 1994. Since the beginning of 2008, the Bank has also been subject to the Ordinance on Equity and Risk Diversification for Banks and Finance Companies (Equity Ordinance, EO) of December 5, 2006. Among other things the Banking Act lays down the general conditions for the supervisory duties of the FMA. It – together with the statutory auditors, who must possess a license from the FMA and are also under its supervision – constitutes the main pillar of the Liechtenstein system of supervision.
Under the Banking Act, banks and securities firms in Liechtenstein can offer a broad array of financial services. The Law on Professional Duties in Financial Transactions (Due Diligence Act, DDA) of November 26, 2004, and its related ordinance (Due Diligence Ordinance, DDO) of January 11, 2005 – in conjunction with the money-laundering article of the Liechtenstein Penal Code – establish the standards for due diligence that must be observed by the entire financial services sector in Liechtenstein. It has been revised again in early 2009 to reflect the international requirements under the EC Directive of October 26, 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (3rd Money Laundering Directive), the EC Directive of August 1, 2006 (Politically Exposed Persons, PEP Directive) as well as the recommendations of the International Monetary Fund.
Within the scope of its business activities, i.e. the provision of financial services, VP Bank must, among other things, observe the following additional laws and associated ordinances:

- Securities Prospectus Act
- Law Governing Takeover Offers (Takeover Act)
- Persons and Companies Act
- Law Governing Supplemental Supervision of Companies of a Financial Conglomerate (Financial Conglomerate Act)
- Investment Undertakings Act
- Law on the Disclosure of Major Holdings in Listed Companies (Disclosure Act)
- Law on the Execution of Transfers
- Law of November 24, 2006, against market abuse in the trading of financial instruments (Market Abuse Act)

The following discusses only those legal foundations that were revised or entered into force during the past financial year.

IMF assessment

On March 5, 2008, the International Monetary Fund (IMF) published the concluding report of its assessment. The 329 page-long "Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism"[1] commends Liechtenstein's achievements in the fight against money laundering and terrorism financing. It attests that the authorities have made significant progress in terms of compliance with the recommendations of the Financial Action Task Force (FATF) as required by the IMF within the scope of its 2002 assessment, both the laundering of money and the financing of terrorism are largely (but not completely) prosecuted as criminal acts in compliance with international standards. The report states that, as the primary legal foundation, the Due Diligence Act (DDA) and Due Diligence Ordinance (DDO) offer a broad framework for fulfilling the duty of care in determining client identity. In implementing the 3rd Money Laundering Directive, Liechtenstein will remedy certain material and technical deficiencies identified by the IMF. Recognition was also given to the Financial Market Authority (FMA): "All financial institutions are licensed by the FMA on the basis of internationally-accepted criteria. The FMA has developed and implements effectively a broad range of AML/CFT preventive measures."

The "Futuro" project

In February 2008, the government of the Principality of Liechtenstein presented the concluding report on the "Futuro" project. In the report, a vision for the Liechtenstein financial center has been developed that explicitly includes the overall economic needs of the Principality. "Futuro" is targeted at ensuring long-term growth. As a part of this, it has to be taken into account that Liechtenstein has a competitive industrial sector as well as a strong services sector. Financial services contribute a disproportionate amount to the country's gross domestic product (roughly 29 percent) and the industry employs approximately 15 percent of Liechtenstein's labor force. Going forward, the financial center wishes to take greater advantage of the opportunities that arise from the Principality's membership of the European Economic Area (EEA) and association with the Swiss economy. In order to ensure its competitiveness over the long term, Liechtenstein must proactively address today's changed circumstances. This overall vision is based on the country's traditional strengths and is focused on private wealth management. It calls for the creation of a unique legal setting, compliance with the highest international standards in terms of the application of law, a systematic exploitation of opportunities in rule-setting process, the establishment of a top-rate pool of talent, and professional international marketing. In the implementation of the «Futuro» vision, the government intends to work closely with the FMA, professional associations and other interest groups.

[1] www.liechtenstein.li/en/eliechtenstein_main_sites/portal_fuerstentum_liechtenstein/fl-med-medien/fl-med-aktuell/fl-med-aktuell-iwf.htm

[2] www.liechtenstein.li/en/eliechtenstein_main_sites/portal_fuerstentum_liechtenstein/fl-staat-staat/fl-staat-regierung/fl-staat-regierung-dokumente/fl-staat-regierung-futuro.htm

Foundation law

On June 26, 2008, Liechtenstein's parliament adopted the proposed revision of the Foundation law. The former act dated back to 1926; but after more than 80 years on the statute book, it had to be modernized to meet international standards without deviating from Liechtenstein's legal tradition. This innovative legislation increases the responsibility of the benefactor, even as it increases legal certainty and clarity by stipulating the non-transferability of the rights associated with the foundation, improving the degree of foundation governance, and reinforcing the supervision of the foundation. For private foundations, the new law provides for a finely balanced disclosure and information system for beneficiaries. For charitable foundations, a competence center will be made available under the auspices of the supervisory authority. This will prevent the establishment of foundations that are essentially uncontrolled, ensure that the board of trustees always acts in keeping with the purpose of the foundation, and also offers the necessary continuity in terms of the application of law. The new Foundation Act will enter into force on April 1, 2009.

3rd EC Money Laundering Directive

On September 30, 2008, the government adopted a parliamentary resolution that, among other things, provides for the implementation of the EC Directive on the prevention of the use of the financial system for the purpose of money laundering and the financing of terrorism. This so-called 3rd Money Laundering Directive, which the European Parliament and European Council approved on October 26, 2005, has meanwhile been incorporated into the EEA code of law. Now, together with the relevant IMF recommendations from its latest assessment in 2007, the essence of the Directive will be incorporated into Liechtenstein's domestic law. The revision foresees a moderate broadening of the DDA's scope of applicability extending beyond mere financial transactions and in certain respects places an obligation on new recipients in addition to those previously stipulated. For the banks, this broadening will involve negligible additional time and expense; however, depending on the nature of the business, it could lead to more significant changes in the fiduciary area.

On the whole, the law will require more precise checks of the due diligence obligations pertaining to the determination of the beneficial owner(s). However, it also offers relief in certain regards, for example the resolute application of a risk-based approach in monitoring business relationships. The new law calls for the regulatory approval of industry agreements in which activities of relevance to due diligence and hence companies' related due diligence obligations can be shaped in an appropriate manner. Other aspects concern the adoption of catchall clauses, limitations on the ability to delegate the supervision of the business relationship(s), a broadening of the reporting obligations, as well as the unlimited duration of the quiet period following a given disclosure. Parliament passed this bill in December 2008, and the new Law Governing Professional Due Diligence for Combating Money Laundering, Organized Crime and the Financing of Terrorism (revised Due Diligence Act) entered into force on March 1, 2009, thereby replacing the former Law on Professional Due Diligence in Financial Transactions.

Total revision of the Disclosure Act

In December 2004, the European Parliament and European Council enacted the Directive on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as well as changes to the 2001 Transparency Directive, both of which became part of the EEA agreement. Owing to Liechtenstein's membership in the EEA, these provisions had to be incorporated into Liechtenstein law.

Implementation of the Transparency Directive involves two significant aspects. Firstly, an improvement in the quality and quantity of information that issuers must make available to investors; this mainly pertains to issuers' increased harmonization requirements in terms of their regular reporting and disclosure obligations. And secondly, the reporting requirements placed on shareholders with regard to their significant shareholdings.

For issuers, shareholders and owners of financial instruments, the obligations under these disclosure regulations apply only with regard to securities that are admitted to trading on a regulated exchange in the EEA. Liechtenstein issuers whose shares are listed exclusively on SIX Swiss Exchange are therefore not affected by the Transparency Directive.

Schengen/Dublin agreement

Liechtenstein signed the Schengen/Dublin agreement on February 28, 2008 in Brussels; on June 27, 2008, parliament gave its approval to the agreement. It is planned that Liechtenstein will become a member of the Schengen area at the end of 2009, but the definitive date depends on the ratification process within the European Union. Because Switzerland already became a member of the Schengen area on December 12, 2008, and thus to all intents and purposes anything across Liechtenstein's border with Switzerland is now "foreign territory", the two countries have negotiated a transitional solution. Schengen/Dublin applies primarily to the collaboration between the police and national security authorities of the signatory countries.

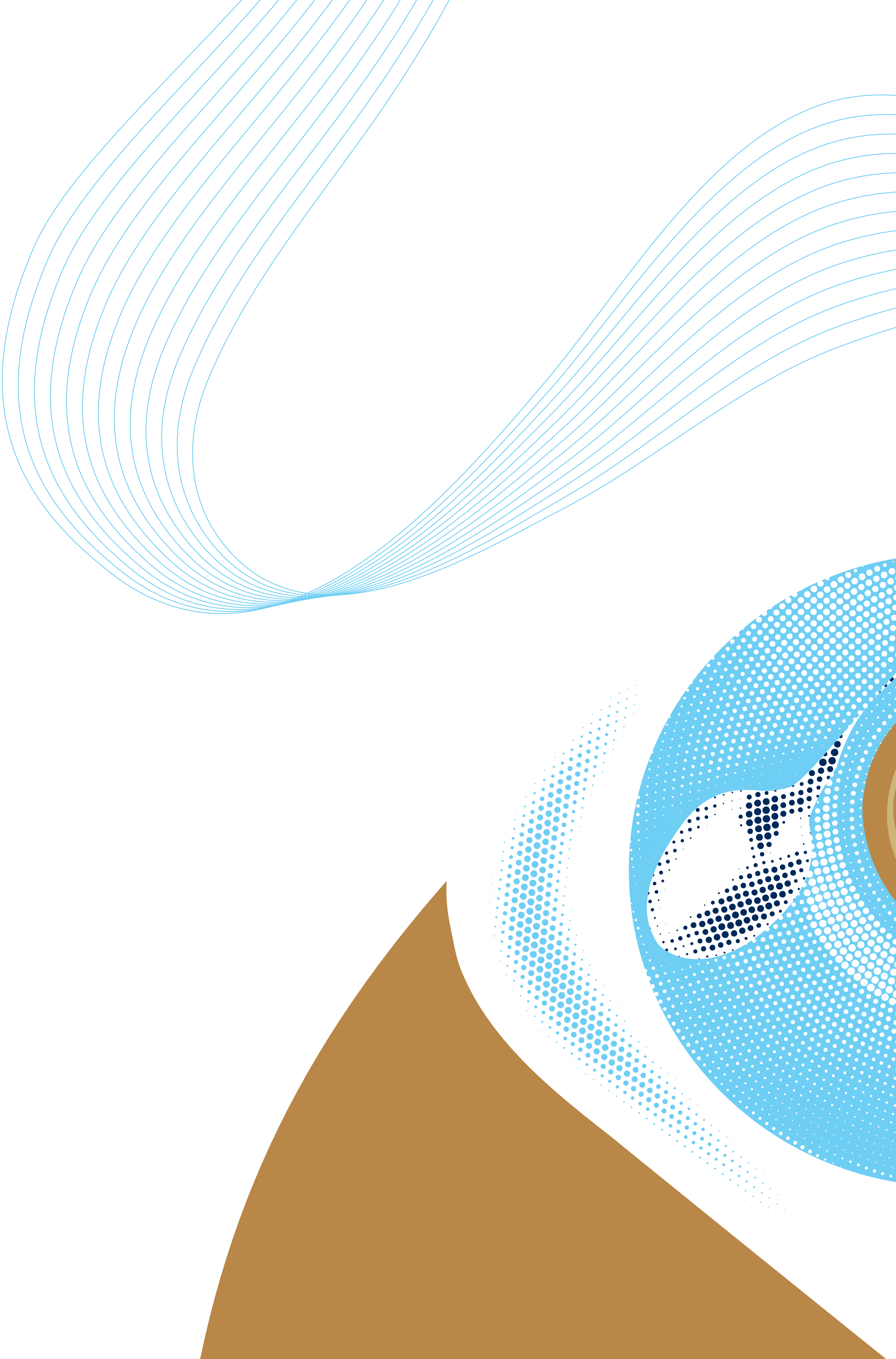
Of key relevance to the Liechtenstein financial center are the changes in the area of fiscal legal assistance. Going forward, Liechtenstein will offer legal assistance in cases of tax fraud – for both indirect and direct taxes – in keeping with the status quo of Schengen. However, the potential future broadening of this obligation to include assistance in cases of tax evasion regarding direct taxes was expressly excluded in the Schengen-related protocol with the EEA, thereby securing Liechtenstein's right to uphold banking secrecy in this regard.

Agreement to exchange information with the USA

On December 8, 2008, Liechtenstein and the USA signed an agreement regarding the exchange of information on tax matters. That concluded more than two years of negotiations concerning the Tax Information Exchange Agreement (TIEA). The exchange of information will take place solely on the basis of justified suspicion under US law that a tax offense has been committed by a person liable to US taxation who holds assets in Liechtenstein. In all cases, Liechtenstein will provide administrative assistance if American authorities submit a specific request that indicates the identity of a given US taxpayer. That being said, the legality of such a request can be ruled on by a Liechtenstein court of law.

This agreement creates legal certainty for banking clients while at the same time safeguarding their privacy. It is presumed that the TIEA will enter into force on January 1, 2010; the government will submit to parliament the necessary provisions for the enforcement of administrative and legal and administrative assistance during the course of 2009. With the signing of this agreement, the way was also paved for a prolongation of the Qualified Intermediary Agreement (QI status) between the US tax authorities and Liechtenstein's banks, which expired at the end of 2008.

QI status enables the banks to execute transactions in US securities on behalf of their clients without having to disclose their identity. It should be noted that these peculiarities apply to non-US clients. In addition, all of the withholding tax advantages of the client have been preserved. Hence this QI status strengthens the competitiveness of the Liechtenstein financial center.



Segments

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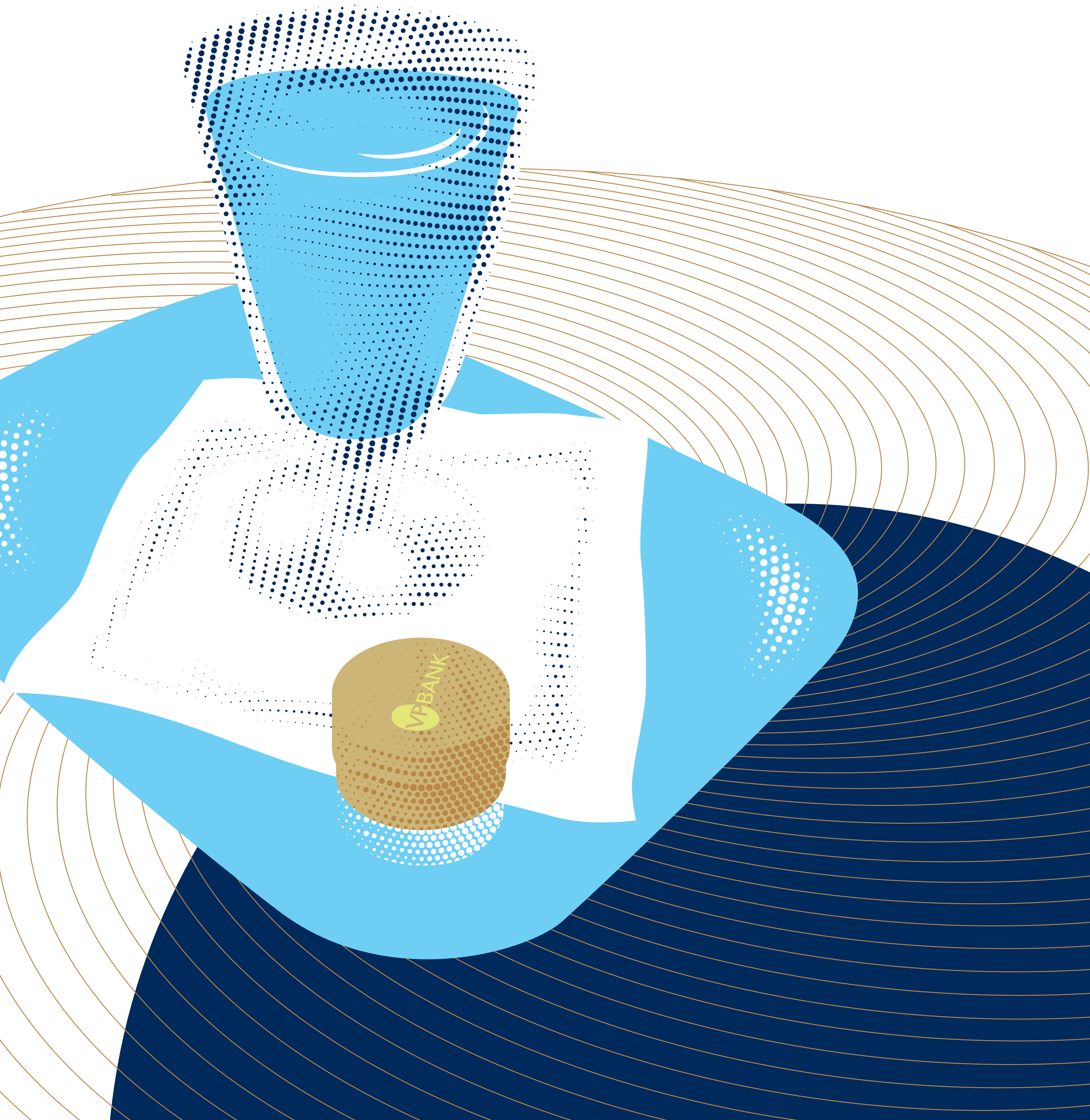

VPBANK

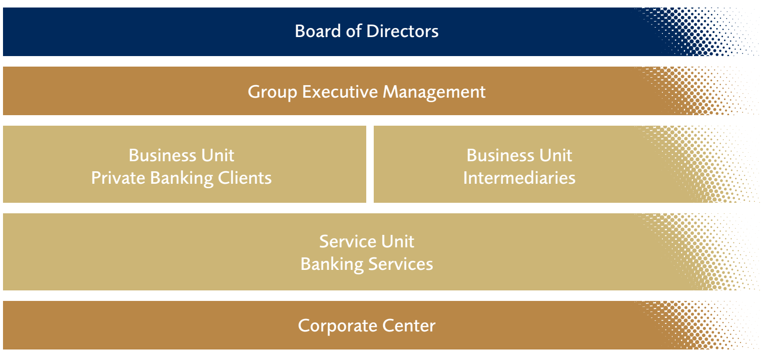
The new organizational structure of VP Bank Group

Effective as of July 1, 2008, VP Bank Group introduced a new organizational structure that is strictly geared toward market-specific requirements. The objective of this reorganization is to fulfill the needs of clients to an even greater extent, optimize the Group's operating efficiency, and take into account the international dimension that now characterizes VP Bank as a whole.

VP Bank caters to the specific needs of its clients by means of two separate business units: Private Banking Clients and Intermediaries.

The business units are managed according to markets (core and strategic expansion markets) and offer a varied range of products and services. The business unit that requires a given product the most bears responsibility for it throughout VP Bank Group. As a result, the business units can fine-tune the products even better to the needs of their clients and drive the innovation of new products based on need.

The services the business units need are provided centrally by the Banking Services service unit. The latter also ensures the banking operations capabilities at the Group's various locations. The Corporate Center supports Group Executive Management in strategic and financial matters, as well as in determining and enforcing directives that are valid on a Group-wide scale. In addition, the Corporate Center provides the business units with functional assistance.



Private Banking Clients

Results

In CHF 1,000	2008	2007	Absolute variance	Variance in %
Total income from interest-differential business	50,098	52,668	–2,570	–4.9
Total income from commission business and services	85,144	104,717	–19,573	–18.7
Income from trading activities	14,391	14,097	294	2.1
Other income	9,767	4,162	5,605	134.7
Total net operating income	**159,400**	**175,644**	**–16,244**	**–9.2**
Personnel expenses	54,575	41,597	12,978	31.2
General and administrative expenses	18,251	14,505	3,746	25.8
Services to/from other business units	26,076	26,340	–264	–1.0
Operating expenses	**98,902**	**82,442**	**16,460**	**20.0**
Gross income	**60,498**	**93,202**	**–32,704**	**–35.1**
Depreciation and amortization	2,245	1,979	266	13.4
Valuation allowances, provisions and losses	11,188	4,069	7,119	175.0
Divisional earnings before income tax	**47,065**	**87,154**	**–40,089**	**–46.0**

Additional information

Operating expenses excluding depreciation and amortization / total operating income (in %)	62.0	46.9		
Operating expenses including depreciation and amortization / total operating income (in %)	63.5	48.1		
Client assets under management (in CHF billion)	13.4	18.7		
Change in assets under management compared to 12/31 prior year (in %)	–28.4	21.7		
Inflow of new client assets (in CHF billion)	–1.0	0.2		
Gross income / average client assets under management (bp)[1]	99.4	103.2		
Divisional result / average client assets under management (bp)[1]	29.4	51.2		
Cost/income ratio operating income (in %)[2]	66.1	48.1		37.5
Headcount (employees)	271	217	54	24.9
Headcount (expressed as full-time equivalents)	261.6	211.7	49.9	23.6

[1] bp = basis point (annualized, average values).
[2] Operating expenses/gross income less other income.

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Structure and functions

The Private Banking Clients business unit comprises all activities involved in the Group-wide servicing of private and corporate clients. The business unit's range of tasks also includes the development of holistic wealth management solutions as well as the formulation of the entire investment process and related products.

Activities

For the Private Banking Clients business unit, 2008 was a year that reflected the turbulent developments in the financial markets. The financial market crisis, combined with the discussions surrounding the global financial centers, triggered client uncertainty. It goes without saying that our Client Advisors were confronted with tremendous demands as a result of these happenings.
The introduction of the Avaloq banking software package also meant that all employees had to demonstrate even greater commitment in order to fine-tune the new software solution to the needs of VP Bank's clients and Client Advisors.
In mid-2008, VP Bank introduced a new corporate structure as a means of combining under one roof the activities involved in client care, the related services, as well as all other aspects of the value added process. The Private Banking Clients business unit is now totally focused on markets and clients and, is responsible for addressing the entire investment process.
VP Bank made gratifying progress in terms of market expansion. The Singapore subsidiary obtained a full banking license in July 2008. The Singapore, Hong Kong, and Dubai offices were strengthened with highly qualified Client Advisors, and the growing significance of the Swiss market was underscored by the relocation of VP Bank (Schweiz) AG to premises on Zurich's Bahnhofstrasse.
In order to back up its claim of being special in terms of advisory quality, VP Bank expanded its "brains trust" by adding a team of 21 specialists who have been supporting the Group's private banking activities since September 2008. From the Zurich offices, this team supports Client Advisors with its Wealth Engineering & Consulting, Investment Engineering & Advisory and Portfolio Management units.
The advisory capabilities of VP Bank were recognized yet again in the past year. For the third time in a row, VP Bank was awarded the highest summa cum laude rating in the annual survey conducted by the Elite Report. As a result, the Bank continues to rank among the leading wealth managers in the German-speaking region of Europe.

Outlook

In 2009, the Private Banking Clients business unit will again focus its efforts on cultivating the Group's core markets in Liechtenstein, Switzerland and Germany as well as on the growth markets in the Middle and Far East.

Intermediaries

Results

In CHF 1,000	2008	2007	Absolute variance	Variance in %
Total income from interest-differential business	45,458	47,457	–1,999	–4.2
Total income from commission business and services	68,417	73,705	–5,288	–7.2
Income from trading activities	8,465	8,206	259	3.2
Other income	3,789	5,042	–1,253	–24.9
Total net operating income	**126,129**	**134,410**	**–8,281**	**–6.2**
Personnel expenses	17,192	16,612	580	3.5
General and administrative expenses	7,775	7,278	497	6.8
Services to/from other business units	17,133	17,520	–387	–2.2
Operating expenses	**42,100**	**41,410**	**690**	**1.7**
Gross income	**84,029**	**93,000**	**–8,971**	**–9.6**
Depreciation and amortization	584	678	–94	–13.9
Valuation allowances, provisions and losses	8,357	1,688	6,669	395.1
Divisional earnings before income tax	**75,088**	**90,634**	**–15,546**	**–17.2**

Additional information				
Operating expenses excluding depreciation and amortization / total operating income (in %)	33.4	30.8		
Operating expenses including depreciation and amortization / total operating income (in %)	33.8	31.3		
Client assets under management (in CHF billion)	14.9	19.3		
Change in assets under management compared to 12/31 prior year (in %)	–22.9	–15.0		
Inflow of new client assets (in CHF billion)	–0.3	2.6		
Gross income / average client assets under management (bp)[1]	73.7	64.0		
Divisional result / average client assets under management (bp)[1]	43.9	43.1		
Cost/income ratio operating income (in %)[2]	34.4	32.0		7.5
Headcount (employees)	114	108	6	5.6
Headcount (expressed as full-time equivalents)	112.4	104.8	7.6	7.3

[1] bp = basis point (annualized, average values).
[2] Operating expenses/gross income less other income.

Structure and functions

The Intermediaries business unit consists of two areas of central significance to VP Bank Group: the investment fund business and catering to the needs of financial intermediaries.
In the strategic markets VP Bank positions itself as a competent provider of high-quality services. The financial intermediaries clientele of VP Bank are counseled in all bank-related areas as well as with regard to the issues surrounding asset structuring. That client base includes fiduciaries, attorneys, and external asset managers for which VP Bank renders all classical banking services. The Fund Solutions unit represents the Group-wide competence center for investment funds.

Activities

In spite of the financial market crisis, the Intermediaries business unit managed to hold its own well, even though the growth targets for net new money were not achieved.
VP Bank Group's new organizational structure entailed a number of personnel changes in this business unit. Moreover, the changeover to the new Avaloq banking software package tied up considerable resources. The new software system, which has been in operation in Liechtenstein, Switzerland, the British Virgin Islands and Singapore since January 5, 2009, will increase the efficiency and competitiveness of VP Bank, with clients benefiting in particular from innovative possibilities in the area of e-banking.
With the opening of the Singapore location, the VP Bank Group now has a new booking platform in Asia that will clearly strengthen its market position in the intermediary business.
The proven "Experts Dialog" networking platform was successfully maintained again in 2008. It offers an excellent opportunity for clients and business partners to acquire and exchange knowledge in an informal atmosphere while they gain familiarity with the latest financial products.
VP Bank has created a uniform umbrella brand in the form of VP Fund Solutions. As a result, VP Bank's competence in the area of investment funds will be even more clearly recognizable in the marketplace. In terms of investment funds, the Bank now has a range of services that enable it to respond promptly and individually to each client's location-specific needs.

Outlook

The Avaloq software package will be installed at the Luxembourg site during the course of 2009. This new system enables a harmonization of the Group's services to its clientele of financial intermediaries throughout the world.
In addition, VP Bank is planning to expand its service desk for intermediaries with the goal of diversifying internationally what to date has been the business unit's highly concentrated Liechtenstein-based client structure. Also, VP Bank is in the process of enhancing its partner models and will offer a wider range of services for intermediaries. The Bank also wants to be the preferred partner of clients in this specific target group.

Banking Services

Results

In CHF 1,000	2008	2007	Absolute variance	Variance in %
Total income from interest-differential business	14,147	9,236	4,911	53.2
Total income from commission business and services	–2,233	–3,575	1,342	37.5
Income from trading activities	4,512	3,435	1,077	31.4
Other income	3,770	160	3,610	n.a.
Total net operating income	**20,196**	**9,256**	**10,940**	**118.2**
Personnel expenses	33,804	34,143	–339	–1.0
General and administrative expenses	14,259	9,872	4,387	44.4
Services to/from other business units	–30,890	–31,784	894	–2.8
Operating expenses	**17,173**	**12,231**	**4,942**	**40.4**
Gross income/loss	**3,023**	**–2,975**	**5,998**	**n.a.**
Depreciation and amortization	17,672	11,079	6,593	59.5
Valuation allowances, provisions and losses	1,732	4	1,728	n.a.
Divisional losses before income tax	**–16,381**	**–14,058**	**–2,323**	**–16.5**

Additional information

Headcount (employees)	299	273	26	9.5
Headcount (expressed as full-time equivalents)	275.9	250.5	25.4	10.1

Structure and functions

The Banking Services business unit acts as a central service provider for VP Bank Group. Its essential task is to ensure the operational capability of the Bank. In doing so, the Banking Services unit creates the conditions in which VP Bank can build on and expand its position in core business areas. It also contributes to the achievement of the Group's goals and cements the foundation for further growth.

In addition, the Banking Services unit ensures that business processes are consistent on a Group-wide scale, as well as that all the Bank's services are of the highest possible quality and that they are continually developed and improved.

Activities

In 2008, the Business Excellence organizational unit was renamed to Group Quality Management, thereby anchoring in one unit the key tasks involved in Group-wide quality management. This applies in particular to the further consolidation of all the Bank's certifications under ISO 9001, which was successfully concluded last fall with the certification of the Vaduz operations. As a result, VP Bank is the first financial services provider in Liechtenstein to have an ISO 9001-certified quality management system. At the same time, various organizational units gained certification under SQS 9004, an evaluation of the maturity of the quality management system. During the past financial year, VP Bank also made preparations for the assessment of its method of environmental and information-security management. VP Bank (Schweiz) AG has also now been certified under ISO 9001. By having implemented numerous improvement measures, VP Bank has come a step closer to its successful participation as a finalist in the 2011 competition for Switzerland's ESPRIX quality award.

In 2008, the Information Technology organizational unit concluded the operational launch of the new Avaloq banking software system, the architecture of which has been tailored to the specific strategy of VP Bank. A new data processing center was established in Liechtenstein, and it commenced operations according to plan.

During the course of the changeover to the new Avaloq system, the Logistics & Security organizational unit introduced a new printing/packaging assembly line as well as a new archiving and safekeeping solution. The changes to the Group's organizational structure also required that many office spaces be reallocated. In addition, in early May a new approach to mobility management was introduced (see "Environment and sustainability" section, page 45).

In the 2008 financial year, VP Bank integrated a portion of its trading activities into the Operations unit and laid the initial foundation for introducing a Group-wide means of trading. In parallel with the commencement of the operating activities of VP Bank (Singapore) Ltd., the unit also took over some of the back-office activities for that Group subsidiary. In the area of payment transactions, VP Bank once again was awarded the coveted Deutsche Bank and JP Morgan Chase Bank prizes for its extremely high straight-through processing rate.

Outlook

2009 will be marked by the processing optimization of the Avaloq system and its introduction in the Group's Luxembourg subsidiary. With the advent of this new software package, the Group-wide processing of payment services, trading as well as securities transaction settlement and administration will enter into a new era. In 2009, numerous regulatory initiatives will also have to be implemented.

Moreover, the Bank's candidature for the ESPRIX quality prize will also take center stage. In parallel, the topics of environmental management on the basis of ISO 14001 and business continuity management will be further addressed. Following VP Bank (Schweiz) AG, quality management will be expanded to include VP Bank (Luxembourg) S.A. Also on the agenda for 2009 are an increase in energy efficiency and the optimization of insurance coverage within the Group.

Corporate Center

Results

In CHF 1,000	2008	2007	Absolute variance	Variance in %
Total income from interest-differential business	38,822	32,604	6,218	19.1
Total income from commission business and services	501	317	184	58.0
Income from trading activities	2,955	–669	3,624	n.a.
Other income	–57,911	29,026	–86,937	n.a.
Total net operating income	**–15,633**	**61,278**	**–76,911**	**n.a.**
Personnel expenses	26,202	30,578	–4,376	–14.3
General and administrative expenses	24,681	23,253	1,428	6.1
Services to/from other business units	–12,319	–12,076	–243	–2.0
Operating expenses	**38,564**	**41,755**	**–3,191**	**–7.6**
Gross loss/income	**–54,197**	**19,523**	**–73,720**	**n.a.**
Depreciation and amortization	7,921	7,798	123	1.6
Valuation allowances, provisions and losses	131,871	159	131,712	n.a.
Divisional losses/earnings before income tax	**–193,989**	**11,566**	**–205,555**	**n.a.**
Additional information				
Client assets under management (in CHF billion)	0.2	0.2		
Headcount (employees)	147	133	14	10.5
Headcount (expressed as full-time equivalents)	125.8	114.4	11.4	10.0

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Structure and functions

The Corporate Center consists of all organizational units that perform tasks of Group-wide relevance, i.e. Corporate Development, Compliance, Finance, Human Resources Management, Legal, Communication, Marketing and Risk Management. It supports Group Executive Management in leading the company. The Corporate Development, Corporate Communications and Group Marketing units report to the CEO, while Group Finance, Group Risk Management, Group Human Resources Management, Group Legal Services and Group Compliance report directly to the CFO.

Activities

The top priority in 2008 for the Group Finance unit was the changeover to the new Avaloq banking software package. Of fundamental significance was also the introduction and implementation of a Group-wide management information system, which is now available to the entire Group on a common platform. Furthermore, "Basel II" – the revised capital requirement regulations for banks – was implemented, and the "Operation Risks" project was started.

In line with its strategy, Group Human Resources Management (HRM) further developed the concept for training and continuing education and introduced it on a Group-wide basis.

Since 2008, VP Bank Group has had a "risk cockpit" at its disposal, which at all times provides information on any potential risks to the Bank. This new online system has proved its worth outstandingly during the current financial crisis.

For the Corporate Development unit, devising the "Corporate Strategy 2018" took center stage in the past financial year. Corporate Development also bore responsibility for conducting the 2008 employee survey (see "Employees" section, page 38).

The Group's internationalization was the focus of the activities of Corporate Communications. Media work was broadened to include Germany and Singapore.

VP Bank Group's annual report, which in 2007 was also visually conceived in-house, was awarded the top ranking in Switzerland for design (see "Shares" section, page 16, and "Strategy Report", page 21).

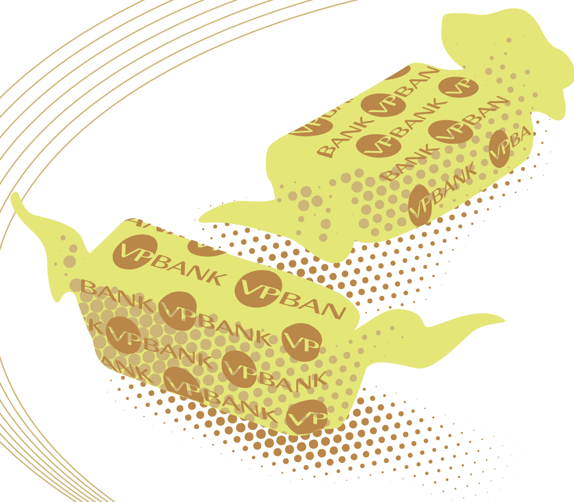
The Group's Internet portal was totally revised and designed to include the latest interactive elements.

The Group Marketing and Corporate Communications units received SQS 9004 certification during the past financial year.

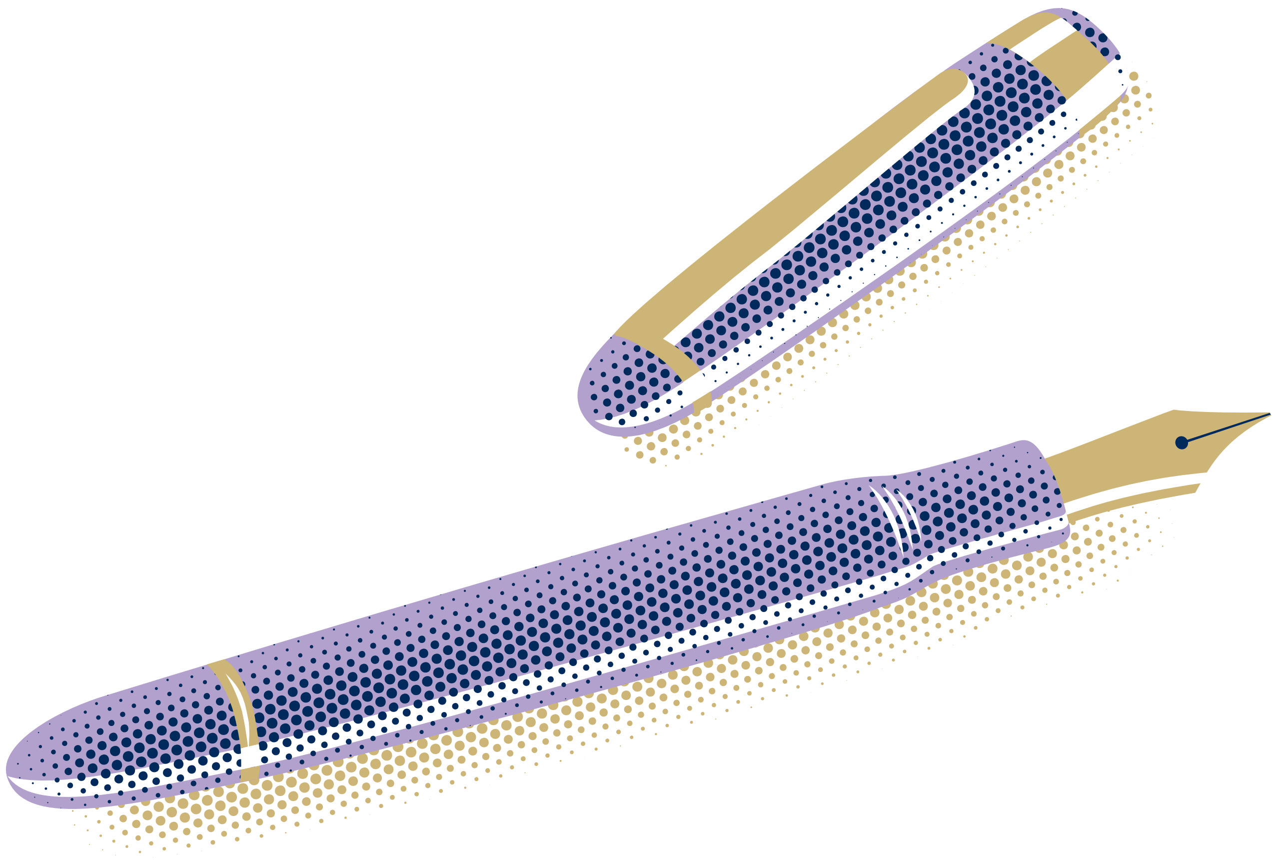
Outlook

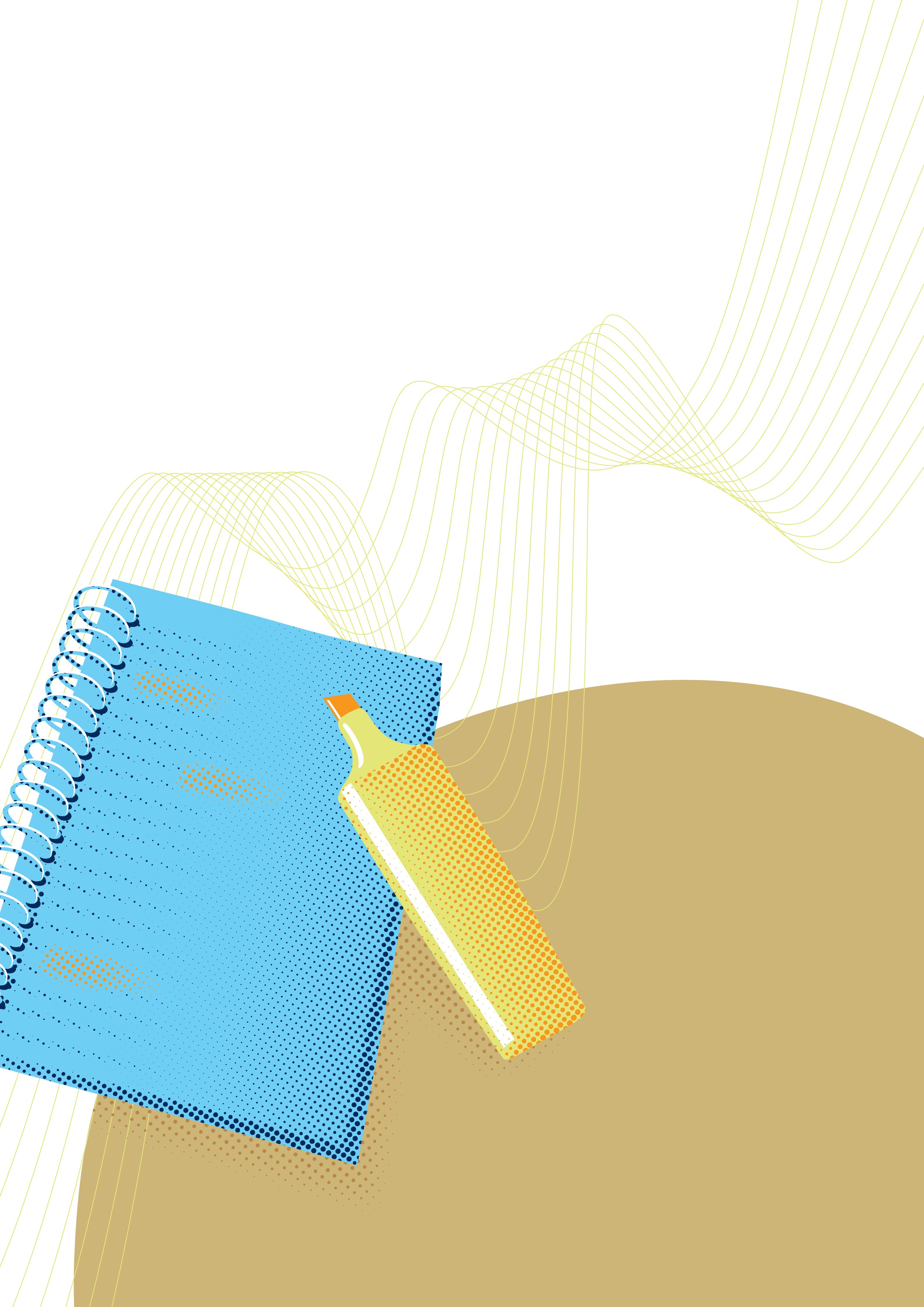
2009 will be a year of consolidation. VP Bank intends to continue the measures it has previously introduced in the areas of reporting, SAP and Avaloq, as well as to align the planning and management structure in such a way that it accommodates the new organization setup. Likewise, with the FOCUS project, the Bank has defined economization targets for the entire Group that will be resolutely pursued during the course of the year. Another goal for 2009 is the enhancement of the Group's overall efficiency.

The marketing presence of VP Bank Group will be revised in 2009 through the intensification of international media work. A milestone in this regard takes the form of the new online annual report of VP Bank Group.



5 Corporate Governance





Corporate Governance 2008

Corporate governance is the manner in which an enterprise is managed and controlled. VP Bank strives to conduct exemplary corporate governance in a manner that clearly defines and appropriately allocates the roles, competencies and areas of responsibility of the company's leadership and supervisory bodies. That applies in particular to the operative management as well as to the Board of Directors and its committees. It is also the objective of good corporate governance to avoid conflicts of interest between the individual stakeholder groups. That requires a high degree of transparency, because even the best internal structures cannot foster trust unless they are communicated to the outside world. It is VP Bank Group's desire to offer its stakeholders insight into its decision-making and control processes.

This report describes the basic principles underlying the corporate governance of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, as required by the revised Directive on Information Relating to Corporate Governance (DCG) of SIX Swiss Exchange dated March 29, 2006, as well as the relevant laws of Liechtenstein.

In Switzerland, new provisions of the Code of Obligations (CO) entered into force on January 1, 2007 (Art. 663b^{bis} CO). Under those provisions, disclosures must be made of the compensation paid by the company to members of the board of directors and senior management, as well as the financial interests those persons hold in the company. Accordingly, the Admission Board of SIX adapted DCG and abrogated Points 5.3 through 5.9 of the Directive dated April 17, 2002.

As a Liechtenstein corporation, VP Bank is not subject to the Swiss Code of Obligations. The regulations of SIX Swiss Exchange AG provide that companies whose shares are listed on the Exchange but not in their own home country must apply the provisions of Art. 663b^{bis} CO correspondingly. The relevant details are shown in Section 5.2 as well as in the notes to the annual financial statements of the parent company (see pages 84 and 188).

Unless otherwise indicated, the disclosures herein are valid as at December 31, 2008.

1. Group structure and shareholder base

1.1 Group structure

1.1.1 Description of the Group's operating structure

Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (hereinafter referred to as VP Bank) is a joint-stock company constituted in accordance with Liechtenstein law. It is the parent company of VP Bank Group.

The organization chart on page 14 shows the Group's operating structure and reflects the organization of VP Bank Group.

The subsidiary companies and material shareholdings included in the scope of consolidation are listed in the annual financial statements, together with their name, registered office, share capital and percentage of share capital held (see "Financial Report", page 158). Members of the parent company's Group Executive Management (GEM)[1] are represented on the boards of directors of the consolidated companies. As a general rule, either the CEO or another member of the GEM acts as Board Chairman of the subsidiary company.

[1] Senior management of the parent company is now referred to as Group Executive Management (GEM). It performs the function of managing the parent company as well as the Group as a whole. In this section, we normally use the term "GEM".

1.1.2 Listed companies included in the scope of consolidation

The bearer shares of VP Bank, Vaduz, are listed on SIX Swiss Exchange; the registered shares of the company are not listed.

	Symbol	ISIN	Security number	Year-end closing price in CHF	Market value in CHF
Registered shares (unlisted)	VPBN	LI0010737596	1.073.759	14.01	84 million
Bearer shares (listed)	VPB	LI0010737216	1.073.721	140.10	745 million[1]
Total (market capitalization of the bearer shares plus market value of the registered shares)					**829 million**

No other listed companies are included in the scope of consolidation.

1.2 Significant shareholders

As at December 31, 2008, the following shareholders declared that they own more than 10 percent of the share capital[2] of VP Bank or exercise more than 3 percent of the voting rights[3].

Shareholders	Registered shares	Bearer shares	Voting rights	Voting rights as % of total	ownership of total share capital in %
Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz	4,452,447	1,026,406	5,478,853	48.4	24.9
U.M.M. Hilti-Stiftung, Schaan	658,370	530,058	1,188,428	10.5	10.1

The shareholdings of U.M.M. Hilti-Stiftung increased slightly as the result of additional purchases. During the period under review, there were no disclosure reports within the context of Art. 20 SESTA or Art. 2 of the Disclosure Act. There are no binding shareholder agreements.

1.3 Cross-shareholdings

VP Bank has entered into no cross-shareholdings with other companies involving share capital or voting rights.

2. Capital structure

2.1 Capital

The share capital of VP Bank amounts to CHF 59,147,637 and is divided into 6,004,167 fully paid-up registered shares with a par value of CHF 1.00 each, as well as 5,314,347 bearer shares with a par value of CHF 10 each (see Financial Report, page 151).

	Balance as at December 31, 2008 Number	Share capital in CHF
Registered shares	6,004,167	6,004,167
Bearer shares	5,314,347	53,143,470
Total	**11,318,514**	**59,147,637**

[1] Market capitalization of the exchange-listed shares as at 12/31/2008.

[2] Principality of Liechtenstein Law on the Disclosure of Significant Shareholdings in an Exchange-listed Company (Disclosure Act), Art. 2.

[3] Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), Art. 20.

2.2 Authorized and conditional capital

VP Bank has neither authorized nor conditional capital.

2.3 Changes in capital

The share capital of VP Bank has not changed during the past three years. Total shareholders' equity of VP Bank for the past three financial years (as at the given balance sheet date) has developed as follows:

In CHF 1,000	12/31/2006	12/31/2007	12/31/2008
Share capital	59,148	59,148	59,148
Legal reserves	239,800	239,800	239,800
Other reserves	201,189	256,189	316,189
Provisions for general banking risks	237,150	237,150	63,150
Retained earnings	119,223	125,625	15,057
Total	856,510	917,912	693,344

2.4 Shares and participation certificates

The bearer shares of VP Bank are freely tradable on SIX Swiss Exchange. The registered shares are not listed, but are widely held among the regional populace. Both share categories carry the membership rights provided for in the Liechtenstein Persons and Companies Act (PGR) and the company's Articles of Incorporation. Each registered share (par value of CHF 1.00) and each bearer share (par value of CHF 10.00) grants the holder the right to one vote at the Annual General Meeting of VP Bank, irrespective of the par value of the share. VP Bank has issued no participation certificates.

2.5 Profit-sharing certificates

VP Bank has issued no profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

The recording and transfer of registered shares is regulated in detail in Art. 7 of the Articles of Incorporation[1]. The registered shares are entered into the share register with a precise description of the owner's name, citizenship and address. Only those registered shareholders are entitled to exercise the membership rights of the company. The Board of Directors may refuse entry into the share register for compelling reasons.

2.7 Convertible bonds and warrants/options

VP Bank has issued neither convertible bonds nor warrants/options on its shares.

[1] The Articles of Incorporation can be accessed via the Internet at www.vpbank.com/htm/717/en/Publikationen.htm (homepage of VP Bank: Investors & Media; Publications) in a printable version: www.vpbank.com/download/htm/1337/en/Statuten.pdf

Chairman emeritus: Heinz Batliner (not on the photo)
Board of Directors (from the left): Walo Frischknecht, Beat Bernet, Daniel H. Sigg, Hans Brunhart, Markus T. Hilti, Guido Meier, Roland Feger

3. Board of Directors

The Board of Directors (BoD) is responsible for the medium- to long-term strategic direction of VP Bank Group. It is responsible for the overall management, supervision and control of the company.
Liechtenstein law provides for a clear separation of duties between the uppermost management, the supervision and control exercised by the Board of Directors, and the operational management. Accordingly, the Board of Directors of VP Bank consists exclusively of non-executive members (i.e. members not actively involved in management).

3.1 Members of the Board of Directors

The Board of Directors of VP Bank consists of seven members, none of whom has belonged to the GEM of VP Bank or any Group company during the past three financial years.
As a bank, VP Bank maintains business relationships with numerous domestic and foreign companies. This applies also to the members of the Board of Directors as well as to individuals or legal entities that are closely related to the Board members.
The following table provides information as to the name, age, functions, joining date and remaining term of office of the Board members:

Name	Year of birth	Function	Joined Board of Directors in	Elected until AGM in
Hans Brunhart	1945	Chairman[1, 4]	1994	2009
Dr.iur. Guido Meier	1948	Vice Chairman[2]	1989	2010
Lic.oec. Markus Thomas Hilti	1951	Board member[2]	1992	2010
Roland Feger	1956	Board member[4]	2001	2010
Walo Frischknecht	1946	Board member[3]	2002	2011
Prof. Dr. Beat Bernet	1954	Board member	2002	2011
Dr.iur. Daniel H. Sigg	1956	Board member	2008	2011

Hans Brunhart (born March 28, 1945, citizen of Liechtenstein) has been the Chairman of the Board of Directors since April 1996, as well as the Chairman of the Committee of the Board of Directors and member of the Audit & Risk Management Committee of VP Bank.
Further (board) mandates: SFS Holding AG, Heerbrugg.
Educational background: Studied German philology at the universities of Freiburg/CH and Basel.
Professional background: Since 1972, Head of the Liechtenstein National Library and State Archives.
On March 27, 1974, he was appointed by His Serene Highness Prince Franz Josef II von und zu Liechtenstein to the post of Deputy Head of the Government and on April 26, 1978, to the post of Head of the Government of the Principality of Liechtenstein. Hans Brunhart exercised the function of Head of Government during four terms of office until 1993.
Other activities and vested interests: Hans Brunhart is the owner of ECAG Euroconsult AG, Schaan, established in 1993.

[1] Chairman of the Committee of the Board of Directors.
[2] Member of the Committee of the Board of Directors.
[3] Chairman of the Audit & Risk Management Committee.
[4] Member of the Audit & Risk Management Committee.

Dr.iur. Guido Meier (born January 8, 1948, citizen of Liechtenstein) is Vice Chairman of the Board of Directors and a member of the Committee of the Board of Directors of VP Bank.
Educational background: Studied law at the University of Basel; graduated with a doctorate degree in 1977; admission to the bar in 1979.
Professional background: Allgemeines Treuunternehmen (ATU), Vaduz (Chairman of the Council of Trustees); law office of Meier & Kieber Attorneys-at-Law, Vaduz.
Other activities and vested interests: 1985 through 1993, part-time judge at the Liechtenstein Constitutional Court; 1993 through 1997, Member of Parliament. Guido Meier is Chairman of the Liechtenstein Institute, president of the Board of Trustees of the Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz (see Point 1.2), as well as Chairman of the Council of Trustees of Allgemeines Treuunternehmen (ATU).

Lic.oec. Markus Thomas Hilti (born January 3, 1951, citizen of Liechtenstein) is a member of the Committee of the Board of Directors of VP Bank.
Educational background: Studied business administration, majoring in finance and accounting, at the University of St. Gallen; graduated as lic. oec. HSG.
Professional background: Coopers & Lybrand, White Plains N.Y. (auditor); Hilti Western Hemisphere, Tulsa/USA (finance, product management and sales); until 1989, member of senior management at Hilti Western Hemisphere (responsible for product management, purchasing, development, quality assurance as well as head of the company's factory in Tulsa).
Other activities and vested interests: Since 1990, Markus Thomas Hilti has been administrative fiduciary of the Martin Hilti Familientreuhänderschaft, Schaan, as well as a trustee of U.M.M. Stiftung, Schaan (see Point 1.2).

Roland Feger (born December 26, 1956, citizen of Liechtenstein) is a member of the Audit & Risk Management Committee of VP Bank.
Educational background: Swiss Federal Examination in Accounting; diploma as Swiss federally certified fiduciary expert.
Professional background: Activities in the field of finance and accounting at various companies in Switzerland and Liechtenstein; management functions within Allgemeines Treuunternehmen (ATU), Vaduz, (accounting, administration and organization); since 2000, Chairman of the Directorate of Allgemeines Treuunternehmen (ATU), Vaduz.
Other activities and vested interests: Member of the Board of Trustees of Stiftung Fürstlicher Kommerzienrat Guido Feger (see Point 1.2), as well as Chairman of the Directorate of Allgemeines Treuunternehmen (ATU).

Walo Frischknecht (born October 7, 1946, Swiss citizen) is Chairman of the Audit & Risk Management Committee of VP Bank.
Further (board) mandates: Clientis AG, Bern (Vice Chairman and Head of the Audit Committee); Carpen AG, Zurich (Chairman of the Board of Directors); Fundus Treuhand AG, Zurich (Chairman of the Board of Directors); Allhost Holding, Lachen/SZ.
Educational background: Diploma in business administration KSZ; Swiss Certified Public Accountant; Swiss Certified Expert in Accounting and Controlling; Controller's Diploma of the Controller-Akademie, Gauting, Germany.
Professional background: Price Waterhouse, Zurich; Revision AG, Zurich; Bank Leu AG, Zurich (auditor and Head of Accounting and Controlling), Leu Holding AG, Zug; BZ Trust AG, Wilen (Group Controller); BZ Bank, Wilen (Chairman of General Management); since 2003, independent management consultant (Walo Frischknecht & Partner GmbH, Lachen).
Other activities and vested interests: None.

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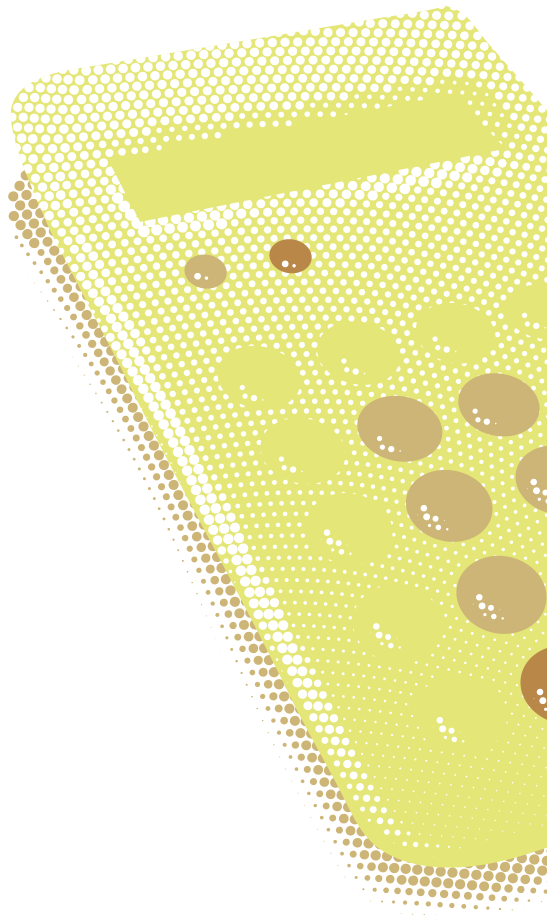
Prof. Dr. Beat Bernet (born December 7, 1954, Swiss citizen)
Further (board) mandates: RUF Datensysteme AG, Schlieren (Chairman of the Board of Directors); Zuger Kantonalbank, Zug (Chairman of the Bank Council); Bernet & Partner AG, Zug (Chairman of the Board of Directors).
Educational background: Studied economics majoring in business administration, banking and accounting at the University of Zurich; graduated as Dr. oec. publ. in 1981; post-doctoral thesis at the University of St. Gallen (HSG) in 1995.
Professional background: 1996 appointed as full professor for business management with emphasis on banking at the University of St. Gallen; director at the Swiss Institute for Banking and Finance of the University of St. Gallen.
Other activities and vested interests: Development of an international consulting organization for banks and financial service companies (servicing more than 120 banks in ten countries); management of international large-scale projects in the areas of banking strategy and banking technology.

Dr.iur. Daniel H. Sigg (born September 22, 1956, Swiss citizen, resident of New York)
Further (board) mandates: Bellevue Group AG, Zurich.
Educational background: Law studies at the University of Zurich; received Dr. iur. degree in 1984.
Professional background: BEA Associates / Credit Suisse Asset Management (Member of Senior Management and CFO); UBS (Global Head of Institutional Asset Management); Times Square Capital Management Inc. (President); DHS International Advisors LLC (advisor in the field of financial services).
Other activities and vested interests: Board member and treasurer of the Swiss Institute, New York.



3.2 Other activities and vested interests
The other activities of the Board members and any relevant vested interests can be found in the biographies shown in Point 3.1.

3.3 Cross-involvement
There are no interlocking directorates among the Board members of VP Bank and any other listed companies.

3.4 Elections and terms of office
Details concerning the election and terms of office of the current members of the Board of Directors can be found in the analysis shown in Point 3.1. Pursuant to Art. 16 of the Articles of Incorporation, the Board of Directors comprises at least five members who are elected for a term of three years. The members of the Board of Directors are elected individually (re-election is permitted).
From among its members, the Board of Directors elects the Chairman and Vice Chairman for a term of three years (re-election is permitted).

3.5 Internal organizational structure

The internal organization and work method of the Board of Directors are set out in the Articles of Incorporation (Arts. 17 through 19) and in the Organization and Business Rules (OBR Arts. 6 through 15)[1]. In collaboration with the GEM, the Board of Directors verifies annually the company's strategy for compliance with the Articles of Incorporation and OBR, and establishes the medium- and long-term objectives as well as the management guidelines of VP Bank Group. At the proposal of the GEM, the Board of Directors decides on the annual budget (parent company and at Group level), on strategically important projects, individual-company and consolidated financial statements, as well as on important personnel-related issues.

3.5.1 Allocation of tasks within the Board of Directors

The Chairman, or in his absence the Vice Chairman, conducts on behalf of the Board of Directors the direct supervision and control of the GEM. In order to be able to fulfill its duties in an optimal manner, the Board of Directors is supported by two committees: the Committee of the Board of Directors and the Audit & Risk Management Committee.

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

The tasks, responsibilities, rights and obligations of the Committee of the Board of Directors (Nomination & Compensation Committee) and the Audit & Risk Management Committee are laid down in Arts. 12–14 of the Organization and Business Rules (OBR). In addition, the function of the Audit & Risk Management Committee is regulated in detail in a specific set of rules. Minutes are kept on the matters addressed by both committees at their respective meetings and are forwarded for the attention of the Board of Directors, GEM, the statutory auditors and the Internal Audit department.
Within the framework of a standard agenda item addressed at the following Board meeting, the chairmen of both committees inform the Board of Directors and GEM about all important matters.

Committee of the Board of Directors (Nomination & Compensation Committee)

The Committee of the Board of Directors currently comprises three members: Hans Brunhart (Chairman), Dr. Guido Meier and Markus Thomas Hilti. The Committee of the Board of Directors also functions as the Nomination & Compensation Committee.
Pursuant to Art. 13 OBR, the Committee of the Board of Directors is primarily responsible for the following:

- Assisting the Chairman in the fulfillment of his management and coordination tasks as well as the entire Board of Directors in issues concerning corporate governance, organization and the monitoring of business developments
- Preparing key strategic matters for the attention of the Board of Directors (new business areas, acquisitions, cooperative ventures, etc.)
- Reviewing the strategy implementation (strategy controlling) for the attention of the Board of Directors

In its capacity as Nomination & Compensation Committee, the Committee of the Board of Directors also attends to the following tasks:

- Defining the criteria for the election of Board members; performing the evaluation and submission of proposals to the Board of Directors
- Submitting proposals to the Board of Directors concerning the composition of the Committee of the Board of Directors and Audit & Risk Management Committee
- Preparing and submitting proposals for the post of CEO and, in collaboration with the CEO, the composition of the GEM, including conditions of employment and compensation
- Dealing with fundamental issues concerning human resources policy (salary and bonus systems, management development, successor planning, staff benefits, etc.) for the attention of the Board of Directors
- Submitting proposals to the Board with regard to the principles and rules governing the compensation paid to the Chairman, directors and GEM members
- Conducting the annual target-setting and performance-achievement processes with members of the GEM

[1] OBR (in force until 12/31/2008) is available in German only: www.vpbank.com (VP Bank Gruppe; Investoren & Medien; Publikationen)

Audit & Risk Management Committee

The Audit & Risk Management Committee currently comprises Walo Frischknecht (Chairman), Hans Brunhart and Roland Feger.

The Audit & Risk Management Committee assists the Board of Directors in fulfilling the tasks assigned to it under the Banking Act with regard to the overall management, supervision and control of the parent company and of VP Bank Group.

Pursuant to Art. 14 OBR, the Audit & Risk Management Committee is responsible in particular for the following tasks:

- Critically assessing financial reporting (individual-company and consolidated financial statements, statement of cash flows, interim financial statements, etc.) as well as discussing the related matters with the CFO, the Head of Group Internal Audit and representatives of the company's statutory audit
- Deciding whether the individual-company and consolidated financial statements can be recommended to the Board of Directors for submission to the Annual General Meeting of shareholders
- Assessing the functional capability of the internal control systems, including risk and cash management
- Assessing the measures taken to ensure compliance with legal and internal regulations
- Assessing the quality and effectiveness of the internal and external audits, as well as the collaboration between the two auditing bodies
- Dealing with reports from the Group Internal Audit and statutory auditors
- Defining the audit plan of the Group Internal Audit, as well as taking note of the audit planning of the statutory auditors (controlling with its own decision-making competence)
- Assessing the performance, compensation and independence of the external auditors (in particular the compatibility of their auditing activities with any consulting mandates they may have)
- Submitting proposals to the Board of Directors for the appointment of the of Head of Group Internal Audit

3.5.3 Work methods of the Board of Directors and its committees

At the invitation of the Chairman, the Board of Directors normally meets eight to ten times per year for half-day meetings as well as for one full-day executive retreat. Generally, the meetings consist of two parts: the first is devoted to advisory discussions for which members of the GEM are in attendance to present their proposals and exchange information, and a second decision-making part during which the Board of Directors arrives at its resolutions. In order for the Board to be informed on a first-hand basis, the CEO is also in attendance at the second part.

If necessary for the Board of Directors and its committees to address specific topics, further individuals can be called upon (managers of VP Bank Group, representatives of the statutory auditors, as well as internal or external specialists and consultants).

During the 2008 financial year, the Board of Directors held eight half-day ordinary meetings as well as two extraordinary meetings (to address the impact of the financial crisis). In addition, the Board and GEM jointly conducted a full-day strategy workshop. With the exception of two meetings, each with one absence (July 3 and October 20, 2008), the Board meetings were held with a full complement of members.

As a general rule, the Committee of the Board of Directors (Nomination & Compensation Committee, NCC) holds six to ten half-day meetings per year. The CEO normally takes part in these NCC meetings in an advisory capacity. In 2008, the NCC held six half-day meetings. A separate meeting was held for the purpose of conducting discussions with GEM members as well as arriving at agreements on their individual goals, performance assessments and the determination of compensation.

The Audit & Risk Management Committee usually holds six to ten half-day meetings per year, with the meeting dates being set to accommodate the needs arising from specific tasks (closing of accounts, financial reporting, auditors' reports, etc.). The CFO and Head of Group Internal Audit each take part in these meetings. At these meetings, there is an exchange of information with the GEM regarding the quality of internal control systems and other matters. For the purpose of addressing audit-specific topics, representatives of the external audit (as a general rule, the Auditor in charge and the Senior Auditor) are invited to attend. In 2008, the Audit & Risk Management Committee met for six ordinary half-day meetings as well as one extraordinary meeting to discuss the impact of the financial crisis.

Chairman Emeritus

Fürstlicher Kommerzienrat Dr. Heinz Batliner, Vaduz, has been Chairman Emeritus of VP Bank since 1996. The Board of Directors honored him for his outstanding services on behalf of VP Bank. From 1961 to 1984, Dr. Heinz Batliner was General Manager and Head of the Management Board, and from 1990 through 1996 Chairman of the Board.

International Advisory Board

The International Advisory Board of VP Bank is a body that performs a consulting and representational function. Once a year, the International Advisory Board gathers at a meeting that centers on a future-oriented issue of relevance to the Bank.

Members of the International Advisory Board
Hans Brunhart, Chairman, Princely Counsel, Balzers (LI), Chairman of the Board of VP Bank
David Beattie, former Ambassador of the United Kingdom to Switzerland and Liechtenstein (London, GB)
Franz A. Blankart, Prof. Dr., State Secretary (rtd.), Pampigny (CH)
Alain Hirsch, Prof., Honorary Professor of Law at the University of Geneva; attorney at law with Schellenberg Wittmer, Geneva (CH)
Max E. Katz, Chief Financial Officer and member of the Executive Board of Kuoni Reisen Holding AG, Rüschlikon (CH)
Matthias Kleinert, Advisor to the Chairman, Daimler AG, Stuttgart (DE)
Michael Kohn, Dr.h.c.sc.techn., Chairman Emeritus of the Arbeitskreis Kapital und Wirtschaft (akw), Zurich (CH)
Daniel Cardon de Lichtbuer, Chairman Emeritus of Banque Bruxelles Lambert (BBL), Overijse (BE)
H.S.H. Prince Nikolaus von und zu Liechtenstein, Ambassador of the Principality of Liechtenstein to Brussels (BE)
Hubert A. Pandza, financial and management consultant; former Business Group Director for Russia and Central Asia for the European Bank for Reconstruction and Development, London and CEO of Deutsche Bank Moscow, Frankfurt (DE)
Adolf E. Real, Chief Executive Officer VP Bank Group, Vaduz (LI)
Daniel N. Regolatti, former CFO of the Nestlé Group, Bottmingen (CH)
Heinrich Treichl, Dr., former General Manager and Chairman of the Board of Management at Creditanstalt-Bankverein, Vienna (AT)
Tjerk E. Westerterp, Drs., former President of the European Options Exchange, Ulvenhout (NL)

3.6 Definition of areas of responsibility

The Board of Directors is the corporate body in charge of overall management, supervision and control of the GEM. It bears ultimate responsibility for the strategic direction of the VP Bank Group.

The authorities and obligations of the Board of Directors are laid down in detail in Art. 17 of the Articles of Incorporation as well as in Art. 6 et seq. OBR. The tasks and authorities of both Board committees are described in Point 3.5.2 herein.

The Board of Directors has delegated responsibility for the operational management of VP Bank, Vaduz, as well as for the overall management, supervision and control of the subsidiary companies of VP Bank Group[1] to the GEM of the parent company. The tasks and competencies of the GEM are described in the Articles of Incorporation (Art. 21) and the OBR. The function of senior management of the parent bank is regulated in detail in Art. 16 et seq. OBR, and that of Group-level management in Art. 26 et seq. OBR.

The separation of functions between the Board of Directors and the GEM can also be seen in the graphic presentation of the internal organization (see Annual Report, page 14 and 15).

3.7 Information and control instruments vis-à-vis management

The Board of Directors and its committees have at their disposal various information and control instruments for managing and supervising the activities of the GEM. Among those instruments are the strategy process, medium-term planning, the budgeting process and internal reporting, in particular that generated by the Management Information System (MIS).

The members of the Board of Directors regularly receive (i.e. at least on a monthly basis) the relevant reports, most importantly the monthly management reports, controlling and risk-controlling reports, as well as periodic reports on the quarterly, semiannual and annual financial statements (consolidated and individual company accounts). They also include quantitative and qualitative information, as well as budget variances, benchmark comparisons, period-specific and multi-year comparisons, key performance indicators for management, and risk analyses, all of which cover the parent company, the subsidiaries and the Group in general. These reports enable the Board of Directors at all times to gain a picture of significant developments and the risk situation at VP Bank. The reports that lie within the scope of tasks of the Audit & Risk Management Committee are addressed by that body and corresponding proposals are forwarded to the Board of Directors for approval. The latest reports undergo a comprehensive review at each Board meeting. Verifying and controlling the implementation of the company's strategy is a task of the Committee of the Board of Directors.

A further key instrument to assist the Board of Directors in fulfilling its supervisory and control function is the Internal Audit unit[2], which conducts its activities in com-

[1] Exception: IGT Intergestions Trust reg., Vaduz, which reports directly to the BoD

[2] "Group Internal Audit" at the parent company; "Internal Audit" at the subsidiary companies

pliance with the internationally recognized standards of the Swiss Institute of Internal Auditing (SIIA) and the Institute of Internal Auditors (IIA). The duties and powers of Internal Audit are laid down in a specific set of rules. As an independent body, it examines in particular the internal control systems, management processes and risk management.
In addition, the Chairman of the Board receives all minutes of the GEM meetings. He also exchanges information with the CEO on a regular basis (weekly) as well as with the other GEM members.

4. Senior management

Senior management is responsible for the operational management of the parent bank as well as VP Bank Group as a whole and is therefore referred to as the Group Executive Management (GEM). Its authorities and tasks are set out in the OBR as well as in the job descriptions of the individual GEM members. The Chief Executive Officer (CEO) bears responsibility for overall management and Group-wide coordination.
GEM members meet once a week in half-day sessions. In addition, further meetings and seminars are held to address strategy and company-internal development as well as annual planning, budgeting and other topics of current importance.

4.1 Members of senior management

As at December 31, 2008, the Group Executive Management team (GEM) comprised the following individuals:

Name	Year of birth	Function	Joined VP Bank	GEM member since
Adolf E. Real	1954	Chief Executive Officer (CEO)	1983	1989
Fredy Vogt	1958	Chief Financial Officer (CFO)	1987	1996
Georg Wohlwend	1963	Head of Intermediaries business unit	1994	1998
Ernst Näf	1958	Head of Private Banking Clients business unit	2003	2003
Gerhard Häring	1962	Head of Banking Services service unit	2000	2005

Effective as of July 1, 2008, VP Bank revamped its organizational structure. Through the end of June 2008, Georg Wohlwend headed the former Trust Banking business unit; Ernst Näf bore responsibility until that time for the former Private Clients business unit.

Adolf E. Real (born July 31, 1954, citizen of Liechtenstein) has been a member of the GEM since January 1, 1989 and Chief Executive Officer (CEO) since May 1, 1998. He is Chairman of the Board of the subsidiary companies and bears responsibility for the Corporate Communications, Group Marketing and Corporate Development central staff functions (see Segment Reporting on page 62).
Educational background: Studied agronomy at the Swiss Federal Institute of Technology, Zurich (Dipl. Ing. ETH); business management studies (banking) at the University of St.Gallen;

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Master of Business Administration (MBA) from the University of San Diego/USA; graduate of the Advanced Management Program at Harvard Business School, Boston/USA.
Professional background: Joined VP Bank in 1983; developed the Marketing and Organization departments; assistant to the General Manager; as of 1989, member of the GEM (responsible for processing, including IT as well as internal organization); CEO since 1998.
Other activities and vested interests: Adolf E. Real is Vice President of the Liechtenstein Bankers' Association.

Fredy Vogt (born September 11, 1958, citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since 1996. He is the Chief Financial Officer (CFO) of VP Bank and of the Group (VP Bank Group), as well as Deputy CEO and Head of the Corporate Center. In the latter functions, he is responsible for the Group Finance, Group Risk Management, Group Legal Services, Group Compliance and Group Human Resources Management and Group Legal and Group Compliance central staff functions (see Segment Reporting, page 62).
Educational background: Fredy Vogt is a Swiss Federally Certified Expert in Accounting and Controlling as well as a Swiss Certified Public Accountant.
Professional background: Liechtensteinische Landesbank, Vaduz; AREVA AG, Vaduz (trust auditor); joined VP Bank in 1987 (Deputy Head of Internal Audit; Head of Controlling as of 1990); since 1996, GEM member (responsible for finance, corporate clients and intermediaries, trading, real estate and security); CFO since 2003.
Other activities and vested interests: Fredy Vogt acts as Chairman of the Supervisory Board of the Liechtenstein AHV-IV-FAK foundations. In addition, he is Chairman of the Board of Trustees of the Treuhand-Personalstiftung, Vaduz (pension fund).

Georg Wohlwend (born May 26, 1963, citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since 1998. He is the Head of the Intermediaries business unit of VP Bank (see Segment Reporting, page 60) as well as Fund Solutions competence center, and is Chairman of the Board of IFOS Internationale Fonds Service Aktiengesellschaft, Vaduz.
Educational background: Studied information management (lic. oec.) at the University of Zurich; postgraduate studies at the Swiss Banking School; continuing education program of the Martin Hilti Foundation in Tulsa/USA.
Professional background: Department of Informatics at the University of Zurich (collaboration in the implementation of a prototyping tool); joined VP Bank in 1994 (Internal Organization department); 1996, Head of Internal Organization; as of 1998, GEM member (Production and Information Technology units); since 2003 Head of the Trust Banking business unit and now, as of July 1, 2008, new Head of the Intermediaries business unit.
Other activities and vested interests: Georg Wohlwend is a member of the Council of the Liechtenstein University of Applied Sciences.

Ernst Näf (born August 3, 1958, Swiss citizen) has been a member of the GEM of VP Bank, Vaduz, since September 1, 2003. Upon joining VP Bank, he became Head of the Private Clients business unit; in conjunction with the July 1, 2008, reorganization, he was named Head of the newly formed Private Banking Clients business unit (see Segment Reporting, page 56).
Educational background: Swiss Certified Banking Specialist; graduate of the Swiss Banking School; graduate of the Senior Executive Development Program of Columbia University, New York City/USA.
Professional background: Various positions and management functions at Swiss Bank Corporation (in Switzerland and abroad) and (after the merger of UBS/SBC) at UBS AG, Zurich; as of 1998 at UBS AG, Zurich, as Managing Director of the Private Banking Germany business unit; joined VP Bank in 2003 as Head of Private Clients (today, the Private Banking Clients business unit).

Group Executive Management (from the left):
Fredy Vogt, Gerhard Häring, Adolf E. Real, Ernst Näf, Georg Wohlwend

Gerhard Häring (born November 9, 1962, citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since July 1, 2005. He is Head of the Banking Services unit (see Segment Reporting, page 60).
Education: Information management specialist (KV Basel and SBC Basel); Advanced Executive Program of the Swiss Banking School.
Professional background: Swiss Bank Corporation, Basel (development of options, foreign exchange and liquidity projects); Swiss Volksbank, Bern (mandate to develop database and analysis concepts); Swiss Volksbank, Zurich (consulting mandate); BNP, Basel (Head of IT development); UBS, Luxembourg (consulting mandate); Bank für Handel und Effekten, Zurich (Head of IT and Organization unit); MMI Unternehmensberatungs AG, Zurich (member of senior management); Syseca (Switzerland) AG, Zurich (general manager); joined VP Bank in 2000 as Head of the Information Technology department; since July 1, 2005, Head of the Banking Services unit.

4.2 Other activities and vested interests

The other activities of the GEM members and any relevant vested interests can be found in the biographies shown in Point 4.1.

4.3 Management contracts

VP Bank has no management contracts with third parties that involve the delegation of management functions.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the share ownership programs

In its function as the Nomination & Compensation Committee (see Point 3.5.2, page 74), the Committee of the Board of Directors proposes to the Board the principles and rules for the compensation of the Chairman, Directors and GEM, as well as the amount of remunerations paid to members of both of those corporate bodies. The Board of Directors approves the aforementioned principles and rules and determines the amount of total compensation Board and GEM receive.

5.1.1 Board of Directors

Members of the Board of Directors receive compensation for the duties and responsibilities conferred on them by law and pursuant to Art. 20 of the Articles of Incorporation. This is determined annually by the Board of Directors at the proposal of the Committee of the Board of Directors in its capacity as Compensation Committee. It is distributed to the members of the Board of Directors on a graduated basis according to their function in the Board of Directors and their function in its committees or in other corporate bodies (e.g. the pension fund). Three-quarters of this compensation is paid in cash, and one-quarter in the form of freely disposable VP Bank bearer shares, the number of which is determined by the current market price at the time of grant.
At VP Bank, there are no agreements pertaining to "golden parachutes" for members of the Board of Directors.

5.1.2 Group Executive Management

Following the decision of the Board of Directors taken on March 27, 2008, VP Bank introduced a new, long-term and value-oriented compensation model applicable to the GEM and second-level management members of VP Bank. Under this model, the compensation of these members of senior management consists of the following:

1. A fixed base salary that is contractually agreed between the Committee of the Board of Directors (in its function as Nomination & Compensation Committee) and the members of Group Executive Management. In addition to the base salary, VP Bank will pay proportionate contributions to cadre insurance and the pension fund.
2. A variable performance-based component (short-term Incentive, STI), which is dependent on the annual profit of VP Bank Group as well as individual achievement of goals and is paid out annually.
3. A variable long-term management share ownership scheme (long-term Incentive, LTI) with grants in the form of VP Bank bearer shares. The number of shares granted after a term of five years is directly dependent on VP Bank Group's economic profit during the financial years from 2008 through and including 2012. Thus more or fewer shares will be granted in reflection of the Group's financial success. The underlying factor ranges from a minimum of 0.5 and a maximum of 2.5. The monetary value of this compensation in kind, which will be distributed at the end of 2012 or as it were in 2013, is also dependent on the trend in the price of VP Bank's bearer shares. The shares required to cover the LTI stock ownership plan will come either from the holdings of VP Bank Group or by means of open-market purchases of the shares.

At VP Bank, there are no agreements on severance compensation for members of Group Executive Management.

5.2 Transparency of compensation, shareholdings and loans pertaining to issuers domiciled abroad

As a SIX-listed issuer domiciled abroad, VP Bank discloses information on compensations, shareholdings and loans within the context of Section 5.2 of the Commentary on the Corporate Governance Directive dated September 20, 2007, i.e. corresponding to Art. 663b^{bis} of the Swiss Code of Obligations. The details in this regard can be found in the Financial Report and individual company accounts of Verwaltungs- und Privat-Bank AG, Vaduz, (see page 188 f).

6. Shareholders' participation rights

6.1 Voting rights and representation restrictions

Each registered share and bearer share grants the holder the right to one vote at the Annual General Meeting of VP Bank, irrespective of the par value of such shares. Each shareholder may either attend in person or be represented by another shareholder by means of a written proxy. There are no voting rights restrictions or statutory group clauses.

6.2 Statutory quorums

Amendments to the Articles of Incorporation regarding a change in the relationships of bearer shares to registered shares (Articles of Incorporation, Art. 4 par. 2) as well as to the provisions governing the restriction of registration of registered shares (Articles of Incorporation, Art. 7 par. 2) require at least a two-thirds majority approval via the voting rights of all shares issued by VP Bank (Articles of incorporation Art. 14 par. 4).

6.3 Convocation of the Annual General Meeting of shareholders

Convocation of the Annual General Meeting is made in accordance with the provisions of law and the Articles of Incorporation (Art. 11). The Articles of Incorporation can be accessed at the website www.vpbank.com (in German only) > VP Bank Group > Investor & Media Relations > Publications.

6.4 Agenda

The agenda for the Annual General Meeting is based upon the provisions of law and those of the Articles of Incorporation (Arts. 11 to 14).

6.5 Inscriptions into the share register / invitation to the Annual General Meeting

Registered shares are entered into the share register with the name, citizenship and address of the owner. Only registered shareholders are entitled to exercise of membership rights of the company. The deadline for registration and entitlement to participate (as per the Articles of Incorporation, Art. 11 par. 1) is 21 days prior to the date of the Annual General Meeting. Registered shareholders who have been entered into the share register by that deadline, as well as bearer shareholders whose shares are held in the custody of VP Bank, receive an invitation to the Annual General Meeting as well as the related agenda, sent to the address known to VP Bank at the time of dispatch. Upon returning their reply card, shareholders receive an entry pass together with the relevant voting material.
The invitation to the Annual General Meeting is also published in Liechtenstein newspapers and the Swiss financial press.

7. Changes of control and defense measures

The provisions of the Stock Exchange Act concerning public takeover offers apply only to companies whose registered office is in Switzerland. Accordingly, the Articles of Incorporation of VP Bank contain no clauses governing the duty to make an offer or changes in control.

8. Auditors

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

Ernst & Young AG, Bern, have acted as auditors of Verwaltungs- und Privat-Bank Aktiengesellschaft since 1956 (in accordance with PGR[1]) and since 1994 as Group auditors of VP Bank Group. In addition, Ernst & Young AG executes the mandate as statutory auditors within the context of the Liechtenstein Banking Act (BankA Art. 37 et seq.).

The auditor in charge[2] has been responsible for the VP Bank mandate since 2007 (Annual General Meeting of April 27, 2007) and the senior auditor has been involved in this mandate since July 2008.

8.2 Auditing fees

During the 2008 financial year, Ernst & Young AG charged VP Bank Group fees in the amount of CHF 1,730,000 (prior year: CHF 1,675,000) for services rendered in connection with the audits of the annual financial statements of VP Bank and the Group subsidiaries (with the exception of Proventus Trust AG), as well as the audit of the consolidated financial statements of VP Bank Group.

8.3 Additional fees

Ernst & Young AG also rendered auditing-related services to VP Bank in the amount of CHF 534,000 (previous year: CHF 574,000). The services invoiced include support and audits relating to:

- IT project support and project review in the system changeover from Penta to Avaloq
- Project review of operational risks
- Various clarifications and assessments with regard to regulatory law
- Key-aspect examination with regard to MiFID

Checks were also carried out to ensure compliance with Liechtenstein law on due diligence and the Swiss Anti-Money Laundering Ordinance.

1 Persons and Companies Act of the Principality of Liechtenstein (PGR).
2 VP Bank deems the lead auditor under DCG to be the auditor in charge.

8.4 Informational instruments pertaining to the external audit

The Audit & Risk Management Committee reviews the multi-year audit planning as well as the planned annual auditing activities and in a specific agenda item discusses these issues with the auditor in charge of the external auditing firm and the Head of Group Internal Audit. The Audit & Risk Management Committee places particular emphasis on a risk-oriented approach in the planning and conduct of the audit, as well as on a reasonable degree of coordination between the external auditors and the Internal Audit unit.
All reports by the auditors are promptly reviewed at meetings of the Audit & Risk Management Committee, with the auditor in charge and/or senior auditor of the external auditors in attendance. In 2008, the external auditors (auditor in charge and/or senior auditor) were present at all meetings of the Audit & Risk Management Committee in which external audit-related items were on the agenda. In addition, the auditor in charge was in attendance at a Board of Directors meeting to present and discuss the audit report prescribed under the Banking Act.
The Audit & Risk Management Committee examines annually the services and costs, as well as the independence, of the external auditors and Group auditors. It generates annual industry comparisons on the basis of published information, evaluates alternatives, and then submits a proposal to the Board of Directors regarding which statutory auditors and Group auditors should be proposed to the Annual General Meeting for election.

9. Information policy

All publications of VP Bank required by the law are made in a legally binding manner in the official Liechtenstein publication media (Articles of Incorporation, Art. 25 Point 1). VP Bank informs shareholders and capital-market participants in an open, comprehensive and timely manner. Its information policy is based on the principle of equal treatment of all capital market participants.
VP Bank informs shareholders and capital market participants by means of detailed annual and semiannual reports, which are prepared for VP Bank Group in accordance with International Financial Reporting Standards (IFRS), as well as via media releases concerning the latest changes and developments at VP Bank. As a company listed on SIX Swiss Exchange, VP Bank is also subject in particular to the obligation to publicize immediately any price-sensitive facts (ad hoc publicity obligation).

Agenda

Annual General Meeting: April 24, 2009
Semiannual report: August 25, 2009
Investors and other interested parties can find additional information on the Bank, as well as the Articles of Incorporation, OBR, etc. at the website www.vpbank.com.

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Conceive. Sketch out your imaginations.
We'll come up with concrete plans.