2009

Annual Report

VP BANK

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Dear Shareholders, Ladies and Gentlemen

VP Bank Group recorded a consolidated net profit of CHF 59.8 million for the 2009 financial year, a result achieved in what continues to be a demanding business and economic environment. After having started the year on a weak note, the financial markets gradually recovered and in the second half demonstrated a degree of stability that was not generally expected. Even the economic conditions showed greater improvement than anticipated at the end of the previous year. Nonetheless, the banking business was fraught with uncertainties, in particular with regard to the enormous debt burdens of many countries, as well as the persistently growing pressure to systematize the exchange of tax-relevant information crossborder asset management.

The main contributors to VP Bank Group's operating results were the interest-differential business, which generated income of CHF 121.0 million (–18.5 percent), as well as the commission and services business with revenues of CHF 123.5 million (–18.6 percent). Already in our semiannual report we made reference to the effects of the sharply lower level of interest rates compared to the previous year, a situation that became clearly evident in the results from our interest-differential business. The high levels of liquidity in client portfolios resulted in a lower gross margin, which in turn affected the commission and services business. However, in contrast to 2008, "other income" made a significant CHF 51.7 million contribution. Here, the measures taken in connection with the acceptance of securities from the VP Bank Cash & Money Market Fund into the Bank's own financial investments account proved their merit. On the whole, gross income rose by 8.2 percent to CHF 313.8 million. This compares with total operating expenses of CHF 185.1 million, which declined by 5.9 percent versus the previous year. That figure attests to the success of the Bank's efforts last year to reduce costs, and those measures will continue to be resolutely enforced in the current year. The cost/income ratio stood at 59 percent (December 31, 2008: 67.8 percent), the return on equity at 6.6 percent, and the Bank's tier 1 ratio at an enviable 17.1 percent (December 31, 2008: 13.6 percent). In 2009, shareholders' equity rose by CHF 86.4 million to CHF 931.9 million. VP Bank's total comprehensive income of CHF 101.7 million for the period reflects this favorable trend.

Total assets increased by CHF 0.2 billion to CHF 11.6 billion, while client assets under management grew by CHF 1 billion (+ 3.6 percent) to CHF 29.5 billion, mainly as a result of the recovery in the financial markets. The net outflow of client funds at VP Bank Group amounted to CHF 1.1 billion, of which CHF 1.0 billion was attributable to the first semester of 2009. As can be seen, the outflow was reduced sharply in the second half of the year. Assets held in custody recorded yet another increase (+ CHF 5.7 billion), thus total client assets amounted to CHF 41.8 billion (+ CHF 6.7 billion) as at December 31, 2009.

Dividend proposal

At the Annual General Meeting on April 30, 2010, the Board of Directors will propose a dividend of CHF 3.50 per bearer share and CHF 0.35 per registered share (previous year: CHF 2.50 per bearer share and CHF 0.25 per registered share). This proposal is in keeping with VP Bank Group's long-held practice of maintaining continuity in dividend distributions, as well as in reflection of its annual financial results (pay-out ratio: 35.1 percent).

General business environment

The past year was marked yet again by challenging business and economic conditions. In this connection, similar observations with regard to the crossborder asset management business can be made in all of the major financial centers: international standards and agreements are progressively superseding domestic law, and the goal of certain countries to have access to all tax-related information on individuals who are taxable in their sovereign territory has led to relentless pressure on client banking secrecy. Today, there is a broad international consensus that crossborder access to tax data on the basis of the OECD standard should be enabled upon request.

Liechtenstein has reaffirmed its willingness to adopt this standard not only by issuing the Liechtenstein Declaration of March 12, 2009, but meanwhile by also signing various agreements on the exchange of information in tax-related matters as well as a number of double taxation treaties. As a result, Liechtenstein is no longer on the OECD's "gray list". The goal of negotiating bilateral agreements with individual nations, the terms of which are applicable also retroactively and – in conjunction with tax-amnesty arrangements – should ultimately lead to Liechtenstein banks' managing only after-tax assets of individuals from those countries, has been achieved for the first time through the recently concluded treaty with Great Britain.

Outlook

On the whole, it can be seen that government's policy of cooperation within clearly defined parameters, which was initiated already in 2008, has created more legal certainty for the Liechtenstein financial center. Going forward, that has also formed an important basis for client trust. Thanks to Liechtenstein's clear positioning on a topic that for years has been the subject of heated debate, the banks and financial intermediaries operating in the Principality now enjoy new and promising prospects.

In the case of VP Bank, those prospects are enhanced by the strategy that was introduced already ten years ago with the aim of expanding the Group's onshore banking business at selected locations while developing further its offshore banking activities in line with the new conditions. Today, VP Bank Group is well positioned in the markets it desires to address and has taken the changed business circumstances into account in its overall corporate strategy.

In the summer of 2009, the Board of Directors reaffirmed VP Bank Group's strategic orientation: core business is international private banking, the cultivation of which requires outstanding service, ongoing dialogue with clients, and the staunch guardianship of personal privacy. For that reason, VP Bank Group will intently press ahead with the expansion of its private banking activities in defined markets. In parallel, it will pursue the further development of business relationships with highly demanding asset managers and fiduciaries while simultaneously catering to the needs of commercial, credit and retail customers in Liechtenstein and the neighboring region of Eastern Switzerland. Safeguarding privacy will remain one of VP Bank's key priorities.

The Board of Directors has also resolved to delegate more authority to the heads of the Bank's various locations in order to gain even greater market proximity. In January 2010, the Board also decided that in future the cultivation of the Middle East market will be conducted without direct presence in Dubai and, as a result, the small local office is to be closed. This important market will continue to be serviced from the Bank's currently existing locations.

The «FOCUS» cost-reduction project heavily occupied VP Bank Group during the past financial year. Mainly due to the non-personnel expenditures incurred in conjunction with the introduction of the new Avaloq banking software system, the goals of this project have not yet been fully achieved. However, Avaloq is now in successful operation after what in relative terms was a very short run-up phase. We are convinced that the advantages of this new software system will result in tangible benefits for clients as well as our employees.

A word of gratitude

In September 2009, Chief Executive Officer Adolf E. Real departed VP Bank in mutual agreement with the Board of Directors. During his 11 years of commitment as CEO, he earned great merit for VP Bank Group, among other things by positioning the Bank as a distinguished private bank and by fostering its internationalization through the establishment of Group companies. The Board of Directors would like to take also this opportunity to thank Adolf E. Real for his significant contribution he made to the successful evolution of VP Bank Group.

Fredy Vogt – CFO and former deputy of Adolf E. Real – took over the function of CEO on an ad interim basis and will continue to perform that task until succeeded by VP Bank's new Chief Executive Officer. The Board of Directors thanks Fredy Vogt for his additional commitment.

On February 3, 2010, the Board of Directors named Roger H. Hartmann as the Bank's new CEO. In the person of Roger Hartmann, we have been able to attract a leadership figure who is well suited to the job profile for this position. He brings with him many years of experience in international private banking and therefore is highly familiar with the crossborder as well as domestic private banking business from his previous management activities and client-oriented responsibilities. The Board of Directors is convinced that VP Bank's new CEO will contribute to the reputable and highly competent image of VP Bank Group and develop the existing organization with determination and sound judgment.

Dr. Rolf Kormann passed away on February 12, 2010. As Head of the Management Board, he was in charge of VP Bank's operating activities from 1991 until 1998 and during that time frame contributed significantly to the professionalization and internationalization of VP Bank Group. VP Bank will remain deeply indebted to Dr. Rolf Kormann for his tremendous efforts.

The current economic environment has challanged many employees in the financial services industry and at VP Bank as well. Thus it is of so much the greater concern to us that we express our sincere thanks to all VP Bank Group employees throughout the organization for their outstanding commitment and strong identification with the values and goals of our company.

And above all, we thank our clients for their abiding loyalty, trust and gratifying collaboration.

But we would be remiss by not expressing our special thanks to you, our valued shareholders, for the confidence you have in our work. It provides the stimulus for our unceasing devotion to the wellbeing of our clients and hence that of VP Bank Group as a whole.

Hans Brunhart
Chairman of the Board

Fredy Vogt
Chief Executive Officer a.i.

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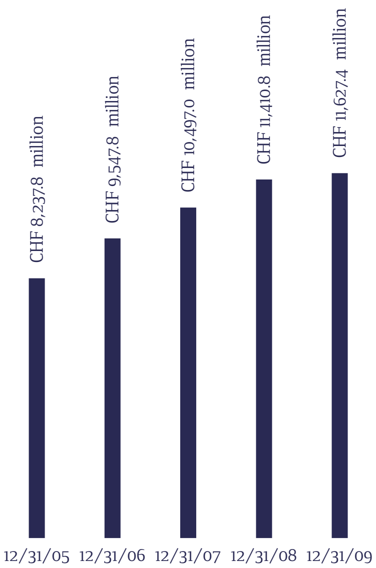
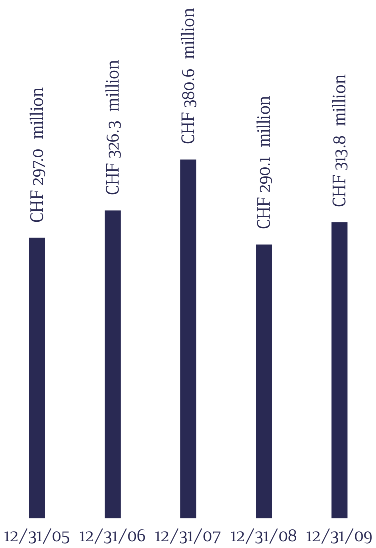
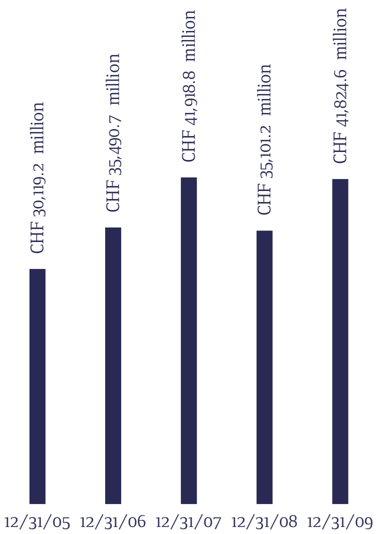
Key Figures of VP Bank Group



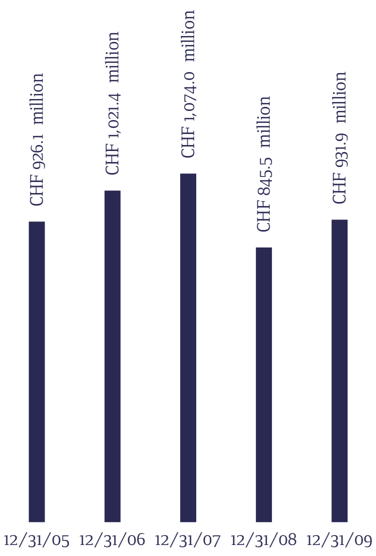
Total assets



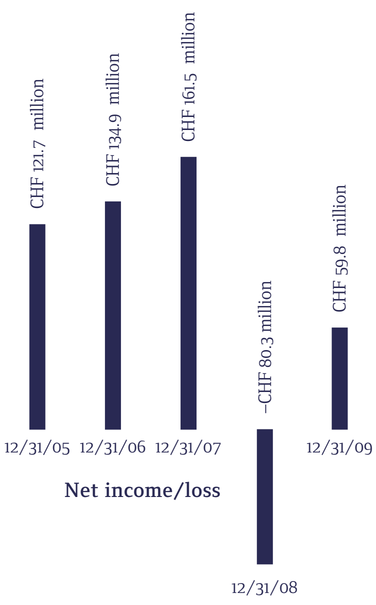
Total net operating income



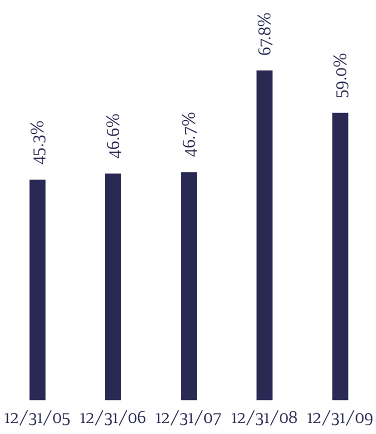
Client assets



Total Shareholders' equity



Net income/loss



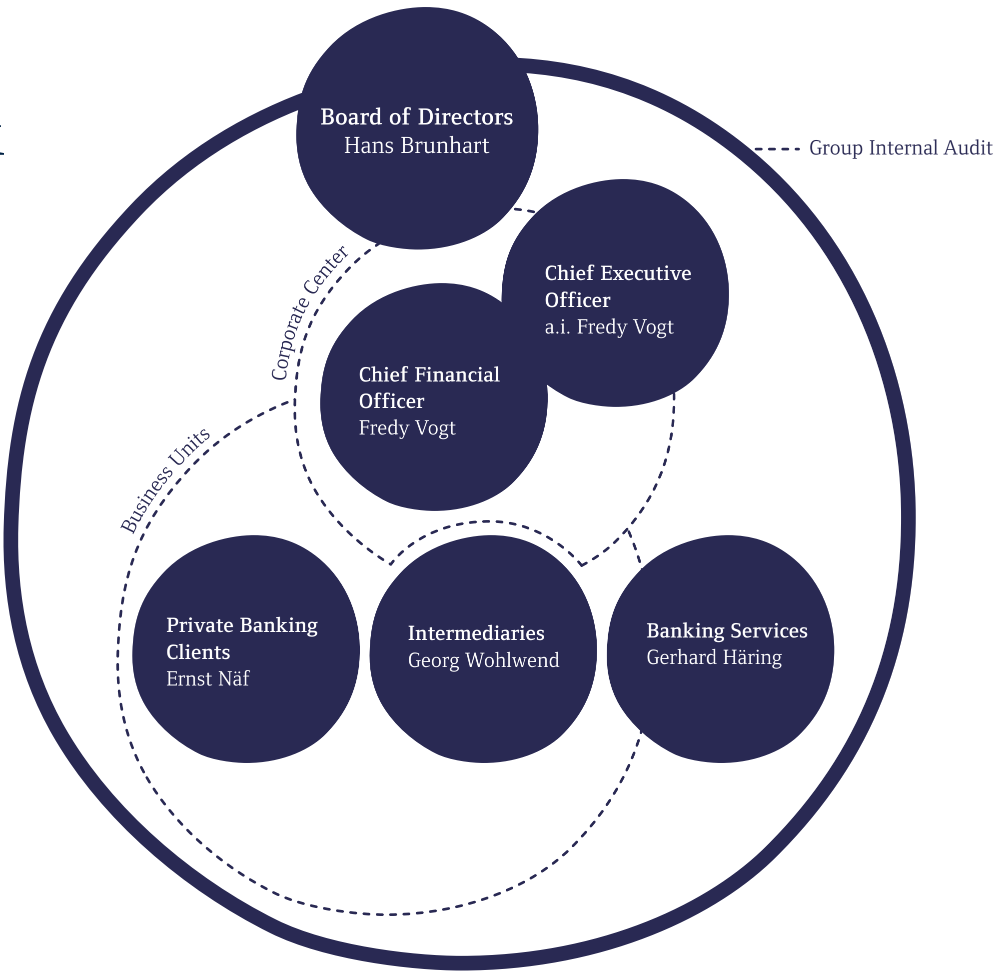
Cost/income ratio

Key Figures of VP Bank Group

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

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

Structure of VP Bank Group



Parent Bank

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

Subsidiaries with bank status

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

Asset management companies

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

Fund management companies

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

Trust companies

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

Representative office

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

VP Bank Shares

Economic environment

The effects of the worldwide financial and economic crisis made for a sobering start to 2009. The collapse in global trade and slack private consumption led to negative growth rates for the industrialized nations during the first half of the year. Interest rate cuts by the major central banks, in combination with state-sponsored economic stimulus packages in the billions, paved the way for a resuscitation of the global economy in the second half.

A number of industrialized countries managed to emerge from the recession in the third quarter of the year. Real estate prices stabilized in the USA as the year progressed, but lending to the private sector was restrained over the entire period under review. On the whole, however, macroeconomic readings are currently suggesting that a solid recovery is underway.

The recession impacted individual countries and regions to varying degrees. A less flexible labor market, coupled with a reticence to implement more aggressive monetary and fiscal measures, caused the euro zone to suffer a significantly greater decline in economic activity than was the case in the USA. Switzerland has come away from the recession relatively unscathed – robust private spending and resolute intervention on the part of the Swiss National Bank prevented a deeper drop in the country's gross domestic product.

The emerging and developing nations, above all in Asia and Latin America, were only marginally hurt by the crisis. The rapid economic recovery in these countries, which in certain instances started already during the second quarter of 2009, served as a stimulant for economies in the rest of the world.

Equity markets

Despite the difficulties early in the year, 2009 was shaped by signs of a nascent economic recovery.

Already in spring, players in the equity markets started placing their bets on a rebound in commercial activity: the major share indices recorded average gains of 30 percent, while the emerging markets did even better, rising an average of 60 percent.

These uptrends were accompanied by a return of investors' willingness to accept risk. Shares, regions and sectors that had suffered the most from the crisis ultimately posted the largest gains for 2009.

In spite of that impressive performance, the stock market indices at present still lie considerably below their historical highs. One example of this is the Swiss Performance Index (SPI), which ended the year 27 percent shy of its all-time high registered in June 2007. Over the same time frame, global corporate profits have fallen by more than 37 percent.
For the current year, analysts are expecting that, on balance, companies will report a 29 percent increase in earnings.

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, 2009, those shares represented a total market capitalization of CHF 596 million.

The loss of trust in the financial sector shaped investors' conduct again in 2009 and had a negative influence on banking shares.

The SIX Banks Index compiled by SIX Swiss Exchange recovered gradually over the course of the past financial year, however the shares of VP Bank were unable to keep pace with that performance. Their opening price for 2009 of CHF 151.00 simultaneously represented the high for the year. The shares suffered during the first quarter but, after having reached a low of CHF 46.55 in March 2009, rose to a year-end final settlement value of CHF 100.70. The median price for all of 2009 was CHF 104.00.

Investor relations

The goal of VP Bank's investor relations efforts is to foster an open, ongoing dialog 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 developments at the company.

As one of the few officially rated private banks in Liechtenstein and Switzerland, VP Bank Group carries an "A–" from Standard & Poor's.

The tasks involved in this investor relations work include conducting discussions with analysts and investors, disclosing ad hoc information regarding business issues of relevance under securities law, and producing the company's annual and semi-annual reports. As was the case in previous years, the Investor Relations department supplemented those activities in 2009 by conducting roadshows as well as analyst and media conferences.

Moreover, VP Bank's website (www.vpbank.com) makes available all of the latest information concerning and generated by the Bank.

Last year's Annual Report gained notable recognition. In Switzerland's largest assessment of corporate annual reports, VP Bank's 2008 annual report – among those of the 240 participants – was ranked fourth in the Value Reporting category.

Research coverage of VP Bank is provided by analysts at Credit Suisse, Crédit Agricole Cheuvreux Switzerland, Neue Zürcher Bank, Sal. Oppenheim jr. & Cie, UBS AG, Vontobel and Zurich Cantonal Bank.

Agenda 2010

Tuesday, March 9, 2010	Media and analyst conference on 2009 financial results
Friday, April 30, 2010	47th ordinary General Meeting
Wednesday, May 5, 2010	Dividend payment date
Tuesday, August 31, 2010	Roundtable on semiannual results 2010
Tuesday, March 15, 2011	Media and analyst conference on 2010 financial results

Details of VP Bank shares

Bearer shares listed on SIX Swiss Exchange

Amount listing	5,314,347
Free float	67.9%
Symbol on SIX	VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216
Sedol number	5968006 CH

Share-related statistics 2009

High	CHF 151.00
Low	CHF 46.55
Year-end close (final settlement value)	CHF 100.70
Average price	CHF 104.00
Market capitalization in million	CHF 596
Consolidated net profit/loss per bearer share	CHF 9.97
Dividend per bearer share (proposed)	CHF 3.50
Net dividend yield	3.5%
Rating: Standard & Poor's	A–/Stable/A–2

More information on VP Bank's shares, capital structure and shareholder base can be found in the "Corporate Governance" chapter on pages 50 through 51.

Investor & Media Relations

Contact	Tanja Gartmann, Head of Corporate Communications
E-mail	investor.relations@vpbank.com
Telephone	+423 235 66 55
Fax	+423 235 65 00
Internet	www.vpbank.com – Investors

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VP Bank Group

Strategy Report

Stakeholders' Report

Segments

Corporate Governance

Financial Report 2009 VP Bank Group

Financial Report 2009 Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

Strategy Report

2009 was an extraordinary year. The financial and economic crisis aggravated the conditions for companies of all stripes. For years, corporate heads were preoccupied with unearthing the greatest growth potential for their firm. Suddenly, optimization projects took center stage – the key issues became liquidity management, operating margins, costs and earnings. On top of that, a new regulatory environment emerged which forced and is still forcing the financial industry in particular to adapt to the altered conditions. The turbulence that had already rocked the international capital markets in the previous year hit Liechtenstein with a one-two punch: the financial market crisis per se, and then the financial center discussions.

The 2009 financial year for VP Bank was heavily influenced by these developments. In contrast to earlier years, the formulation and differentiation of the company's strategic approach did not represent the focal point of management's efforts. Rather, it has become patently clear that VP Bank's timely intensive work on defining and implementing its strategy has paid off.

This consolidation was also reflected in the results of the "FOCUS" efficiency-enhancement and cost-reduction program: in 2009, personnel expenses were reduced by 5.8 percent and general and administrative expenses by 6.1 percent. Although this program ended at the close of the financial year, it goes without saying that heightened efficiency, greater profitability and strict cost management remain a permanent assignment.

However, it would be improper to concentrate solely on the cost side of the equation. Decisive for the future success of VP Bank will be its ability to enhance profits. This can be accomplished through an increase in client assets under management, a strategic goal that underscores the importance of client relationship management as well as the appropriateness of expanding the advisory capabilities at the Bank's Zurich and Singapore locations.

Fundamental strategic principles

VP Bank will continue to pursue growth in those markets that it considers to offer great promise. In addition to Liechtenstein and Switzerland, this include Germany, Central and Eastern Europe, as well as the Middle and Far East.

The fundamental strategic principles of VP Bank remain unchanged:

- Market cultivation: VP Bank will continue to build its business in the defined markets.
- Core private banking business: VP Bank has positioned itself as a successful, independent, high-quality institution in the private banking market niche and intends to strengthen that position.
- Intermediaries: VP Bank is adapting its business activities centered on external asset managers and fiduciaries to accommodate the new circumstances, and this in a highly professional, quality-oriented manner. Moreover, the successful model aimed at catering to the needs of intermediary clients at all of the Bank's locations will be intensified as well as broadened to include Asia.
- Regional business: VP Bank services the Liechtenstein and eastern Switzerland market for commercial and retail clients as well as the credit business and will exploit the potential of this traditional field to an even greater extent.

The strategic orientation and goals of VP Bank have not changed; however, the way in which the strategy is implemented has been and will continue to be adapted.

Positioning

Two business units form the foundation of VP Bank's commercial activities: Private Banking Clients and Intermediaries.

The private client segment is and will remain represent VP Bank's core business. Even in the aftermath of the financial crisis, private banking still has tremendous growth potential. In order to participate in that growth, it is necessary for a bank to be present on an international scale. This applies all the more to financial institutions that have a severely limited local market. In recent years, VP Bank Group has systematically expanded its international presence. Today, it has subsidiary companies with banking status in Liechtenstein, Switzerland, Luxembourg, the British Virgin Islands and Singapore. In addition, it operates a number of asset management companies and representative offices.

With its expansion into the Asian market, VP Bank has also ventured into what for the company is uncharted territory. VP Bank periodically examines its market cultivation business cases with an eye toward identifying areas where there is the potential for optimization. In January 2010, the Board of Directors resolved to close VP Wealth Management (Middle East) Ltd. in Dubai. Regulation of transnational asset management will continue to intensify and streamlined, efficient market-cultivation concepts are of central importance to a company the size of VP Bank Group. The potential for new client acquisition in the Near and Middle East will still be exploited, whereas starting in 2010 the clients from that region will be serviced by the Bank's existing locations in Zurich, Vaduz, Luxembourg and Singapore.

Another result of this comprehensive analysis manifests itself in the ways and means a market is penetrated. The Bank's matrix-based market cultivation strategy provided for a shift in management responsibility away from the various local sites upwards to those in charge of the specific markets at the Group level. Thus, in order to strengthen the Group's acquisition clout, the Board of Directors decided during the course of 2009 to transfer an increasing amount of responsibility to the individual locations and facilitate the delegation of decisions between the various management levels. At the same time, one hierarchical level – that of Market Heads – was eliminated. This flatter structure also offers the promise of heightened efficiency at VP Bank.

VP Bank positions itself via the Private Banking Clients and Intermediaries business units. Each of these units addresses client segments that have differing needs, thus they offer different services and forms of client care. While personalized service takes center stage in dealings with individual private clients, in the intermediaries area it is more a matter of offering clients efficient means for handling business transactions and processes.

The Private Banking Clients unit addresses not only the international business with wealthy private clients, it also administers the Bank's commercial, lending and retail business in Liechtenstein and eastern Switzerland. In Liechtenstein, VP Bank has been the second largest mortgage lender for decades now. Today, the credit business is an area that now lies in the direct scope of responsibility of second-level management. The newly formulated approach to credit approval accelerates the decision-making process without detracting from its qualitative substance (see chapter "Clients", page 22).

VP Bank's business with financial intermediaries, which encompasses not only the servicing of intermediary clients but also the Group's investment fund business, is firmly anchored in the marketplace. The clients in this segment demand the highest degree of professionalism in operational dealings. Thanks to the infrastructure at its disposal, the Intermediaries business unit enjoys a unique position: it is capable of offering its services for intermediary clients on a Group-wide scale. Because relationships with financial intermediaries will also become more internationally oriented in the years ahead, VP Bank is resolutely broadening this business. Today, the Bank has dedicated service desks in Zurich, Luxembourg and Singapore. In Liechtenstein itself, the order of the day is to join with asset managers, fiduciaries and other financial intermediaries in finding the most appropriate ways to adapt to the new circumstances.

Differentiation

Liechtenstein has responded to the financial center discussions by enacting new, internationally consistent regulations (see chapter "Legislation and supervisory authorities", page 33). In order to preserve and strengthen their client relationships despite these circumstances, the financial institutions themselves must be able to compensate for the location's perceived loss of attraction; in other words, the banks are called upon to offer their clients even more comprehensive advice while attentively taking into account the applicable country-specific tax legislation.

VP Bank seeks to differentiate itself from the competition by means of closeness to the customer and tangible presence. In concrete terms, this is characterized by the following principles:

- open architecture with a top-flight range of products;
- holistic, comprehensive advice and planning;
- qualitatively outstanding service;
- close cooperation and intensive personal contact with clients;
- an in-depth knowledge and understanding of client needs;
- trust, transparency and reliability;
- protection of clients' privacy.

The key to successful differentiation in a highly competitive market lies in the quality of client advice, open architecture (i.e. the ability to offer best-in-class products, even if they come from third parties), transparency, and the trust-based relationship between client and advisor. Especially in times and circumstances like these, the enhancement of core competencies is of utmost importance and represents a key strategic pillar. The core competencies of VP Bank lie in client relationship management, advice, expertise in the investment process, as well as in the analysis and evaluation of third-party providers and their products.

Value-oriented management

The leaders of VP Bank focus on key performance indicators (KPIs), of which the most important in terms of value-oriented management is "economic profit" – i.e. invested capital multiplied by the difference between total return on capital and the total cost of capital – at Group level. The "Long-term Incentive Plan" (LTI), which has been in force since 2008, is oriented toward this sustainable economic profitability of the company. The LTI, a profit participation plan for first- and second-level managers, focuses on measuring the implementation of the company's strategy and sustainably increasing enterprise value. In the 2009 financial year, the LTI was modified slightly to take into account the overall economic conditions (see chapters "Corporate Governance", page 50, and "Financial Report", page 64).

Brand strategy

A company's brand strategy is an important component of its overall corporate strategy. This is because the brand embodies everything that the company stands for: its values, corporate culture, governance, performance and interaction with stakeholders. The positioning of the brand is an ongoing process that must be conducted hand-in-hand with the implementation of the overall strategy. Ever since 2003, VP Bank has based its brand strategy on the principle of "differentiation through unusual quality". And going forward, nothing will change in this regard. An assessment of the Bank's values and brand recognition in the market was conducted in 2009 and revealed that no modification is called for with regard to brand management. Nonetheless, it is necessary to anchor the concept of "unusual" more firmly within the organization as well as in the minds of the broad public.

VP Bank eased back on its marketing activities in 2009. Instead of conducting costly image campaigns, the Bank concentrated on small, very personalized platforms for the exchange of information and ideas. In 2010 an intensification of the Bank's public relations activities is planned.

Quality Management

For six years now, VP Bank has been selectively and systematically optimizing the structures and work processes throughout the Group as a means of continually increasing its efficiency and the quality of its operating activities. Thanks to the already high quality of these processes, the Bank was able to conduct an expeditious migration to the new Avaloq banking system at the beginning of 2009.

Quality Management is not an end in itself. Rather, optimized processes and improvements generate added value for clients. Moreover, VP Bank is convinced that it can preempt new regulatory requirements by implementing quality-assurance systems at an early date.

In 2008, VP Bank integrated its "Improvement Management" into the systematics of ISO. Over the course of 2009, the Bank received the following certifications:

- Business Continuity Management (BCM) at VP Bank (in other words, the legally prescribed capability of maintaining business operations even in the event of disruptions or natural disasters) was granted certification under BS 25999-2, thereby making VP Bank the first bank outside the Anglo-Saxon domain to have its BCM certified as meeting this norm. The British Standard (BS) was drawn on because the ISO framework does not include a norm of this nature.
- The Vaduz site was subjected to a maintenance audit. Its renewed certification under ISO 9001:2008 is now valid for three years.
- Environmental Management at the Vaduz site received ISO 14001:2004 certification. The areas of "Business Ecology" and "Social Responsibility" were integrated seamlessly into the existing Quality Management system (see chapter "Sustainability", page 28).

In addition, VP Bank very successfully conducted a self-assessment at its Luxembourg site: almost all employees registered to be interviewed, thereby demonstrating their ability to constructively assess and criticize their own business activities – this to the benefit of clients as well as everyone involved in the value-adding process.

In view of operational priorities, VP Bank has put on hold the project that focused on participating in the competition for Switzerland's ESPRIX quality award. Needless to say, the Bank continues to stand behind its claim to quality: the program aimed at ongoing improvement will be pursued further. This is because resolute quality orientation ensures the long-term success of a company, even as it vouches for the company's sense of responsibility vis-à-vis its clients, employees, shareholders and business partners.

Goals for 2010

For the current financial year, VP Bank has set two paramount goals:

- The Bank's revenues are to be increased primarily through an expansion of client assets under management.
- Simultaneously, costs must remain under control; they should come in below the levels recorded in the 2009 financial year.

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VP Bank Group

Strategy Report

3 Stakeholders´ Report

Segments

Corporate Governance

Financial Report 2009 VP Bank Group

Financial Report 2009 Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

Clients

The Liechtenstein financial center is modern, liberal, forward-looking, and fulfills all international requirements pertaining to compliance. At the same time, Liechtenstein is committed to the principal that staunchly safeguards banking clients' right to privacy. Even against the backdrop of the OECD-consistent agreement that the Principality has negotiated, banking secrecy and the discretion with which client relationships are handled are still of preeminent significance.

But the attractiveness of the financial center alone is not the only argument supporting good client relationships. Rather, the quality of a bank's advice and approach to customer care are of decisive importance in terms of the sustainability of those relationships. In view of the financial crisis and the widespread loss of trust in the financial sector, client relationship management has become an even more crucial factor for the individual banks. "Closeness to the customer" does not merely mean geographical proximity; its essence comes from the ability to listen, to fully understand the individual needs of each client, and to jointly arrive at the best possible solutions. For years, VP Bank has made every effort to stand out for its qualitatively superior advice and client care. In so doing, it sets great store on the solid education and advanced training of its Client Advisors, the open architecture of its range of investment products, as well as the transparency with which it conducts an ongoing dialog with clients and the public.

Differentiation is the key to fulfilling the expectations of clients. Owing to its business model, VP Bank has a broad spectrum of client relationships, all of which involve differing requirements and therefore require different services. VP Bank has aligned its organization accordingly: with its two business units – "Private Banking Clients", which caters to the needs of wealthy individuals throughout the world, and "Intermediaries", which provides financial services to external asset managers and fiduciaries – the Bank created in 2008 the structural underpinnings that enable the demands of each of these client segments to be met. In the 2009 financial year, VP Bank further differentiated the segment that focuses on private clients: as of October 1, Commercial Banking, which is responsible for the lending business for private and corporate clients, was separated from the Private Clients Liechtenstein organizational unit and now functions as a stand-alone unit answering directly to the Head of Private Banking Clients, who is a member of Group Executive Management.

Thus the Bank's private client business is clearly delineated between:

- individuals and families who demand personalized, high-quality advice in all wealth-related matters and desire to implement investment strategies that correspond to their risk-reward profile;
- commercial and retail clients who are located in Liechtenstein or the eastern region of Switzerland and wish to take advantage of classic banking services, in particular the arrangement of mortgage loans.

To better meet these needs, VP Bank has streamlined its credit approval process in a way that significantly enhances efficiency. For example, with this new process, the administrative throughput time for standard mortgage applications has been reduced to a single day, and approval competency has been reregulated all the way down to the level of Client Advisor.

By way of contrast, it is the internal bank infrastructure that makes a decisive difference in the intermediaries business; here, the task is to meet the demand of financial intermediaries for rapid, error-free handling of their transactions. Thanks to the new Avaloq Banking System and an e-banking platform that is continually enhanced, VP Bank has been able to further strengthen its standing as a preferred partner for financial intermediaries: today, the Bank is in a position to harmonize the services it provides to these clients on a Group-wide scale. Service desks are in place in Zurich, Luxembourg and Singapore, and the Bank has involved in a joint venture with Allgemeines Treuunternehmen (ATU) in the British Virgin Islands.

Client satisfaction

VP Bank initiated the "take-off" project in an effort to improve its client advisory process even further. Today, the Bank's Client Advisors themselves are also forced to work under different circumstances: they must develop a higher degree of initiative and, in discussions with clients, address a broader range of issues. The objective of the project is to find new approaches to providing advice as well as to offer Client Advisors even more refined training.

As a part of the "take-off" project, VP Bank conducted at a 360-degree survey that encompassed all aspects of the client relationship process. One element of the survey took the form of structured individual client interviews at the Bank's facilities in Liechtenstein, Switzerland, Germany and Luxembourg. Although the responses are not representative, they nevertheless offer an insight into the current thinking and needs of clients. The most significant findings are outlined below.

With regard to the financial center

- Most of the interviewed clients are not disconcerted about the changed circumstances, but some voiced concern with regard to Liechtenstein's future as a financial center.
- The image of banks has worsened in the eyes of clients.
- Uncertainty exists as to the whether the privilege of discretion will remain intact.

With regard to VP Bank

- The interviewees characterize VP Bank in a favorable light; the Bank is viewed as "uncomplicated" and "simpatico". Attributes that are frequently mentioned are "discrete", "reputable", "conservative", "trustworthy" and "reliable".
- They also emphasize that VP Bank takes its clients seriously, that they have had good experiences with the Bank, and that it offers competent and comprehensive services.
- The primary reasons cited for maintaining the client relationship were the sense of partnership with their Client Advisor, as well as the discretion.
- Theoretical grounds cited for terminating the client relationship were investment recommendations that led to losses, a persistently below-average performance, a shift in focus away from client care and toward the sale of products, the departure of a trusted advisor, and cases of indiscretion.

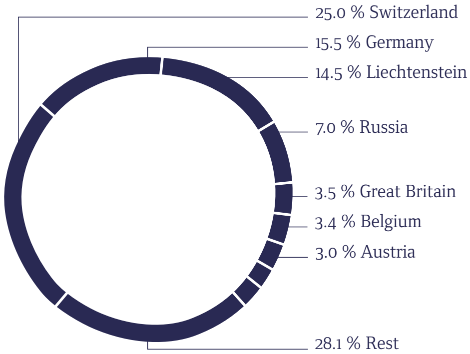
With regard to Client Advisors

- On a scale of 1 to 5, the Client Advisors at VP Bank have earned a high average grade of 4.3.
- The expectations the interviewed clients place on their advisor is unequivocal: he/she must take the time to get to know clients well and express interest in their concerns, as well as be accessible, flexible and inspirational. Moreover, a good advisor is reliable, trustworthy, honest, reputable and discrete. Proper risk management, professional competency and the ability to treat clients as equals are also expected.
- The interviewees perceive the Client Advisor as a personification of the Bank and if at all possible wish to avoid any change in advisors.

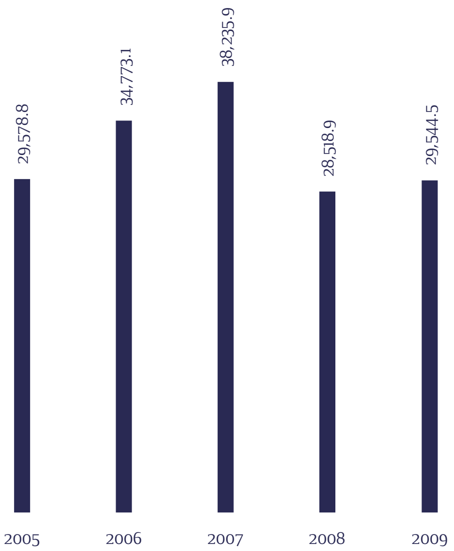
These client interviews underscore the importance of customer care. Clients seek dialog with their advisor and under no circumstances want to have the feeling that they are being coerced into buying a specific product. And it is in precisely this regard that VP Bank's strategy of "open architecture" pays off: the Bank offers a wide array of proprietary as well as third-party products, and has experts who assess those products and providers.

Quality assurance

For several years now, VP Bank has integrated client feedback management into its overall advisory process. Apart from a technological tool for that purpose, the approach involves measures for guiding the comportment of employees and enhancing the relevant processes. A further



The origin of assets under management in 2009



Client assets under management
2005 through 2009 without Custody assets
(in CHF million)

step toward quality assurance at VP Bank takes the form of its newly established "Investment Product and Sales Controlling" organizational unit. This new team bears responsibility for independently monitoring the Bank's investment products as well as for the implementation and quality assurance of the advisory process.

Again this past year, the Elite Report conferred its highest rating, "summa cum laude", on VP Bank. Thus for the third consecutive year, it ranks among the best asset management companies in the German-speaking region of Europe. This commendation applies to the parent company in Vaduz, VP Bank (Schweiz) AG and the Bank's asset management subsidiary in Munich.

Client assets

At the end of the 2009 financial year, VP Bank held client assets under management totaling CHF 29.5 billion (3.6 percent more than in the previous year), in edition CHF 12.3 billion were in the form of deposits investments held in custody. The total of client assets stood at CHF 41.8 billion. However, the flow of net new money was negative: as at December 31, 2009, an outflow of CHF 1.1 billion was booked for the year. Stemming this outflow is one of VP Bank's most important goals in the year ahead (see chapter "Strategy", page 60).

Employees

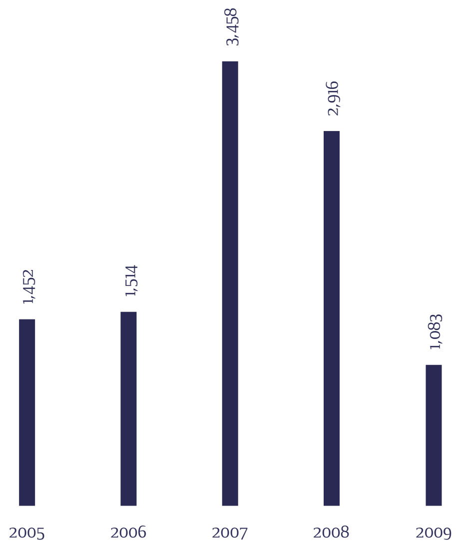
The employees shape the client relationships and personify the bank to the outside world. Their capabilities and commitment are decisive factors in the quality of the client relationships and hence the ultimate success of the bank. As a part of this, employee motivation and dedication are just as important as in-depth professional knowledge and interpersonal skills.

2009 was not an easy year for the employees of VP Bank. The operational pressures and necessity to reduce costs led in many instances to a heightened workload and a feeling of uncertainty. In conjunction with the "FOCUS" program for efficiency enhancement and cost containment, VP Bank parted ways with 18 em-ployees and offered early retirement to 14 others in Liechtenstein and Switzerland. The effects of this move were cushioned by a comprehensive severance plan. Vacant positions were either not filled or, if so, only after extensive clarifications regarding the operational necessity for new hirings. As a result, the total workforce at the Bank's facilities had fallen by 62 individuals or, as it were, 55.5 fulltime equivalents by the end of 2009.

Human resources strategy

VP Bank's human resources strategy, which was adopted for implementation on a Group-wide scale in December 2007, is an integral element of its overall corporate strategy. In addition to "personnel marketing" activities, the HR strategy focuses on two particular areas:

- Personnel and management development: the goal here is to translate the results-oriented approach to management into a performance culture that pervades the entire VP Bank Group. An important step in this direction is the value-based stock ownership plan, which involves an incentive system focused on the long term. The Board of Directors and Group Executive Management place the highest priority on fostering this performance culture. Today, a course has been charted that facilitates entrepreneurialism at all corporate levels and encourages the achievement of that objective by means of suitable incentive mechanisms.
- Internationalization and corporate culture: adapting VP Bank Group's corporate culture to the new global structures of the Bank poses a great challenge for Human Resources Management. New processes for market cultivation, as well as shifts in competencies and responsibilities from headquarter to the individual Group locations, have changed the organizational circumstances. A key task in the coming year will be to nurture an understanding between cultures and expand the opportunities for employees to work on a temporary basis at the bank's various foreign offices.
- HR-Marketing: As one of the key management tasks, the true attractiveness of VP Bank must be underscored – namely the extensive range of opportunities it offers for training and continuing education, the possibility for employees to work at various locations of VP Bank Group, performance-based compensation models, flexible working hours and very competitive employment conditions that feature a high degree of social security.



Investment in training and continuing education (in 1'000)

Internalization of values and culture

To anchor a common mindset within the company and simultaneously implement the central aspects of the human resources policy, VP Bank launched the "WIR" ("Will", "Identity" and "Results") project in the summer of 2009. The goal of the project is to engender a consistent, binding management culture that forms the basis for what ultimately becomes a value-oriented corporate culture. The implementation of "WIR" will span the coming two financial years. In keeping with a top-down approach and consisting of several phases, it starts with the establishment of value guidelines, which are subsequently ingrained throughout the organization, and then followed by caring for and actively addressing those values in everyday work situations.

Human resource processes

VP Bank has made tremendous progress over the past years in terms of the efficiency of its procedural organization. That also applies to the Human Resources Management unit (HRM). For example, all HRM processes in Liechtenstein and Switzerland have been harmonized. During the next three years, VP Bank will create a platform that displays the profiles, capabilities and performance of each employee. This type of transparency is a prerequisite for optimal client relationship management and the advancement of a performance culture.

Investments in training and continuing education

Despite the cost-reduction measures, VP Bank Group in 2009 still invested CHF 1.1 million (previous year: CHF 2.9 million) in the education and advanced training of its employees. This corresponds to a per-employee sum of CHF 1,400.

Within the framework of the training initiative that has been underway for three years now, VP Bank cultivates the professional competency as well as the linguistic skills of its employees. The array of opportunities for professional development has been modernized and expanded. By means of e-training, employees can acquire a higher level of know-how depending on where they currently stand in the educational process, via:

- Learning material specially conceived for the purpose of self-study, its modular construction enables beginners as well as advanced students to learn progressively more about the banking business.
- With the e-learning platform of VP Bank, self-study is supplemented in a sensible manner: for each specialized module, the platform provides exercises for reiteration of, or greater immersion in, the given subject matter as well as enables students to verify their learning success by taking "e-tests".

In view of the Group's increasing internationalization, VP Bank launched its English language initiative in the first quarter of 2007. 84 courses have been conducted to date and, in the interim, 58 percent of the employees have achieved the desired linguistic skills. The English initiative will continue through the end of 2010.

VP Bank has also increasingly used "e-training" for specialized and methodological education purposes, for example in the areas of compliance and Microsoft Office.

As was the case in the previous year, 22 trainees were in the process of learning the ropes at VP Bank in 2009. Seven of those people successfully completed their apprenticeship, of which six graduated with a commercial diploma and one with a diploma in the field of informatics. In conjunction with the efforts to recruit trainees, the Bank has now decided to educate eight commercial apprentices (instead of the previous six) as well as one informatics apprentice in 2010.

Employee satisfaction

In the past, VP Bank has conducted bi-annual surveys of its employees' satisfaction and commitment. The next survey of this kind is planned for 2011. Statistical readings on employee satisfaction during the difficult 2009 financial year are not yet available, however strong cohesion within the various teams as well as a pronounced degree of frankness and willingness to embrace change were evident.

Employee statistics

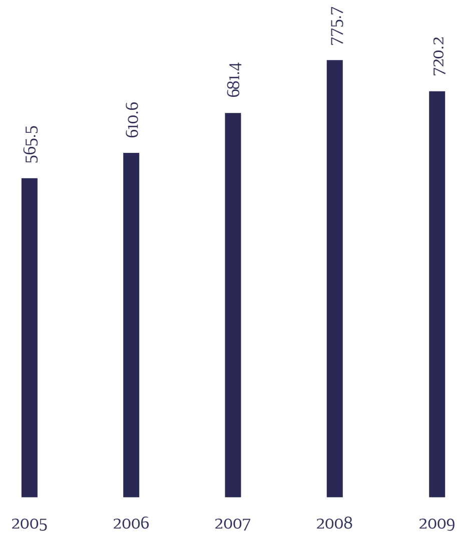
Due to cost-containment measures in the human resources area, and taking into account normal personnel fluctuations, the headcount at the parent company in Vaduz declined from 556 individuals at the end of 2008 to a total of 515 as at December 31, 2009. In the Group as a whole, the workforce was reduced during the course of the year by 62 to reach a total of 769 individuals. Expressed in full-time equivalents, this reflects a headcount reduction of 7.2 percent to a current level of 720.2. The fluctuation rate within the Group – owing to the targeted job cuts – amounted to 13.8 percent; 115 people left the Bank, while 53 new employees were hired in 2009.

Group-wide personnel expenses fell in the past financial year by 5.8 percent to CHF 124.1 million.

The Group's global reach is also reflected in the wide array of nationalities in its workforce, with employees hailing from a total of 32 countries. Swiss citizens constitute the largest largest portion (284) of the workforce at VP Bank Group, closely followed by Liechtenstein with 247. The table below provides an overview of further statistical data, broken down by gender:

Employee statistics of VP Bank Group

	Men	Women	Total
Number of employees	467	302	769
Quota in percent	60.7	39.3	
Average age	39.9	38.2	39.2
Average years of service	8.2	7.6	8.0



Headcount (full-time equivalents) 2005 through 2009

Sustainability

VP Bank is geared toward economic success. Only successful companies are in the position to offer secure jobs and also generate attractive dividends for their shareholders. A reasonable degree of profitability is the basis on which a company can act effectively on behalf society in the long run. The banking sector represents a significant force in the equity markets and is therefore closely scrutinized by analysts and investors alike. As a part of this, the way in which a company deals with the environment, employees, the general public and business circumstances is an increasingly important factor in the actual enterprise value of the company.

VP Bank Group stands behind the principle of sustainable dealings, thus ensureing the responsible treatment of resources.

VP Bank Group has the aim of permanently safeguarding the foundations of its commercial success. For that reason, it has set itself the goal of preserving and fostering the Bank's economic, enviromental 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 specific areas:

In its direct sphere of influence, VP Bank views its task to be one of bearing social responsibility for its employees while simultaneously reducing the use of energy and natural resources. Sustainable business activity also means minimizing whenever and wherever possible the enivromental impact of the company's commercial activities.

Sustainability can also have an indirect effect via clients and services. In this regard, the sustainability of financial services means that – apart from the purely economic aspects – they also take into account enviromental and social dimensions. Moreover, 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 acting in a responsible manner, has always been the foundation of VP Bank Group's commercial success. By documenting these activities, it also discloses to stakeholders and the outside world the Bank's contribution in terms of sustainable responsibility.

The management and employees of VP Bank Group are working diligently to master the challenges of sustainable business activity, by means of concrete strategies and measures that are conducive to the commercially, enviromentaly and socially responsible development of VP Bank Group.

Mobility management

In early 2008, a mobility concept was introduced at the parent company in Vaduz. It features financial incentives for using public transportation as well as a graduated fee structure for employee parking spaces. The rental proceeds are used for bonus payments to employees who waive the use of cars and parking spaces, as well as for the financial support of Liechtenstein's "Bike to Work" competition.

This concept also motivates employees to form carpools. The net result after its second year of implementation is indeed pleasing: individual traffic volume has decreased and the number of public transportation passes issued has increased. VP Bank also offers those employees who forgo the use of their own vehicles the possibility to take advantage of "Mobility Cars", an arrangement that has also become more widely used in 2009.

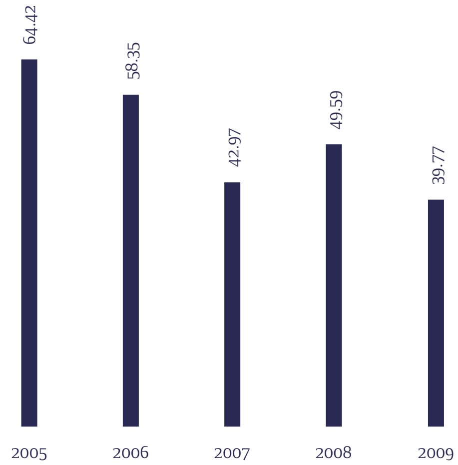
The number of air miles flown, as well as the total remuneration for miles driven on business travel, declined in 2009 for the second consecutive year.

Paper and water consumption

As a general rule, VP Bank sends out client asset statements once a year; daily and quarterly statements are printed and sent only at the express request of the client. This has led in recent years to a considerable reduction in the use of paper for forms and vouchers. The introduction of the new Avaloq Banking System led to a temporary increase in paper consumption during the 2008 financial year, but the return to normal operations in 2009 resulted in a 9.8-ton decrease versus the previous year. The total consumption of 39.8 tons represented the lowest reading since 2004.

VP Bank prints its publications – including this Annual Report – on environmentally certified paper. FSC (Forest Stewardship Council) certification guarantees that the paper originates from wood harvested in exemplary, environmentally friendly forestry operations. In diametrical opposition to the trend in paper consumption, the number of electronically transmitted documents rose in 2009.

Water consumption decreased versus the previous year by 1,477 m^3 to reach the lowest total since 2005.



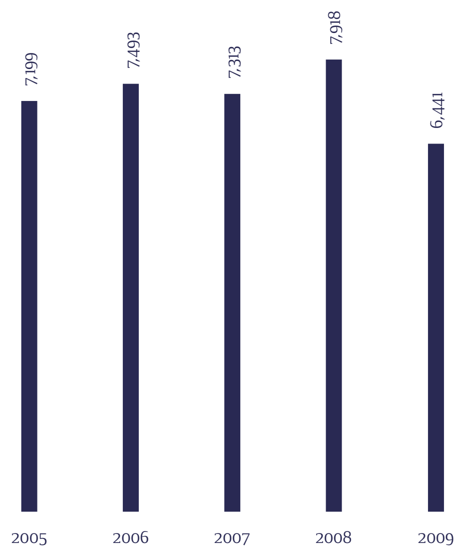
Paper consumption (in tons)

Energy

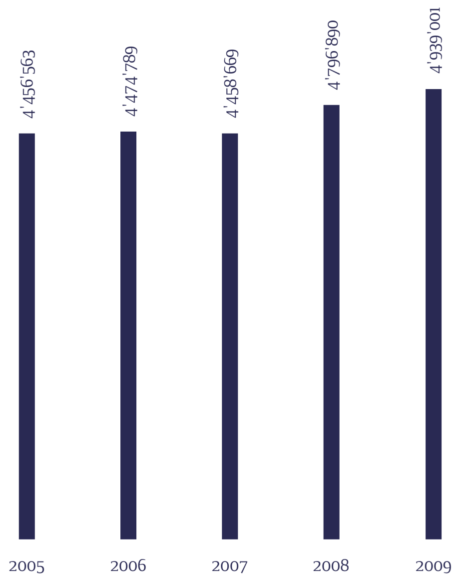
VP Bank Group ensures prudent consumption of energy through numerous measures. Examples of this are the ecologically friendly manner in which the renovation of the Bank's headquarters in Vaduz and the construction of the new service center in Triesen were accomplished, the use of geothermal energy for heating and cooling, as well as the motion-activated lighting in the Bank's facilities. Energy-efficient cooling ceilings ensure a comfortable indoor climate, and the offices are equipped with flat panel displays and energy-saving lamps. For 15 years now, a photovoltaic power generator has been in operation on the roof of the Bank's headquarters in Vaduz. It supplies environmentally friendly energy that is fed into the power grid of VP Bank.

As was the case in the previous year, energy consumption declined yet again in 2009. This was partly attributable to heighted energy efficiency, but also to a reduction in the number of third-party project members at VP Bank. In a reflection of the generally higher consumption of oil and natural gas, total energy consumption at VP Bank increased in 2009.

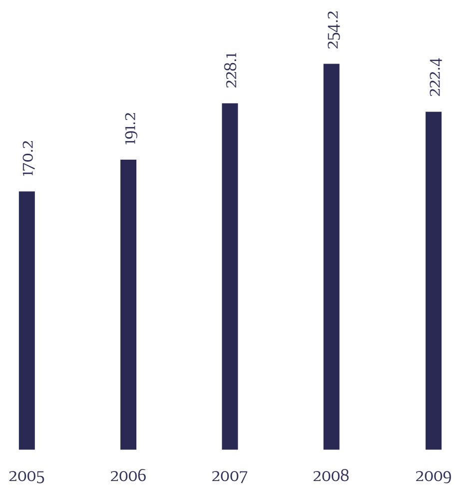
The differing types of buildings at VP Bank call for an overall concept that brings all of its Liechtenstein facilities up to the same level in terms of power technology. The goal of this concept is to harmonize all of the existing installations, optimize the distribution of power and efficiently exploit any ambient heat loss. To that end, energy flow meters were installed in 2009 in order to record and optimize the flows of energy from heating and cooling. The evaluation is adjusted to take seasonal fluctuations into account. The results will become available in 2010 and flow into the measures for fine-tuning the Bank's overall energy supply. Also, the new energy supply project foresees the use of cutting-edge technologies that enable warming on the basis of heat recovery. Plans are for the concept to be implemented over the next several years.



Water consumption (in m^3)



Power consumption (in kilowatt-hours)



Waste statistics (total tons)

Since 2007, VP Bank has kept a CO^2 balance sheet with the aim of becoming CO^2-neutral. Included in this calculation are environmental pollutants as well as fuel and energy.

Waste avoidance

Ever since 2004, waste separation has been the order of the day at VP Bank: paper, glass, cardboard, Styrofoam, PET bottles and greenery clippings each have their own receptacles. The total amount of waste generated in 2009 stood at 222.4 tons, almost 32 tons less than in the previous year.

Responsibility as an employer

VP Bank evidences its responsibility as an employer by fostering modern and attractive work conditions. Motivated, healthy employees have just as much influence as the actual physical office environment on the performance of each individual; and that in turn influences the success of the entire company.

VP Bank Group offers its employees a wide range of opportunities for training and continuing education, and also nurtures the compatibility of their business and family life. Special emphasis is placed on training young people in order to simplify their entry into the business world and give them a sense of what the future can hold. The private commitment of employees to public offices, schools of higher education, work groups and professional organizations is expressly encouraged by VP Bank. A "thirst for the new", as codified in the Bank's corporate values, can be translated into reality by means of an "idea management" instrument.

For VP Bank Group, the satisfaction and health of its employees is of particular concern. To maintain and promote healthy attitudes and healthy bodies, the VP Bank Sports Club organizes numerous activities that are either cost-free or available at sharply reduced prices. Among those activities are Nordic walking, spinning, bowling, marathon-race training sessions, tennis courses, bike weekends, mountain boarding, skiing and athletics days. For those employees who come to work by bicycle or who exercise during their lunch break, showers and a complimentary towel service are available. In addition, especially nourishing meals are offered in the cafeterias.

Social and cultural commitment

VP Bank has a long tradition of financially supporting and sponsoring a wide array of charitable organizations, initiatives and projects in the areas of social services, disaster relief, health, education, culture, nature conservation and ecology.

The VP Bank Art Foundation was established in 1996 for the purpose of collecting works by international as well as regional artists. Its aim is to foster an understanding of art both within and outside the Bank. The acquired works can be viewed in the offices of the Bank as well as at art exhibitions.

VP Bank Foundation

VP Bank Foundation, which was established on the occasion of the 50th anniversary of VP Bank, supports a wide array of projects, institutions and individuals who have stood out for their accomplishments in the areas of ecology, art, education, the sciences or culture. Grants are made for activities 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 also be made for welfare and social purposes.

The Foundation's board of trustees in 2009 consisted of Hans Brunhart, Chairman of the Board, Adolf E. Real (through the end of September) and Fredy Vogt (as of the beginning of October). During the year under review, the board held four meetings and the Foundation distributed grants amounting to approximately CHF 400,000.

Support of the newly established Chair of company, Foundation and Trust Law at the Liechtenstein University of Applied Sciences is a prime example of the Foundation's patronage. By providing annual grants of CHF 100,000 over a three-year period, the Foundation, in collaboration with the Liechtenstein government, is providing financial as well as ideological backing for this professorship. In so doing, it is not only fostering the scientific assessment of issues that are of tremendous significance to the positioning of Liechtenstein as a financial center, but also contributing to a forward-looking regional economic policy.

Other cornerstones for the political and economic development of the Principality are being laid by Liechtenstein University's research project "The specific structure of Liechtenstein as a microeconomy". The VP Bank Foundation, together with other sponsors, is supporting this project as well with annual grants of CHF 25,000 over three years.

The "pro natura – pro ski" foundation initiated by VP Bank ten years ago has received funding in the amount of CHF 70,000. With that, the VP Bank Foundation is making an enduring contribution toward the development of winter sports resorts that take into account the interests of all parties concerned. Within the framework of the Alpine Conference held this past year in Evian, the annual award for sustainable environmental management was conferred on winter sport centers Lech am Arlberg (Austria) and Pelvoux/Les Écrins (France).

In conjunction with the annual "Lichtblick" campaign, more than 40 social institutions in Liechtenstein received total grants in excess of CHF 100,000 from the Foundation.

During the period under review, the VP Bank Foundation received for the first time a donation of roughly CHF 1 million.

In order to demonstrate the Foundation's statutory purpose also in the way its own funds are managed, the board of trustees decided to invest a portion of the capital in the EMF Microfinance Fund AGmvK as well as in VP Bank Balanced (CHF) Strategy Fund class C units. In the latter instance, the non-governmental organization "Médecins Sans Frontières" is supported.

Additional grants centered on educational institutions, regional cultural projects, the furtherance of artists, as well as social organizations.

This past year, the board of trustees also made efforts to network Liechtenstein-based charitable foundations on an international scale by establishing a link with Swiss Foundations, a federation of charitable foundations in Switzerland. By the same token, the Foundation was also committed to intensifying the exchange of experiences between Liechtenstein-based charitable foundations as well as establishing an increased means for the representation of their interests.

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.

VP Bank is also represented in the municipality of Vaduz's operational mobility management, where it contributes to a professional exchange of experiences gained in the area of mobility.

The Mobility Management project group of the Liechtenstein Chamber of Commerce and Industry is another body in which VP Bank actively participates.

VP Bank is a member of "öbu", the Swiss network for environmentally-aware corporate management.

A milestone in the environmental and sustainability policy of VP Bank in 2009 was its successful certification under ISO 14001:2004 (Environmental Management). In this connection, the areas of "Business Ecology" and "Social Responsibility" were integrated into the existing Quality Management system. This certification attests to VP Bank's efforts to reduce the consumption of natural resources, seek alternative solutions and deal with its employees in keeping with the principles of sustainability. For the coming years, VP Bank plans to expand even further its reporting on the environmental management and sustainability aspects of VP Bank Group.

Legislation and Supervisory Authorities in Liechtenstein

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). Because the bearer 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 Group has subsidiary companies or representative offices.

General

The activities of Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank) in Liechtenstein are primarily subject 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. The Banking Act also lays down the general conditions for the supervisory duties of the FMA. The latter – 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 was 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);
- Payment Service Directive of September 17, 2009;
- Law of November 24, 2006, against market abuse in the trading of financial instruments (Market Abuse Act).

The following discusses only legislation that was revised or entered into force during the past financial year.

The "Liechtenstein Declaration" and international tax treaties – a brief chronology

November 15, 2008: At their summit meeting in Washington, the heads of state of the G-20 countries stress the need to resolutely address the lack of transparency and exchange of information between nations. The works of the OECD are to serve as the basis of these efforts, with particular significance being attached to the "Standards on transparency and exchange of information for tax purposes", which the United Nations Committee of Experts on International Cooperation in Tax Matters adopted in October 2008.

December 8, 2008: Liechtenstein and the USA sign an agreement on the exchange of information in tax matters (Tax Information Exchange Agreement, TIEA). An exchange of information will take place in the event of justifiable suspicion under US law that taxable US persons who hold assets in Liechtenstein have committed tax offenses. Liechtenstein will grant the USA administrative assistance in those cases in which the US authorities lodge a specified request and divulge the identity of the taxpayer involved.

March 12, 2009: The government of the Principality of Liechtenstein adopts the so-called "Liechtenstein Declaration" in which the Principality commits to "implement, global standards of transparency and exchange of information as developed by the OECD and will advance its participation in international efforts in order to counteract non-compliance with foreign tax laws". The government announces its intention to conclude as soon as possible an array of bilateral agreements in this regard. At the same time, it emphasizes that privacy and banking client secrecy must be safeguarded. With this declaration and the resulting policy, Liechtenstein wishes to satisfy clients of the financial center as well as the justifiable claims of its contractual partners. Among the declaration's signatories are the past and present Head of Government.

April 2, 2009: In a communiqué issued on the occasion of the G-20 summit in London, it is stated that: "The era of banking secrecy is over." Within the framework of this meeting, the heads of state agree that the OECD should compose a list of uncooperative countries. Liechtenstein is placed on the "gray list", which comprises those nations that have committed to the OECD standard but have yet to implement it. The most important prerequisite for being moved from the "gray" to the "white" list is the conclusion of twelve OECD-consistent bilateral agreements.

October 29, 2009: Liechtenstein becomes a member of the Global Forum on Transparency and the Exchange of Information in for Tax Purposes.

November 10, 2009: Liechtenstein has concluded with twelve nations, among them eight OECD states, either an agreement on the exchange of information or a double taxation treaty (www.liechtenstein.li – International Tax Agreement). The "Liechtenstein Declaration" is also available via this link.). The TIEAs are structured similarly to the agreement concluded with the USA in December 2008. The treaty with Great Britain dated August 11, 2009, also includes a "Memorandum of Understanding" concerning a disclosure option: this provides for special conditions during the period from 2010 to 2015 if clients of the Liechtenstein financial center who are liable for taxes in the UK make a self-declaration (a shortened time frame for the calculation of outstanding tax claims, as well as the possibility for lump-sum taxation). In return, Liechtenstein commits to ensuring the tax conformity of British financial center clients.

November 11, 2009: The OECD eliminates Liechtenstein from the "gray list". OECD General Secretary Angel Gurrìa comments on this step: "Liechtenstein has demonstrated that it honors its commitments and is actively contributing to the international dialogue on tax cooperation."

December 4, 2009: Following the appropriate notification by the contractual parties, the TIEA between Liechtenstein and the USA enters into force. It can be applied upon the entry into force of the related implementing ordinance as of January 1, 2010. The USA has prolonged the Qualified Intermediary (QI) status of Liechtenstein banks by six years until December 2015.

December 15, 2009: The Liechtenstein government creates the legal foundation for the implementation of the TIEA. The draft legislation, which is consistent with the OECD standards, provides for an exchange of information in response to detailed requests on a case-by-case basis within the framework of the given agreement. Hence a request of this nature must include precise details of the identity of the taxpayer involved in the exchange of information, as well as a description of the underlying facts of the matter. The law rules out any automatic exchange of information or so-called "fishing expeditions".

Total revision of the Due Diligence Act and related implementing ordinance

On March 1, 2009, the revised Law of December 11, 2008, on professional due diligence to combat money laundering, organized crime, and terrorist financing (Due Diligence Act, DDA) entered into force. With this total revision of DDA, the provisions of the 3rd EC Money Laundering Directive and the IMF assessment for 2007 were incorporated into national law. The provisions of the Due Diligence Ordinance (DDO) on the transmission of details relating to the beneficiary of money transfers were also revised.

A central element of the revised law is the new definition of the beneficial owner as well as the specification and verification of that person. Beneficial owners are now deemed to be those natural persons at whose request or in whose interest a transaction or activity has been conducted or a business relationship ultimately established. The beneficial owner is always a natural person. DDA and DDO specify in detail how the beneficial owner is to be determined in cases of legal entities.

It may no longer be merely presumed that the contractual party is identical with the beneficial owner. The details of the person's identity must be examined on a risk-oriented basis.

Politically exposed persons (PEPs) are also redefined. Under the so-called EC PEP Directive of August 1, 2006, these are natural persons who hold important public offices in foreign countries or who have done so up to one year ago, as well as their immediate family members and related parties.

Another substantial element is the broadening of the duty of notification: if a suspicion of money laundering or the financing of terrorism arises, notification of that fact is imperative even if the suspicious person only makes an attempt to conduct a transaction or enter into a business relationship.

Investment fund law

In 2009 the effects of the revised Investment Undertakings Act (IUA) were felt for the first time. As a part of this revision, which entered into force on December 29, 2008, the conditions for investment funds reserved for "qualified investors" were adapted to take into account the latest developments in competitor markets and a number of formal corrections were made.

The "funds for qualified investors" segment, which has existed in Liechtenstein since 2005, is enjoying great popularity. With the revision of IUA, the term "qualified investor" was modified to include those persons who have concluded a written portfolio management agreement with an asset manager whose activities are subject to appropriate supervision in its country of domicile. If those conditions are present, the otherwise compulsory minimum investment of CHF 250,000 for an initial subscription to the fund's units does not apply and therefore smaller amounts can also be invested in such a fund. As a result, the market need for legal equivalency with the relevant Swiss provisions was taken into account.

In the latest revision to IUA, which took effect on December 15, 2009, European Commission Directive 2007/16/EC was implemented in national law. Essentially, this was a matter of specifying more precisely the terms of Directive 85/611 (UCITS, the "mother" of all EU/EEA fund laws), in which the attempt was made to arrive at a definition of what a "security" and a "money market instrument" are actually considered to be within the context of the Directive. Since the enactment of the Directive in 1985, the variety and number of financial instruments have grown dramatically, hence there is a great need for clarification in terms of a uniform EU/EEA-wide interpretation of what a security is and what a money market instrument is. This is particularly difficult with regard to derivative financial instruments.

However, the revision was also used as an occasion to change the provision under the ordinance (IUV) that stipulates that a fund must have assets totaling a minimum of CHF 2 million within six months of its having received approval from the Liechtenstein Financial Market Authority and that the fund's investment limitations must be permanently observed. Thus if a fund were to be launched four months after approval, the minimum volume would have to be obtained within just two months. 2009 clearly demonstrated that this provision is not flexible enough to afford the investment fund industry optimal conditions in an otherwise difficult market environment. So there is now a twelve-month time limit for the fund to be launched following its receipt of FMA approval. At the time of launch, the second grace period commences, during which the minimum amount of CHF 2 million must be obtained within six months. And lastly, the rectification of liability infractions is no longer bound to a fixed, unchangeable grace period but instead must be made with the best interests of the unit-holders in mind.

Payment Service Directive (PSD)

On September 17, 2009, Liechtenstein's parliament, referred to as the Landtag, adopted the new Payment Service Directive. With this legislation, the EC Directive on payment services in the internal market (Directive 2007/64/EC) was implemented in Liechtenstein. It regulates the rights and obligations of the providers and users of payment services who interact with Liechtenstein-domiciled providers such as VP Bank. In addition, the Directive has the purpose of ensuring a properly functioning market for payment services within the European Economic Area, as well as fostering payment service users' trust in the Liechtenstein financial center. Included in the regulated payment services are money transfers, standing payment orders, direct debits and card transactions relating to intra-EU payments in euros or, as the case may be, in the local currency of member states outside the eurozone.

The Directive entered into force on November 1, 2009, and creates transparency in payment services in terms of their execution deadlines, value dates and related fees.

Important links pertaining to legislation and the Liechtenstein financial center

Portal of the Principality of Liechtenstein	www.liechtenstein.li
Financial services	www.liechtenstein.li – Economy – Financial Services
Developments regarding international tax agreements	www.liechtenstein.li – International Tax Agreements
Financial Market Authority	www.fma-li.li
Body of Liechtenstein law (German version only)	www.gesetze.li
Liechtenstein Bankers Association	www.bankenverband.li
Liechtenstein Investment Fund Association	www.lafv.li
Liechtenstein Association of Professional Trustees	www.thv.li
Liechtenstein Chamber of Commerce (German version only)	www.wirtschaftskammer.li

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VP Bank Group

Strategy Report

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Organizational Structure of VP Bank Group

The core business of VP Bank Group, international private banking, remains a growth area that requires outstanding service, a dialogue with clients, and the safeguarding of their privacy. Closeness to the customer and presence in various global markets are factors that are becoming even more important.

VP Bank Group is continuing to develop the business with highly demanding asset managers and fiduciaries in its currently defined markets and established locations. It will adapt to changing circumstances in the best interest of its clients, while simultaneously attending to the market for commercial, credit and retail customers in Liechtenstein and the surrounding region.

VP Bank caters to the needs of its clients via two distinct business units: "Private Banking Clients" and "Intermediaries". These two units are steered by the heads of the Bank's various locations who bear responsibility for the commercial results.

The Board of Directors approved a package of measures in this respect on September 24, 2009 (implemented on January 1, 2010). As a result of the related decisions, management of VP Bank Group will no longer be conducted along the lines of defined markets; rather, the given site manager will report on his location directly to the responsible member of Group Executive Management (GEM). The objective of this organi-zational adjustment is to achieve increased revenues and reinforce the acquisition clout of VP Bank Group in all of its operating units.

Group Executive Management establishes a clearly defined framework of conditions and goals, within which the Bank's locations acquire a high degree of responsibility especially in terms of market cultivation.

Georg Wohlwend has been appointed responsible GEM member for VP Bank and Trust Company (BVI) Limited; Ernst Näf for VP Bank (Schweiz) AG, VP Bank (Singapore) Ltd., VP Wealth Management (Hong Kong) Ltd., VP Vermögensverwaltung GmbH (Munich); and Fredy Vogt for VP Bank (Luxembourg) S.A. The reporting line for the fund companies in Vaduz, Luxembourg and the BVIs will remain with Georg Wohlwend.

The management structure of the various Group companies is shown in the organization chart on page 11.

Private Banking Clients

in CHF 1,000	21/31/2009	12/31/2008	Absolute variance	Variance in %
Total net operating income	**131,081**	**159,400**	**–28,319**	**–17.8**
Operating expenses	**86,068**	**98,902**	**–12,834**	**–13.0**
Gross income	**45,013**	**60,498**	**–15,485**	**–25.6**
Divisional earnings before income tax	**35,092**	**47,065**	**–11,973**	**–25.4**
Additional information				
Operating expenses excluding depreciation and amortization / total operating income (in %)	65.7	62.0		
Operating expenses including depreciation and amortization / total operating income (in %)	67.0	63.5		
Client assets under management (in CHF billion)	13.4	13.4		
Change in client assets under management compared to 12/31/08 (in %)	0.4	–28.4		
Inflow of new client assets (in CHF billion)	–0.7	–1.0		
Gross income / average client assets under management (bp)[1]	97.7	99.4		
Divisional result / average client assets under management (bp)[1]	26.2	29.4		
Cost/income ratio operating income (in %)[2]	70.1	66.1		6.1
Headcount (number of employees)	243	271	–28	–10.3
Headcount (expressed as full-time equivalents)	235.1	261.6	–26.5	–10.1

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

Detailed information on segment results can be found in chapter "Financial Report", page 117 ff.

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 related products and services.

Activities

Again in 2009, the Private Banking Clients business unit was not immune to the effects of the global financial and economic crisis. Circumstances in the financial markets and the commotion in international financial centers were topics of the greatest concern in discussions with clients.

The current debate with regard to the financial industry as a whole underscores the crucial role that reliable, personalized advice plays as a means of differentiation in a global competitive environment. Over the past year, VP Bank's ceaseless efforts to broaden and intensify its advisory competence, coupled with the sizeable amounts it committed to the overall investment process, paid off: client relationships were largely maintained and the financial products of VP Bank performed well.

Equally spoken, initiatives aimed at acquiring new clients were successful only to a certain extent.

Economic developments in 2009 have confirmed that the Eastern European market is a key growth region. VP Bank's Vaduz and Zurich offices will redouble their efforts to exploit this potential.

Results from the German market have suffered in reflection of the discussions surrounding the Liechtenstein financial center. Nonetheless, the Bank's Munich location recorded further growth in 2009.

Another focal point for market cultivation takes the form of the small- and medium-sized enterprises (SME) segment in Liechtenstein and the eastern Rhine Valley region of Switzerland. In summer 2009, the Liechtenstein Chamber of Commerce and VP Bank entered into a partnership that has the goal of providing these regional companies with comprehensive advice and services in order to help them meet their financing needs. VP Bank has also joined Stiftung

Sozialfonds in a collaborative undertaking aimed at offering SMEs professional advice on issues such as finance and post-retirement benefits. In particular, the SMEs should be made aware at an early stage of the consequences of their decisions on occupational benefit plans, as well as sensitized to the value of obtaining holistic advice on all banking-related matters.

Thanks to strict cost management, the number of employees in the Private Banking Clients business unit remained stable during the past year. Targeted reallocations within the unit made it possible to invest in various key competencies; one of the related actions was to build a team specializing in the evaluation and selection of third-party products for use by clients with advisory and portfolio management mandates. In this connection, a strategic alliance with Britain's Liongate was arranged in the area of hedge funds.

Yet again in 2009, Germany's "Elite Report" awarded VP Bank the highest rating, "summa cum laude", in its annual survey. The Bank's quality in the areas of client orientation, advisory competence, product transparency and service at its Vaduz, Zurich and Munich locations were commended. VP Bank also scored well in an international evaluation of quality in private banking conducted by the German business magazine "Euro".

Outlook

The conditions will remain challenging in the year ahead. A key task will be to deploy available resources in the best possible manner and simultaneously optimize costs.

Special emphasis will be placed on reinforcing the existing locations, where VP Bank Group will seek to achieve qualitative growth.

Notwithstanding the closure of the asset management company in Dubai at the end of January 2010, VP Bank still considers the Near and Middle East region to be an attractive growth market.

Intermediaries

in CHF 1,000	21/31/2009	12/31/2008	Absolute variance	Variance in %
Total net operating income	**104,341**	**126,129**	**–21,788**	**–17.3**
Operating expenses	**38,048**	**42,100**	**–4,052**	**–9.6**
Gross income	**66,293**	**84,029**	**–17,736**	**–21.1**
Divisional earnings before income tax	**61,543**	**75,088**	**–13,545**	**–18.0**
Additional information				
Operating expenses excluding depreciation and amortization / total operating income (in %)	36.5	33.4		
Operating expenses including depreciation and amortization / total operating income (in %)	38.0	33.8		
Client assets under management (in CHF billion)	15.9	14.9		
Change in client assets under management compared to 12/31/08 (in %)	6.4	–22.9		
Inflow of new client assets (in CHF billion)	–0.4	–0.3		
Gross income / average client assets under management (bp)[1]	67.9	73.7		
Divisional result / average client assets under management (bp)[1]	40.0	43.9		
Cost/income ratio, operating income (in %)[2]	37.4	34.4		8.8
Headcount (number of employees)	111	114	–3	–2.6
Headcount (expressed as full-time equivalents)	109.5	112.4	–2.9	–2.6

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

Detailed information on segment results can be found in chapter "Financial Report", page 117 ff.

Structure and functions

The Intermediaries business unit focuses on two areas of central importance to VP Bank Group: the investment fund business, and catering to the needs of financial intermediaries.

The business unit's staff provide advice to intermediary clients in all banking-related matters and issues pertaining to asset structuring, and conduct all necessary transactions. This client segment consists of external asset managers and fiduciaries. The other core activities of the business unit involve counseling clients in all aspects of investment funds, with the "Fund Solutions" team acting as a Group-wide competence center for these collective investment vehicles.

The business unit is positioned as a provider of holistic solutions. It represents a single source for all the core competencies expected from a modern, broad-spectrum financial services company, regardless of whether those services relate to banking or investment funds. The ability to handle state-of-the-art banking transactions at various booking centers on a global scale, coupled with outstanding know-how in terms of the tailor-made structures utilized in the trust business, are factors that clearly set the Intermediaries business unit of VP Bank Group apart from its direct competitors.

Activities

The uncertainties that shaped the financial markets in 2009 also influenced on the Intermediaries business unit. While the controversy surrounding crossborder taxation had a negative influence on the trend in net new money, growth in the fund business was indeed gratifying.

In view of this challenging market environment, various measures aimed at client loyalty were initiated. Focus was placed on intensifying personal discussions with clients in an effort to explain to them the current situation in the financial markets as well as the Liechtenstein financial center, and also to describe the changed circumstances in terms of taxation.

Among the highlights of the past financial year were the launch of the "VP Fund Solutions" umbrella brand and the expansion of the Bank's range of investment fund solutions. This concept makes it possible for VP Bank Group to press ahead with its international fund business under the banner of a strong brand.

In 2009, VP Bank also broadened its e-banking services, which are now fully available to clients at practically all of the Group's locations throughout the world.

Outlook

One of the greatest strategic challenges for the Intermediaries business unit – and for VP Bank Group as a whole – lies in adapting to the continual changes in the regulatory environment and implementing the related ordinances. At the same time, the cultivation of new markets is gaining greater importance.

In 2010, VP Bank Group's fund business will be anchored even more firmly within the organization and gain greater visibility and differentiation in the marketplace.
VP Fund Solutions should be a growth driver for the business unit again in the year ahead. In order to achieve that goal, international presence will be reinforced. For example, plans are for the European desk in Luxembourg and Intermediaries desk in Singapore to be expanded. In the coming years, VP Bank will be placing particular emphasis on those services and structures that are of particular attractiveness and benefit to non-European clients.
And last but not least, the Intermediaries business unit will continue to broaden VP Bank's range of "electronic services".

For 2010, Intermediaries is seeking to achieve moderate growth in its existing markets as well as in new ones. This growth should gain expression both in terms of investment fund volumes and higher profitability. Apart from its further internationalization, the business unit will also evaluate new product offerings.

Resolute cost management represents a key factor in all of the Intermediaries business unit's plans to broaden its array of services.

Banking Services

in CHF 1,000	21/31/2009	12/31/2008	Absolute variance	Variance in %
Total net operating income	**15,038**	**20,196**	**–5,158**	**–25.5**
Operating expenses	**25,333**	**17,173**	**8,160**	**47.5**
Gross income	**–10,295**	**3'023**	**–13,318**	**n.a.**
Divisional earnings before income tax	**–40,672**	**–16,381**	**–24,291**	**–148.3**
Additional information				
Headcount (number of employees)	284	299	–15	–5.0
Headcount (expressed as full-time equivalents)	264.1	275.9	–11.8	–4.3

Detailed information on segment results can be found in chapter "Financial Report", page 117 ff.

Structure and functions

The Banking Services business unit acts as a central service provider for VP Bank Group. Its primary 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, and that all the Bank's services are of the highest possible quality and are continually developed and improved.

Activities

In 2009, efficiency enhancement and cost management, as well as the experiences gained from the introduction of a new banking software system, took center stage in the Banking Services business unit.

At the outset of 2009, VP Bank Group successfully accomplished the transition to Avaloq, a banking soft-ware system that heightens efficiency, reinforces competitiveness and supports VP Bank in the implementation of its corporate strategy. The Group Information Technology organizational unit focused in 2009 on optimizing this new system and decommissioning the redundant systems. During the course of this software migration, VP Bank developed a mandator concept that enables the processes and services at the Group's various locations to be standardized via a common service platform.

Group Risk Management (a unit within the Corporate Center) was expanded to become the Group Treasury organizational unit, into which were integrated several functions previously performed by Operations (a unit within Banking Services). For example, Group Treasury now bears responsibility for securities and forex trading activities. Among the major tasks of the Operations unit in 2009 were the implementation of the Payment Services Act and the initial optimization of processes relating to money transfers and securities settlement based on Avaloq. The high quality of payment transactions conducted by VP Bank was confirmed yet again in the form of awards from Deutsche Bank and JP Morgan Chase for the proper compilation of transaction details (straight through processing rate).

In an effort to ensure and continually increase client satisfaction, VP Bank has for years now resolutely pursued a policy of quality orientation. Group Quality Management supports all organizational units of VP Bank Group in the establishment and continuous development of quality assurance systems. In conjunction with regular audits, this past December VP Bank received certification under BS 25999-2 (Business Continuity Management, BCM), recertification of the parent company's compliance with ISO 9001:2008 in Vaduz, as well as initial ISO 14001:2004 (Environmental Management) certification. These testaments reflect the high operational standards maintained within VP Bank. A targeted quality initiative has been launched for the Group's Luxembourg facilities.

Logistics & Security worked for the first time in 2009 with a new packaging flow line and state-of-the-art printers.

The related savings have been higher than expected. The mobility management concept introduced in mid-2008 is considered exemplary and has been presented to various official bodies and institutions in Liechtenstein. In the area of emergency management and BCM, wide-ranging support was provided to the subsidiary companies of VP Bank Group during the year. Further measures in this regard are described in the chapter "Sustainability", page 28.

Outlook

Strict cost management will have an influence on capital expenditure at VP Bank also in 2010. In the information technology area, the Bank will continue its ongoing efforts to optimize the company's processes and systems. Even greater efficiency from the new banking software system will be achieved through selective training courses for employees. The Banking Services business unit will fully exploit the potential afforded by new technologies and processes, thereby contributing significantly to cost reduction and efficiency enhancement throughout the VP Bank Group.

Corporate Center

in CHF 1,000	21/31/2009	12/31/2008	Absolute variance	Variance in %
Total net operating income	**63,388**	**–15,633**	**79,021**	**n.a.**
Operating expenses	**35,647**	**38,564**	**–2,917**	**–7.6**
Gross income	**27,741**	**–54,197**	**81,938**	**n.a.**
Divisional earnings before income tax	**16,427**	**–193,989**	**210,416**	**n.a.**
Additional information				
Client assets under management (in CHF billion)	0.2	0.2		
Headcount (number of employees)	131	147	–16	–10.9
Headcount (expressed as full-time equivalents)	111.5	125.8	–14.3	–11.4

Detailed information on segment results can be found in chapter "Financial Report", page 117 ff.

Structure and functions

The Corporate Center supports Group Executive Management in running the company. It comprises all organizational units that perform tasks of Group-wide relevance, i.e. risk management, compliance, finance and surveillance, human resources, legal, corporate development, communications and marketing. The Group Finance, Group Treasury and Group Legal Services & Compliance units report directly to the CFO. Corporate Development, Group Human Resources Management, Group Marketing and Corporate Communications answer to the CEO.

Selected activities

In 2009, Group Human Resources Management (HRM) implemented a wide range of measures in the area of personnel development, one of which was the English initiative that VP Bank launched already in 2007 with the aim of having 80 percent of the Bank's employees complete the various courses by the end of 2010. HRM also modernized the e-learning tools which were adapted to reflect the latest state of the art for specialized continuing education. In conjunction with the "FOCUS" cost-containment project initiated in 2008, it was necessary during the past financial year to make headcount reductions and offer early retirement in a number of areas. A comprehensive severance plan was developed for the employees affected by these measures.

In mid-2009, the "WIR" (Will – Identity – Results) process was brought to life. It fosters a common understanding of corporate values and guiding principles for personal conduct within VP Bank Group, and defines a uniform behavioral and management culture. Managers at the Bank were familiarized with the process during the course of the year.

Group Risk Management was expanded to become the new Group Treasury organizational unit. As a result of this reorganization, the strategically and tactically crucial areas of liquidity and refinancing management, financial resources allocation, risk management as well as asset and liability management have been optimized.

Group Marketing persued with VP Bank's successful brand policy in 2009. In sponsoring events, the unit paid particular attention to the themes of sports, culture and society. Although the number of activities in 2009 was lower than in previous years, there was no detraction from the quality of these marketing measures.

Corporate Communications continued to expand its media relationships in the Liechtenstein, Swiss, German and Singapore markets. At the forefront of these activities were efforts to gain even more presence in the major media, as well as to organize events for journalists. The new online magazine "Insight" was just as much a highlight of the unit's communication work as the complete revamping of VP Bank Group's intranet.

Outlook

The key challenges for 2010 will lie in heightening the efficiency of the Corporate Center to an even greater degree.

1 2 3 4 5 6 7

Corporate Governance 2009

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 operational 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 an 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 Swiss Exchange adapted the 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 Ltd. 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 on page 59 as well as in the notes to the annual financial statements of the parent company (see pages 181 f).
Unless otherwise indicated, the disclosures herein are valid as at December 31, 2009.

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 10 shows the Group's operating structure and reflects the organization of VP Bank Group.

[1] Senior management of the parent company is 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".

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 152). 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.

1.1.2 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 million
Registered shares (unlisted)	VPBN	LI0010737596	1.073.759	9.50	57
Bearer shares (listed)	VPB	LI0010737216	1.073.721	100.70	535[A]
Total (market capitalization of the bearer shares plus market value of the registered shares)					**592**

[A] Market capitalization of the listed bearer shares as at Dec 31, 2009

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

1.2 Significant shareholders

As at December 31, 2009, 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 %

[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.

During the period under review, there were no disclosure reports within the context of Art. 20 SESTA or Art. 2 of the Disclosure Act. No binding shareholder agreements exist.

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 10.00 each (see Financial Report, page 144).

		Balance as at December 31, 2009
	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**

2.2 Authorized and conditional capital
VP Bank has neither authorized nor conditional capital pending.

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	12/31/2007	12/31/2008	12/31/2009
Share capital	59,148	59,148	59,148
Legal reserves	239,800	239,800	239,800
Other reserves	256,189	316,189	316,588
Provisions for general banking risks	237,150	63,150	71,400
Retained earnings	125,625	15,057	61,387
Total	**917,912**	**693,344**	**748,323**

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. 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 according to 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 based on its shares.

[1] The Articles of Incorporation can be accessed via the Internet at: www.vpbank.com – Investors – Publications.

3. Board of Directors

The Board of Directors (BoD) bears responsibility for determining 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	Functions	Joined Board of Directors in	Elected until AGM in
Hans Brunhart	1945	Chairman[1, 4]	1994	2012
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

[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

Hans Brunhart (born March 28, 1945; citizen of Liechtenstein) has been the Chairman of the Board of Directors since April 1996, as well as Chairman of the Committee of the Board of Directors and member of the Audit & Risk Management Committee of VP Bank.
Other (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.

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 AG, 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: from 1990 through 2009, Markus Thomas Hilti was Administrative Fiduciary and since 2009 Protector of the Martin Hilti Familientreuhänderschaft, Schaan, as well as a trustee of U.M.M. Hilti-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; Treuhand-Personalstiftung, Vaduz; Stiftung für Kinder- und Jugendpsychiatrie, Schwyz.
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: PricewaterhouseCoopers, 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.

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; various investment funds.
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 (consultant in the field of financial services).
Other activities and vested interests: Board member and treasurer of the Swiss Institute, New York; board member and member of the finance committee of the Resurrection Episcopal Day School, 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 term 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 organization

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), Sections 2 through 4.[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 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 member 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 Section 3 of the 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, the GEM, the statutory auditors and the Internal Audit department[2].
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 Section 3.2 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 (e.g. salary and bonus systems, management development, successor planning, staff welfare benefits, etc.) for the attention of the Board of Directors;
- submitting proposals to the Board with regard to the compensation paid to the Chairman and the other Board members.

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 Section 3.3 OBR, the Audit & Risk Management Committee is responsible in particular for the following tasks:

[1] OBR is available in German only: www.vpbank.com – Investors – Publications.
[2] «Internal Audit» is a general term – at the parent company and VP Bank Group level, it is referred to as «Group Internal Audit»; at the subsidiaries, «Internal Audit».

- 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 auditing firm;
- 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 system, including risk and cash management;
- evaluating the measures taken to ensure compliance with and enforcement of legal and internal regulations;
- judging the quality of the internal and external auditors, as well as the collaboration between the two, in particular through examination of the reports from Group Internal Audit and the statutory auditors;
- defining the audit plan of Group Internal Audit, as well as taking note of and discussing the audit planning of the Group Auditors and the statutory auditors;
- assessing the performance, compensation and independence of the external auditors, especially in terms of 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 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 which members of the GEM attend 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 also attends 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 2009 financial year, the Board of Directors held eight half-day ordinary meetings as well as one extraordinary meeting. In addition, the Board and GEM jointly conducted a full-day strategy workshop. With the exception of two meetings, each with one absence, 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 2009, the NCC held eleven meetings. A separate meeting was held for the purpose of exchanging information 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 auditing firm (as a general rule, the Auditor in Charge) are invited to attend. In 2009, the Audit & Risk Management Committee met for six ordinary half-day meetings as well as three extraordinary meetings.

Chairman Emeritus

Fürstlicher Kommerzienrat Dr. Heinz Batliner, Vaduz, has been Chairman Emeritus of VP Bank since 1996. The Board of Directors bestowed this honorary title on 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 of Directors.

International Advisory Board

The International Advisory Board of VP Bank is a body that performs a consulting and representational function on behalf of the Bank. Once a year, the International Advisory Board gathers at a meeting that centers on a future-oriented issue of relevance to VP 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 (GB) and CEO of Deutsche Bank Moscow, Frankfurt (DE)
Daniel N. Regolatti,	former CFO of the Nestlé Group, Bottmingen (CH)[1]
Heinrich Treichl,	Dr., former General Manager and Chairman of the Board of Management at Creditanstalt-Bankverein, Vienna (AT)
Tjerk E. Westerterp,	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 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 Section 2.2 through 2.4 OBR. The tasks and authorities of the two Board committees are described in Section 3 OBR.
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[2] to the GEM of the parent company. The tasks and competencies of the GEM are described in the Articles of Incorporation (Art. 21) and OBR. The function of senior management of the parent bank is regulated in detail in Section 5.1 and 5.2, par. 1 and 2 OBR, and that of Group-level management in Section 5.2, par. 3 and 4 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 chapter "Structure of VP Bank Group", page 10).

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).

[1] Until November 9, 2009
[2] Exception: IGT Intergestions Trust reg., Vaduz, which reports directly to the BoD.

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, semi-annual 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 to gain a picture of significant developments and the risk situation at VP Bank at all times. The reports that lie within the scope 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, which conducts its activities in compliance with the internationally recognized standards of the Swiss Institute for 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 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 for a half-day session. In addition, further meetings and seminars are held to address strategy and internal company development as well as annual planning, budgeting and other topics of current importance.

4.1 Members of senior management

As at December 31, 2009, the Group Executive Management team (GEM) consisted of the following individuals:

Name	Year of birth	Funktion	Joined VP Bank	GEM Member since
Fredy Vogt	1958	Chief Executive Officer (CEO) ad interim 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 unit	2000	2005

On August 25, 2009, Adolf E. Real stepped down from his post as Chief Executive Officer (CEO). Subsequently, Deputy CEO Fredy Vogt assumed the function of CEO on an ad interim basis.

Fredy Vogt (born September 11, 1958; citizen of Liechtenstein) has been a member of the GEM of VP Bank, Vaduz, since 1996. He is Chief Financial Officer (CFO) of VP Bank as well as VP Bank Group. Fredy Vogt, who until August 25, 2009, had simultaneously held the position of Deputy CEO, took over as ad interim CEO on that date. He is also Head of the Corporate Center and bears responsibility for the Group Finance, Group Treasury, Group Legal Services & Compliance, Group Human Resources Management, Corporate Development, Corporate Communication and Group Marketing central staff functions (see chapter "Segments", page 45).
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 and CEO ad interim since August 25, 2009.
Other activities and vested interests: Fredy Vogt serves as 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 chapter "Segments", page 41) as well as the Fund Solutions competence center, and is Chairman of the Board of IFOS Internationale Fonds Service Aktiengesellschaft, Vaduz.
Educational background: studied business 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, as of July 1, 2008, 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 chapter "Segments", page 39).
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).

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 chapter "Segments", page 43).
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, which is exclusively composed of independent members of the Board of Directors (see section 3.5.2, page 54), 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 payable to Board and GEM members.

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 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 Senior management (Group Executive Management)

A long-term, value-oriented compensation model applies to the GEM and second-level management members of VP Bank. Under this model, the compensation paid to 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 targets and is paid annually in cash.
3. A variable long-term management share ownership scheme (Long-Term Incentive, LTI) with grants in the form of VP Bank bearer shares. On August 20, 2009, the Board of Directors decided to modify the existing LTI, whereby the fundamental principles of the scheme still apply. In this regard, the focus is on added value (economic profit), the principle of "Pay for performance", as well as the long-term commitment of management to receiving a variable compensation component in the form of VP Bank shares. The most significant change versus the previous five-year plan is represented by the change to a three-year, rolling performance period. The number of shares granted upon termination of the plan is directly dependent on the trend in economic profit of VP Bank Group. More or fewer shares will be granted in reflection of that financial trend, with the related factor ranging from a minimum of 0.5 to a maximum of 2.0 (previously 2.5). The monetary value of the compensation paid in the form of shares at the end of the plan is also dependent on the current market price of VP Bank 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 acting members of Group Executive Management. In connection with the departure of Adolf E. Real from the GEM and in reflection of his 26 years of activity on behalf of VP Bank, a termination grant was agreed in the amount of CHF 975,000.

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 compensation, 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 181 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).

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 membership rights vis-à-vis 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 (Art. 37 ff. BankA). The auditor in charge[2], Stefan Fuchs, has been responsible for the VP Bank mandate since 2007 (Annual General Meeting of April 27, 2007) and the senior auditor, Christian Bögli, has been involved in this mandate since July 2008.

8.2 Auditing fees

During the 2009 financial year, Ernst & Young AG charged VP Bank Group fees in the amount of CHF 1.92 million (prior year: CHF 1.73 million) 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 Treuhand und Verwaltung 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 0.19 million (previous year: CHF 0.53 million). The services invoiced include support and audits relating to:

- IT project accompaniment and project review in the system changeover from Penta to Avaloq;
- Services in connection with various regulatory issues.

Checks were also carried out to ensure compliance with Liechtenstein law on due diligence and Swiss money laundering legislation.

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 attaches particularly great value to a risk-oriented approach in the planning and conduct of the audit, as well as a reasonable degree of coordination between the external auditors and the Internal Audit unit.
All reports by the auditors are reviewed at meetings of the Audit & Risk Management Committee and external auditors. In 2009, the external auditors were present at all meetings of the Audit & Risk Management Committee in which external audit-related items were on the

[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".

agenda. In addition, the auditor in charge attended a Board of Directors meeting to present and discuss the audit report prescribed under the Banking Act.
The Audit & Risk Management Committee evaluates and forms an opinion on the effectiveness and independence of the external auditors on an annual basis. As a part of this, it relies on the documentation generated by the external auditors; for example, the report prescribed under BankA, the "management letter", as well as oral and written statements of position on specific aspects and technical issues in connection with accounting and the audit. In addition, an annual systematic assessment is conducted on the basis of checklists and comparisons of compensation paid within the industry, which in turn is used as the foundation for a proposal to the Board of Directors for the attention of the Annual General Meeting with regard to the election of statutory auditors and Group auditors.

9. Information policy

All publications of VP Bank required by 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 semi-annual 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 30, 2010
Semi-annual report 2010: August 31, 2010
Annual Press & Analyst Conference: March 15, 2011
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.

Contact

Verwaltungs- und Privat-Bank Aktiengesellschaft
Tanja Gartmann
Head of Corporate Communications
Aeulestrasse 6, LI-9490 Vaduz
Tel + 423 235 66 55, Fax + 423 235 65 00
vpbank.group@vpbank.com
www.vpbank.com

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Strategy Report

Stakeholders' Report

Segments

Corporate Governance

Financial Report 2009 VP Bank Group

Financial Report 2009 Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

Consolidated Annual Report of VP Bank Group

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

VP Bank Group with consolidated net income of CHF 60 million, a marked reduction in operating costs (–6 percent), higher contribution to profits from the Group's own financial investments, net outflow of client assets of CHF 1.1 billion.
The consolidated financial statements of VP Bank Group for 2009 prepared in accordance with International Financial Reporting Standards (IFRS) disclose a consolidated net income, including the proportion attributable to minority interests, of CHF 59.8 million. Following a consolidated net loss in 2008 of –CHF 80.3 million, VP Bank Group has returned to profitability (total operating income +8 percent, operating expenses –6 percent, gross profit +38 percent).
VP Bank's own financial investments, as of the end of 2008, amounted to CHF 802.6 million (share of equities: 22 percent) and CHF 886.2 million as of the end of 2009 (with a significantly lower share of investments in equity shares of 10 percent). The change in value of financial investments was +10 percent for 2009. In addition to a lower level in the share of equities, the volume was also reduced significantly in the sense of minimizing risks (some 25 percent). Starting with a balance of securities at the end of 2008 of CHF 0.8 billion, the volume increased by CHF 0.3 billion as a result of the transfer at carrying values of the securities from the cash and money-market investment funds of VP Bank and by CHF 0.1 billion resulting from the positive change in market values: with the year-end balance of CHF 0.9 billion, the 2009 volume could thus be reduced by CHF 0.3 billion.
In 2009, VP Bank Group continued to be exposed to intense turbulences; the environment was marked bdeclines in prices on equity markets during the first four months of the year, uncertainties regarding banking secrecy and financial marketplaces, tax amnesties, and finally the focus on margins and costs conditioned the business environment. All of this placed strains on trade- and portfolio-related components of income. From an operating viewpoint and down to the level of other ordinary income, excluding other ordinary income, VP Bank lost – 21 percent or CHF 68.6 million in comparison to 2008.
On the other hand, operating expenses and personnel headcount, expressed in terms of full-time equivalents, declined by 6 percent and 7 percent, respectively, over the prior year as a result of cost savings planned for 2009 from the bank project "FOCUS".
Client assets under management rose to CHF 29.5 billion as a result of the rally in financial markets which began in the second quarter. In 2009, net outflows of client assets under management of VP Bank Group totaled CHF 1.1 billion – primarily caused by changes in the regulatory context in Europe, of which CHF 1.0 billion was withdrawn in the first six months of 2009 alone. Thus, in the second half of the year, the net outflow was only CHF 0.1 billion, which can be interpreted as a sign of a recovery.
The cost/income ratio thus declined year-on-year (2008: 67.8 percent) to 59.0 percent as of the end of 2009 (as of the end of the first half-year of 2009 to 64.2 percent). On the cost side, this reflects very much the measures taken under the cost optimization program "FOCUS".
Within the spirit of a long-term dividend policy and in view of the positive results, the Board of Directors will propose to the Annual General Meeting of April 30, 2010 a dividend of CHF 3.50 per bearer share and CHF 0.35 per registered share (prior year: CHF 2.50 per bearer share and CHF 0.25 per registered share). This results in a pay-out ratio of 35.1 percent for VP Bank Group).

Recovery in key performance indicators of VP Bank Group

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

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

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

Business developments

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

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

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

The world-wide financial system did not collapse in 2009. Governments and central banks succeeded in containing the crisis and stabilizing financial markets with supporting measures and an expansive monetary policy. A normalization may be inferred from the fact that credit markets are re-functioning, credit-risk premiums have receded markedly and the risk appetite of investors has returned. Since the beginning of March 2009, financial markets have shown clear signals of a rally and/or normalization. A glance at the performance of the most important equity markets shows clearly higher stock index levels as at December 31, 2009 over those at year-end 2008. In the first quarter of the year, significant concerns as to the state of the economy still predominated. Financial markets again lost up to 25 percent. Financial data published in the second quarter

showed that the concerns of the market participants were too negative. Stabilization is today leading to a slow recovery whereby the basis effect from the crash contributed its part to an enhanced economic dynamism. On average, the principal equity markets have regained 23 percent.
The development of equity markets is set out in the chapter "The Share" on page 12.

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

Private Banking Clients
The business unit Private Banking Clients encompasses the business with private clients of VP Bank Group. Allocated to this business unit are VP Bank (Switzerland) Ltd., VP Bank (Singapore) Ltd., VP Vermögensverwaltung GmbH, VP Wealth Management (Middle East) Ltd., and VP Wealth Management (Hong Kong) Ltd.
The pre-tax results of the business unit declined by 25 percent year-on-year; the results declined from CHF 47.1 million to CHF 35.1 million. Total operating income declined by 18 percent to CHF 131.1 million but operating expenses decreased by 13 percent to CHF 86.1 million – in particular as a result of the "FOCUS" banking project.
The greatest potential for increasing margins in the business unit Private Banking Clients is in the funds which clients presently hold in liquid assets. Furthermore, an increase in the share of lombard credits is projected, and finally the lower share of discretionary accounts is to be increased with an enhanced investment performance, new products and a higher penetration rate. Also, VP Bank Group has strengthened its on-shore business since 2004 and accordingly has opened local branches and representative offices in growth markets, as well as a booking center in order to take client wishes into account.
Personnel costs underwent a marked reduction with 9 percent; they amounted to CHF 49.7 million (change in headcount 2009, expressed in terms of full-time equivalents: –10.3 employees, whereby the new locations are excluded from this reduction). General and administrative expenses declined by 22 percent to CHF 14.3 million. Cost savings are visible primarily in the captions market and public relations, fees paid as well as travelling expenses.
As regards the recharging of costs and revenues between the segments, operating expenses of the business segment Private Banking Clients were recharged with CHF 4.0 million less than in the prior year and aggregated CHF 22.1 million in 2009. The recharging of costs and revenues is made on the basis of agreements with conditions which would apply between unrelated third parties ("at arm's length"). Cost recharges between the segments are reviewed annually and reset to reflect economic conditions.

Intermediaries

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

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

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

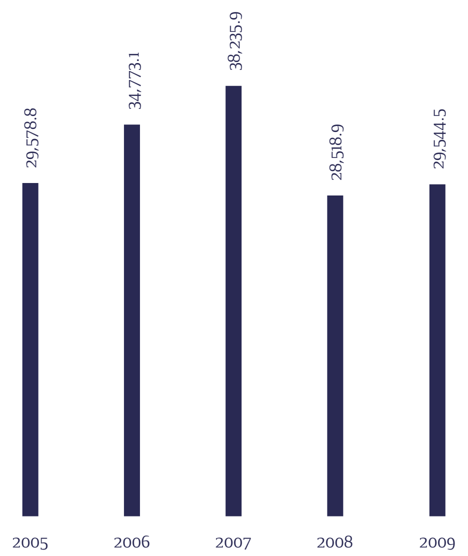
The greatest potential for increasing margins in the business unit Intermediaries is in a marked volume increase of investment-fund products distributed by VP Bank.

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

Banking Services

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

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



Client assets under management (in CHF million)

Corporate Center

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

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

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

Client assets – increase through rally on financial markets

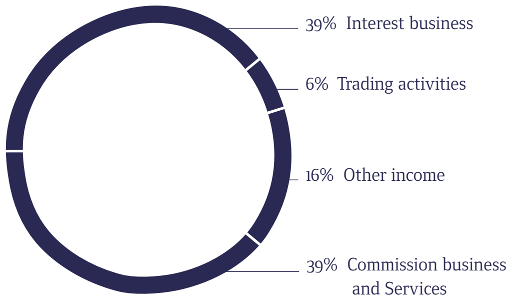
In aggregate, client assets under management increased in 2009 by 4 percent from CHF 28.5 billion to CHF 29.5 billion. In total, there was an outflow of funds of CHF 1.1 billion, of which CHF 1.0 billion (net) had occurred already as of June 30, 2009. CHF 0.7 billion of the net outflow of client assets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

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

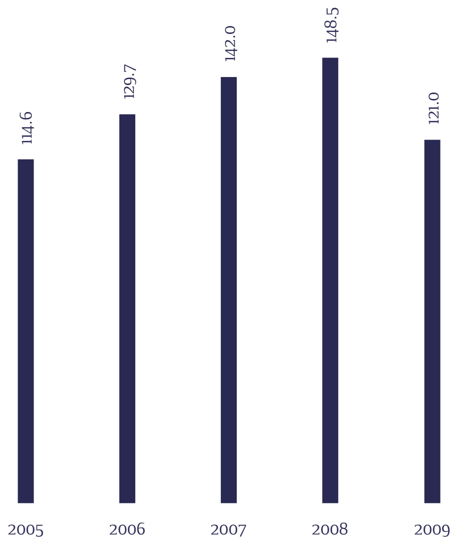
As a result of the new product line, the automated depository function, custody assets almost doubled in value: they grew by CHF 5.7 billion to CHF 12.3 billion. The increase was particularly strongly felt in the first half-year of 2009 (CHF +4.4 billion). Client assets including custody assets as of December 31, 2009 aggregated CHF 41.8 billion. This is CHF 6.7 billion more than at December 31, 2008 (CHF 35.1 billion).

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

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



Composition of income
(in percent)



Income from interest-differential business
(in CHF million)

Income statement

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

Money market

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

Capital market

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

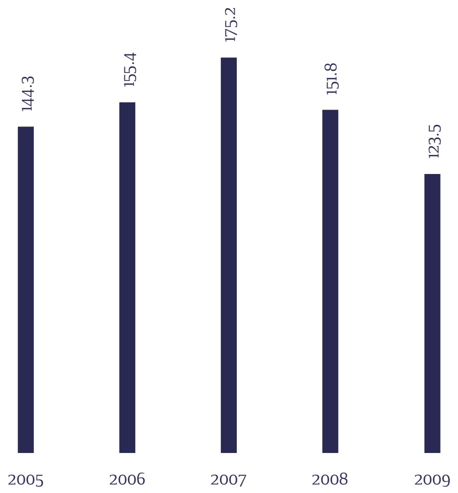
Income from interest-differential business
(Decrease of 19 percent or CHF 27.5 million over prior year)

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

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

Forex rates

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



Income from commission business and services (in CHF million)

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

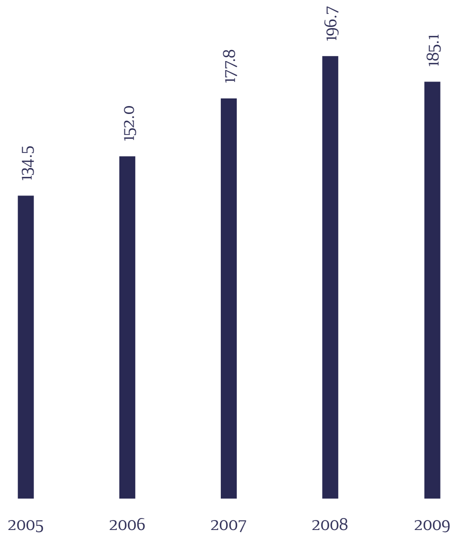
Income from commission business and services
(Reduction of 19 percent or CHF 28.3 million over prior year)

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

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

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

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



Operating expenses
(in CHF million)

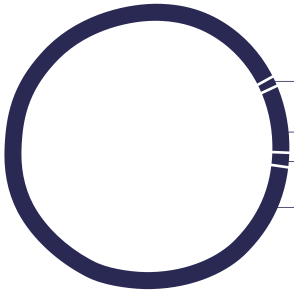
Profit from trading activities
(Reduction of 42 percent or CHF 12.8 million over prior year)
Profit from trading activities declined from CHF 30.3 million to CHF 17.6 million. With CHF 22.3 million, the foreign-exchange business generated 12 percent lower income than in 2008. This decline correlates with the aforementioned brokerage revenues. On average, the Euro and the UD dollar lost 1.0 percent and 2.6 percent, respectively, against the Swiss franc.
The negative variance from the prior period in the caption securities trading stems from revaluation losses on hedging transactions entered into for the purpose of balance-sheet management (hedging of own investments). The contra position with a positive profit contribution is included in other income.

Other income
(Increase of CHF 92.3 million over prior year)
Other income increased markedly year-on-year to CHF 51.8 million (2008: CHF -40.6 million); the profit contributions resulted from revaluation gains on own financial investments.
Furthermore, other income reflects releases of provisions totaling CHF 8.3 million. These had been established in a prior accounting period in connection with a change at the time in a local financial-statement accounting policy which were longer required operationally in 2009.

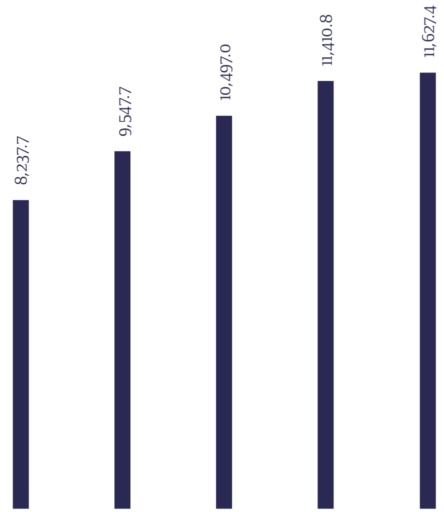
Operating expenses
On a year-to-year basis, operating expenses decreased by 6 percent to CHF 185.1 million under the influence of the banking project "FOCUS". The ratio of operating expenses/total operating income (cost/income ratio) could again be improved in view of the decrease in costs and increase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

Personnel expense
(Decrease of 6 percent or CHF 7.7 million over prior year)
Personnel expense represents the single largest cost factor and it makes up some 67 percent of operating expenses. In the course of its internationalization, VP Bank Group increased its personnel numbers by 210 full-time positions or 37 percent between 2005 and 2008, particularly noticeably in the business unit Private Banking Clients (from the first quarter of 2005 through to the third quarter of 2008 by 82 positions which represents 46 percent of the total increase). In view of the financial crisis, VP Bank has halted personnel recruitment. During 2009, the number of employees, expressed in full-time equivalents, decreased by 55.5 to 720.2; 53 percent of this reduction relates to the customer relationship units Private Banking Clients (–26.5 employees or –10.1 percent) and Intermediaries (–2.9 employees or –2.6 percent) without thereby weakening the strength of the distribution force.
In comparison to the 2008 level, the absolute level of personnel expense was reduced from CHF 131.8 million to CHF 124.1 million – not only as a consequence of the reduction in headcount but also as a result of a reduction of the average personnel cost per employee.

General and administrative expense
(Decrease of 6 percent or CHF 3.9 million over prior year)
In 2009, general and administrative expenses totaled CHF 61.0 million (2008: 65.0 million). Cost increases in some positions in the amount of CHF 6.2 million were more than offset by cost savings in other positions in the amount of CHF 10.1 million. The largest part of the cost increases was in the area of Information Technology (IT). The cost increase in this area (+CHF 3.9 million) relates to higher license fees and – resulting therefrom – higher maintenance costs (more expensive products) as well as to new outsourcing solutions which were incurred for the first time under general and administrative expenses.
Fees expense also increased (+CHF 1.5 million). Because of technical reorganizations in prior periods and as a consequence of a reorientation of certain banking activities, a multitude of processes and operating routines had to be re-adapted or re-defined. In 2009, there was a concentration of such activities for these were postponed in prior years as a result of introducing the banking software "Avaloq Banking Systems"; a catch-up requirement thus arose.
A noticeable reduction in costs, conversely, could be realized in Marketing and Corporate Communications (–CHF 5.0 million), without neglecting in the process its principal purpose, brand positioning and ensuring uniformity in image and message. This was achieved through a streamlining of the portfolio of activities of front units and through cost savings in the central portfolio.
Also, general and administrative expense declined noticeably (–CHF 4.2 million); on the one hand, this resulted from a reduction in travelling activities and, on the other, in that set-up costs for new locations did not recur. These locations passed from the pilot to the operating phase and now carry their own accountability for results.



Investments
(in CHF million)



Total assets
(in CHF million)

Investment in property and equipment

In 2009, investments in property and equipment aggregated CHF 43.2 million (December 31, 2008: CHF 83.5 million). General and recurrent investing activities in respect of bank buildings and other real estate, furniture and fitments and equipment amounted to CHF 1.0 million (prior year: CHF 9.9 million).

Replacement of banking software

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

Depreciation and amortization

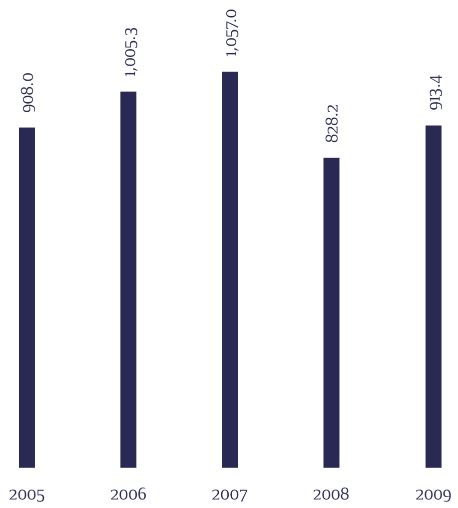
Depreciation and amortization increased in line with the investing activities in the investment categories IT systems and software by CHF 12.1 million or 43 percent to CHF 40.5 million.

Valuation allowances, provisions and losses

Additions to valuation allowances, provisions and losses were CHF 137.3 million less than those of the comparative prior period at a clearly reduced level of CHF 15.9 million.
Available-for-sale financial instruments on hand are classified as value-impaired if objective indications point to the fact that the declines in market prices have reached such an point that the recovery of the acquisition value cannot reasonably be expected within a foreseeable period.
In 2009, required valuation allowances on own financial investments were CHF 0.5 million whereas in 2008 these were at the level of CHF 62.6 million as a result of the financial crisis. A further element which did not recur in 2009 in comparison to 2008 is the provision for the support to the VP Bank cash and money-market funds amounting to CHF 68.1 million. On February 19, 2009, the Board of Directors of VP Bank Group resolved to acquire, at their respective carrying values, certain securities from the cash and money-market funds of VP Bank no longer meeting the quality demands of the Bank and transfer these to the Group's own financial investments and to provide liquidity to the funds in the equivalent value of approx. CHF 293 million. The provision raised as of December 31, 2008 was thus used through this decision.

Total assets in excess of CHF 11 billion

Total assets expanded in 2009 by CHF 0.2 billion to CHF 11.6 billion (+2 percent over December 31, 2008). The higher total assets result from the increase in the liability captions "due to customers- savings and deposits» by CHF 291 million to CHF 1.0 billion and "due to customers- other liabilities" by CHF 108 million to CHF 9.0 billion: the reason for the increase of both captions relates to the increase in holdings by clients in liquid assets (shift from off-balance-sheet business).
As a consequence, the asset captions "cash and cash equivalents" and "receivables arising from money-market paper" increased accordingly; as a result of the liquidity management of the Bank and in the wake of the financial crisis, amounts due from banks were cut-back significantly (–10 percent over December 31, 2008).



Shareholders' equity (in CHF million)

Shareholders' equity

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

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

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

Treasury shares

As required by IFRS, bearer and registered shares of VP Bank held in treasury stock are deducted from shareholders' equity. As of the balance-sheet date, VP Bank Group held a total of 150.745 bearer shares as well as 12.915 registered shares (prior year: 151.695 bearer shares and 9.915 registered shares). This equates an unchanged share of capital of 2.6 percent (same as in prior year). Reference is made to note 30 (p. 144) for more details on the holdings of and movements in treasury shares.

Development of risks – clear and structured redimensioning of financial investments

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

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

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

Financial investments

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

Consolidated Income Statement

Note	In CHF 1,000	2009	2008	Variance absolute	Variance in %
	Interest income	205,882	356,609	–150,727	–42.3
	Interest expenses	84,866	208,084	–123,218	–59.2
1	**Total income from interest-differential business**	**121,016**	**148,525**	**–27,509**	**–18.5**
	Commission income	166,144	201,048	–34,904	–17.4
	Commission expenses	42'623	49,219	–6,596	–13.4
2	**Total income from commission business and services**	**123,521**	**151,829**	**–28,308**	**–18.6**
3	Income from trading activities	17,565	30,323	–12,758	–42.1
4	Other income	51,746	–40,585	92,331	n.a.
	Total net operating income	**313,848**	**290,092**	**23,756**	**8.2**
5	Personnel expenses	124,067	131,773	–7,706	–5.8
6	General and administrative expenses	61,029	64,966	–3,937	–6.1
	Operating expenses	185,096	**196,739**	**–11,643**	**–5.9**
	Gross income	**128,752**	**93,353**	**35,399**	**37.9**
7	Depreciation and amortization	40,493	28,422	12,071	42.5
8	Valuation allowances, provisions and losses	15,869	153,148	–137,279	–89.6
	Income/loss before income tax	**72,390**	**–88,217**	**160,607**	**n.a.**
9a	Taxes on income	12,563	–7,914	20,477	n.a.
	Net income/loss	**59,827**	**–80,303**	**140,130**	**n.a.**
	Net income attributable to minority interests	2,416	2,944	–528	–17.9
	Net income/loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	**57,411**	**–83,247**	**140,658**	**n.a.**

Note	In CHF 1,000	2009	2008
	Undiluted consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
	Net income/loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft (in CHF 1,000)	57,411	–83,247
	Weighted average number of bearer shares	5,158,256	5,213,195
	Weighted average number of registered shares	5,993,021	5,995,609
	Total weighted average number of shares (bearer)	5,757,559	5,812,756
	Undiluted net income/loss per bearer share	9.97	–14.32
	Undiluted net income/loss per registered share	1.00	–1.43
	Fully-diluted consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
	Adjusted net income/loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft (in CHF 1,000)	57,411	–83,247
	Number of shares used to compute the fully-diluted consolidated income	5,757,559	5,812,756
	Fully-diluted consolidated income/loss per bearer share	9.97	–14.32
	Fully-diluted consolidated income/loss per registered share	1.00	–1.43

Statement of Comprehensive Income

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

Consolidated Balance Sheet

Assets

Note	In CHF 1,000	12/31/2009	12/31/2008	Variance absolute	Variance in %
12	Cash and cash equivalents	267,666	215,182	52,484	24.4
13	Receivables arising from money-market paper	777,654	109	777,545	n.a.
14/15	Due from banks	6,319,844	7,023,989	–704,145	–10.0
14/15	Due from customers	3,026,639	2,985,188	41,451	1.4
16	Trading portfolios	2,105	4	2,101	n.a.
17	Derivative financial instruments	42,355	59,254	–16,899	–28.5
18	Financial instruments designated at fair value	156,820	175,227	–18,407	–10.5
19	Financial instruments available for sale	728,945	630,630	98,315	15.6
20	Associated companies	48	2,565	–2,517	–98.1
21	Property and equipment	146,636	156,597	–9,961	–6.4
22	Goodwill and other intangible assets	103,699	91,180	12,519	13.7
9c	Taxes receivable	447	487	–40	–8.2
9b	Deferred tax assets	3,448	14,765	–11,317	–76.6
	Accrued receivables and prepaid expenses	31,222	43,420	–12,198	–28.1
23	Other assets	19,883	12,226	7,657	62.6
	Total assets	**11,627,411**	**11,410,823**	**216,588**	**1.9**

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

Consolidated Changes in Shareholders' Equity

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Reserves financial instruments IAS 39	Foreign-currency translation differences	Equity of shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 1/1/2008	**59,148**	**–11,925**	**–9,954**	**1,013,440**	**13,102**	**–6,813**	**1,056,998**	**17,019**	**1,074,017**
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to income statement					–2,344		–2,344		–2,344
• change in unrealized gains and losses (net of tax)					–52,945		–52,945		–52,945
Foreign-currency translation differences						–2,557	–2,557	–1,064	–3,621
Consolidated net income				–83,247			–83,247	2,944	–80,303
Total reported result 12/31/2008	**0**	**0**	**0**	**–83,247**	**–55,289**	**–2,557**	**–141,093**	**1,880**	**–139,213**
Dividend 2007				–65,062			–65,062	–1,569	–66,631
Management equity-participation plan (LTI)			5,996				5,996		5,996
Change in treasury shares		–26,596	–2,087				–28,683		–28,683
Total shareholders' equity 12/31/2008	**59,148**	**–38,521**	**–6,045**	**865,131**	**–42,187**	**–9,370**	**828,156**	**17,330**	**845,486**
Total shareholders' equity 1/1/2009	**59,148**	**–38,521**	**–6,045**	**865,131**	**–42,187**	**–9,370**	**828,156**	**17,330**	**845,486**
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to income statement					12,509		12,509		12,509
• change in unrealized gains and losses (net of tax)					30,181		30,181		30,181
Foreign-currency translation differences						–252	–252	–523	–775
Consolidated net income				57,411			57,411	2,416	59,827
Total reported result 12/31/2009	**0**	**0**	**0**	**57,411**	**42,690**	**–252**	**99,849**	**1,893**	**101,742**
Dividend 2008				–14,787			–14,787	–694	–15,481
Management equity-participation plan (LTI)			–157				–157		–157
Change in treasury shares		219	109				328		328
Total shareholders' equity 12/31/2009	**59,148**	**–38,302**	**–6,093**	**907,755**	**503**	**–9,622**	**913,389**	**18,529**	**931,918**

Consolidated Statement of Cash Flow

In CHF 1,000	2009	2008
Cash flow from operating activities		
Group net income	57,411	–83,247
Share of minority interests in Group net income	2,416	2,944
Depreciation and amortization	40,493	28,422
Write-off for value impairment on financial instruments available for sale	503	62,648
Increase / reduction in retirement pension provisions	1,468	–1,188
Release / increase in provisions	–58,616	82,536
Unrealized gains and losses on trading portfolios	–284	0
Unrealized gains and losses on financial instruments designated at fair value	–6,803	30,428
Unrealized gains and losses on financial instruments available for sale	2,831	14,135
Deferred income taxes	9,192	–10,786
Tax on income paid, interest received less interest paid and dividends received	–124,346	–136,496
Sub-total	**–75,735**	**–10,604**
Changes in assets and liabilities in connection with operating business activities, after adjustment for non-cash-related transactions:		
Due from/to banks, net	861,727	–1,280,465
Trading portfolios, including replacement values, net	–3,432	2,373
Interest received from interest-differential business	192,401	332,508
Interest received from trading portfolio interests	66	6
Dividends received from trading portfolio interests	3	22
Interest received on financial instruments designated at fair value	4,592	7,790
Dividends received on financial instruments designated at fair value	4	37
Interest received on financial instruments available for sale	23,292	15,379
Dividends received on financial instruments available for sale	2,044	3,490
Due from/to customers	333,485	1,044,700
Foreign-exchange impact on intra-group payments	–3,229	–10,013
Accrued receivables, prepaid expenses and other assets	–10,987	–18,380
Accrued liabilities and other liabilities	30,136	9,724
Interest paid in connection with interest-differential business	–96,846	–209,542
Taxes on income paid	–1,210	–13,194
Net cash flow from operating activities	**1,256,311**	**–126,169**

Consolidated Statement of Cash Flow (continued)

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

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

Consolidated Off-Balance-Sheet Transactions

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

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

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

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

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

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

Principles Underlying Financial Statement Reporting

1. Fundamental principles underlying financial statement reporting

Verwaltungs- und Privat-Bank Aktiengesellschaft, which has its registered office in Vaduz, Liechtenstein was established in 1956 and is one of the three largest banks in Liechtenstein. Today, it has subsidiaries in Zurich, Luxembourg, Munich, the British Virgin Islands, Singapore, Hong Kong and as well as representative offices in Moscow and Hong Kong. As of December 31, 2009, VP Bank Group employed 720.2 staff, expressed as full-time equivalents (previous year: 775.7).

Asset management and portfolio advisory services for private and institutional investors, as well as the lending, constitute its core activities.

Values disclosed in the financial statements are expressed in thousands of Swiss francs. The 2009 financial statements were drawn up in accordance with International Financial Reporting Standards (IFRS). IFRS contain guidelines which require assumptions and estimates to be made in drawing up the consolidated financial statements of VP Bank. The most important fundamental principles underlying financial-statement reporting are described in this section in order to show how their application impacts the reported results and informational disclosures.

Post-balance-sheet date events

There where no post balance sheet events that materially affected balance sheet and income statement of 2009.

The Board of Directors reviewed and approved the consolidated financial statements in its meeting of February 18, 2010. These consolidated financial statements will be submitted for approval to the Annual General Meeting of shareholders to be held on April 30, 2010.

2. Changes to the principles of financial-statement reporting and comparability

New and revised International Financial Reporting Standards

Since January 1, 2009, the following new or revised standards and interpretations have taken effect:

IFRS 2: Share-based Payment – Vesting Conditions and Cancellations (Amendments)
IFRS 7: Financial instruments: Disclosures (Amendments)
IFRS 8: Operating Segments
IAS 1: Presentation of Financial Statements (Revised)
IAS 23: Borrowing Costs (Revised)
IAS 27: Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate (Amendments)
IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IFRIC 9: Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives (Amendments)
IFRIC 13: Customer Loyalty Programs
IFRIC 15: Agreements for the Construction of Real Estate
IFRIC 16: Hedges of a Net Investment in a Foreign Operation
IFRIC 17: Distribution of Non-Cash Assets to Owners
IFRIC 18: Transfers of Assets from Customers

Improvements to IFRSs: In May 2008 and April 2009, the IASB published two omnibus standards to amend various IFRSs with the primary goal of eliminating inconsistencies and clarifying wording. The omnibus standards foresee for each amended IFRS its own transitional provisions.

The adoption of these standards had no material impact on reporting.

International Financial Reporting Standards to be adopted in 2010 or subsequently

Numerous new standards, revisions and interpretations of existing standards have been published, the application of which is binding for financial years commencing on January 1, 2010 or later. The following new or amended IFRS and Interpretations are of importance to the Group based upon the analysis of VP Bank. They are currently being analyzed and in all probability will have no material impact on the consolidated financial standards of the Group.

IFRS 2: Share-based payment transactions – cash settlement within the group

In June 2009, the IASB published an amendment to IFRS 2 concerning the scope of application and recording of share-based payment transaction with cash settlement within the group. The Standard is to be applied for reporting years beginning on or after January 1, 2010.

IFRS 9: Financial instruments – classification and measurement

In November 2009, the IASB issued the Standard concerning the classification and measurement of financial assets. The Standard is part of a comprehensive IASB project to replace IAS 39 Financial instruments – recognition and measurement. In the version as issued, in future financial assets are essentially to be recorded at amortized cost or at fair value through profit and loss. In addition, an irrevocable case-by-case right of election is foreseen to measure equity instruments at fair values without income effect. The classification of financial instruments is made upon initial recognition and may not be changed subsequently. Furthermore, the Standard contains related rules, for example those concerning embedded derivatives and value impairments/recoveries in value. This Standard is to be applied for the first time on or after January 1, 2013 and is the first part of the replacement of IAS 39. Earlier application is permitted, however. At present, VP Bank is analyzing the impact which this Standard will have on consolidated financial-statement reporting of the Group.

IAS 24: Amendment to related-party disclosures

The amendment to IAS 24 simplifies the definition of a related party and, for example, reduces the disclosure requirements for companies related a state. The amendments will in all probability have no impact on related-party disclosures. The Standard applies for reporting periods beginning on or after January 1, 2011.

3. Scope of consolidation

Fully consolidated companies

The consolidated financial statements encompass the financial statements of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, Liechtenstein as well as those of its subsidiary companies which are all presented as a single economic unit. Subsidiary companies which are directly or indirectly controlled by VP Bank Group are consolidated. Subsidiary companies which have been acquired are consolidated as of the date on which control is transferred and deconsolidated as of the date control ends.

Changes in scope of consolidation

In 2009, there was no change in the scope of consolidation. VP Wealth Management (Middle East) Ltd., Dubai will be liquidated in early 2010 and will then be removed from the scope of consolidation.

Method of capital consolidation

Capital consolidation is undertaken in accordance with the purchase method, whereby the shareholders' equity of the consolidated company is set off against the carrying value of the shareholding in the parent company's carrying value as of the date of acquisition or the date of establishment. Subsequent to initial consolidation, changes arising from business activities which are reflected in the current results of the accounting period in the consolidated financial statements are allocated to income reserves. The effects of intra-group transactions are eliminated in preparing the consolidated annual financial statements. The share of minority interests in shareholders' equity and in the consolidated results are shown separately in the consolidated balance sheet and income statement.

Shareholdings in associated companies

Shareholdings of between 20 and 50 percent in companies on which VP Bank Group can exercise a material influence are recorded using the equity method. According to the equity method of accounting, the shares of an enterprise upon acquisition are accounted for at acquisition cost. Subsequent to acquisition, the carrying value of the associated company is increased or reduced by the Group's share of the profits or losses and of the non-income-statement-related movements in the shareholders' equity of the associated company. In applying the equity method, the Group ascertains whether it is necessary to record an additional impairment loss for its investments in associated companies. As of each balance-sheet date, the Group ascertains whether objective indications exist that the investment in an associated company may be value-impaired. Should this be the case, the difference between the realizable value of the share in the associated company and its carrying value is recorded as a charge to income.

4. Assumptions and uncertainties in estimates

IFRS contain guidelines which require certain assumptions and estimates to be made by VP Bank Group in drawing up the consolidated financial statements. The assumptions are continually reviewed and are based upon historical experience and other factors, including anticipated developments arising from probable future events. Actual future occurrences may differ from these estimates.

Non-performing loans

A review of collectibility is undertaken at least once a year for all loans of doubtful collectibility. Should changes have occurred as to the amount and timing of anticipated future payment flows in comparison to previous estimates, the valuation adjustment for credit risks is adjusted accordingly. The amount of the value impairment is measured essentially by reference to the difference between the carrying value and the probable amount which will be collected, after taking into account the proceeds of realization from the sale of any collateral. A change in the net present value of the estimated future monetary flows of +/–5 percent increases or decreases, respectively, the amount of the valuation adjustment by CHF 2.5 million (2008: CHF 2.7 million).

Valuation adjustment on available-for-sale financial instruments

Available-for-sale financial instruments are classified as being value-impaired whenever objective indications exist that the decline in market prices has assumed such a scale that the recovery of the acquisition value cannot reasonably be expected within a foreseeable time frame. For quoted financial instruments, the realizable value is determined by considering the market price. For non-quoted equity securities, the realizable value is determined on the basis of quotations of dealers or external pricing models which are based on observed market data. Furthermore, an objective indication of a loss in value may include significant or prolonged changes with unfavorable consequences occurring in the technological, market-related, economic or legal environment. Valuations undertaken in this manner may be adjusted by management on the basis of its own estimations. Should all declines in value on available-for-sale financial instruments be classified constantly as value-impaired, then VP Bank Group would need to record an additional loss of CHF 19.9 million for the 2009 business year

(2008: CHF 53.3 million). This would require a transfer from the IAS 39 financial instruments reserve, part of shareholders' equity, to the statement of income.

5. General principles

Trade date vs. settlement date

The trade-date method of recording purchases or sales of financial assets and liabilities is applied. This means that transactions are recorded in the balance sheet as of the date when the trade is entered into and not on the date when trade is subsequently settled.

Revenue recognition

Revenues from services are recorded when the related service is rendered. Portfolio management fees, securities account fees and similar revenues are recorded on a pro-rata basis over the period during which the service is rendered. Interest is recorded in the period during which it accrues. Dividends are recorded as and when they are received.

Foreign-currency translation

Functional currency and reporting currency: The consolidated financial statements are expressed in Swiss francs, which is both the currency of the Group as well as the reporting currency. The foreign-exchange translation into the functional currency is undertaken at the rate of exchange prevailing as of the date of the transaction. Translation differences arising from such transactions and gains and losses arising from conversion at balance-sheet date rates for monetary financial assets and financial liabilities in foreign currencies are charged to the income statement. Unrealized foreign-currency translation differences on non-monetary financial assets are part of the movement in fair value. For non-monetary financial assets at fair value, foreign-currency translation differences are charged to the income statement. In the case of non-monetary financial assets which are classified as being available for sale, the unrealized foreign-exchange differences are recorded under shareholders' equity until realized.

Group companies

All balance-sheet items (excluding shareholders' equity) are converted into the Group reporting currency at the rate of exchange prevailing as of the balance-sheet date. The individual items in the income statement are converted at average rates for the period. Foreign-currency translation differences arising from the conversion of financial statements expressed in foreign currencies are set off against shareholders' equity (income reserves) without impacting operating results. Foreign-currency translation differences arising in connection with net investments in foreign companies are reflected under shareholders' equity. Upon disposal, such foreign-currency translation differences are recorded in the income statement as a part of the gain or loss on disposal. Goodwill and fair value adjustments from acquisitions of foreign companies are treated as receivables and payables of these foreign companies and are converted at closing rates prevailing on the balance-sheet date.

Domestic vs. foreign

The term "domestic" also includes Switzerland besides Liechtenstein.

Segments

VP Bank Group is sub-divided into two business units – Private Banking Clients and Intermediaries – into the service unit Banking Services, and into the Corporate Center. External segment reporting reflects the organizational structure of VP Bank Group and the internal reporting to the management. It forms the basis used by the Group's decision-makers.
Direct revenues and expenses are allocated to the business units. Charges between the business units and geographic segments are recorded at such market prices as would be charged to external clients for similar services. Revenues and costs of extra-divisional services which cannot be directly allocated to the business units are recorded in the Corporate Center. Furthermore, entries relating to the consolidation are recorded in the Corporate Center.
Geographic segment reporting is undertaken in accordance with the principles of branch accounting and reflects the segments Liechtenstein and Switzerland, Rest of Europe and Other Countries.

Cash and cash equivalents

Cash and cash equivalents encompass the items cash on hand, receivables arising from money-market paper and sight balances with banks.

6. Financial instruments

General

VP Bank Group sub-divides financial instruments, to which traditional financial assets and liabilities as well as equity capital instruments also belong, as follows:
- Financial instruments to be recorded via the income statement ("fair value through profit or loss") – trading portfolios and financial instruments denominated at fair value.
- Available-for-sale financial assets – available-for-sale financial instruments
- Held-to-maturity financial instruments
- Loans granted which are neither held for trading purposes nor represent financial assets available for sale ("loans and receivables")

The allocation of financial instruments is made as at the date of the initial recording according to the criteria of IAS 39.

Trading portfolios

Trading portfolios comprise shares, debentures, precious metals and structured products. Financial assets held for trading purposes are valued at fair value. Short positions in securities are disclosed as liabilities arising from trading portfolios. Realized and unrealized gains and losses are recorded under income from trading activities after deduction of related transaction costs. Interest and dividends from trading activities are recorded under income arising from the interest-differential business. Fair values are based on market prices if an active market exists. Should no active market exist, the fair value is determined by reference to traders' quotes or external pricing models.

Financial instruments designated at-fair-value

As a result of management and performance measurement in accordance with the internal risk-management and investment strategy, VP Bank Group applies the fair value option as available under IAS 39 for the financial instruments "designated at-fair-value". Financial instruments at-fair-value are valued at fair values for balance-sheet reporting purposes. Unrealized and realized gains and losses are charged to the income statement and recorded under other income. Fair values are based on quoted market prices if an active market exists. Should no active market exist, the fair value is determined by reference to traders' quotes or external pricing models. By their nature, valuations are dependent on the underlying assumptions made. Interest and dividend income is recorded under income from the interest-differential business. Interest is accrued over the period to which it relates.

Financial instruments available-for-sale

Available-for-sale financial assets are instruments which, in the opinion of management, can be sold in response to or in anticipation of a liquidity need or as a result of expected changes in interest rates, exchange rates or equity share prices. They encompass money-market and other debt papers, as well as equity securities, and are recorded in the balance sheet at fair value. The fair value is based upon quoted market prices if an active market exists. Should no active market exist, the fair value is determined on the basis of traders' quotes or external pricing models based exclusively on observed market data. Unrealized and realized gains or losses arising from available-for-sale financial instruments are recorded under shareholders' equity, after deduction of related income taxes, until such time as the financial instruments are sold, are the object of debt-enforcement proceedings, or are otherwise disposed of or classified as being value-impaired. Should an available-for-sale investment be disposed of, the accumulated gains or losses recorded previously under shareholders' equity are recorded in the income statement of the reporting period under other income. Interest and dividend income is recorded under income from the interest-differential business. Interest is accrued over the period to which it relates.

As soon as an available-for-sale financial investment is classified as being value-impaired, the accumulated unrealized loss previously recorded under shareholders' equity is recorded in the income statement of the reporting period under valuation allowances, provisions and losses. As regards non-listed equity securities, their realizable value is determined according to dealers' prices and external pricing models which are based on observed market data. Valuations arrived at in this manner can be amended by management based on its own judgement. The realizable value of listed financial instruments is determined by reference to the market price. They are classified as being value-impaired when objective indications exist that the decline in market price has assumed such a scale that the recovery of the acquisition value cannot reasonably be expected within a foreseeable time frame.

Held-to-maturity instruments

VP Bank Group does not employ this category.

Loans granted

At the time of their initial recording, loans are valued at their effective cost which equates to fair value at the time the loans are granted. Subsequent valuations are made at amortized cost, with the effective interest yield method being applied.

Value-impaired loans

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

Non-performing loans

Non-performing loans are generally a component part of value-impaired loans. A loan is classified as being non-performing as soon as the contractually agreed capital and/or interest payments are outstanding for 90 days or more.

Guidelines on collateral limits and valuation

VP Bank Group demands an appropriate margin on the collateralizing of assets. This margin must be set in such a manner that changes in market values, market volatility, debtor credit-worthiness and counterparty risk are appropriately taken into account and as a result, the receivables are backed by adequate collateral at all times.

Categories/types of collateral

VP Bank Group assigns all customary types of loans into the three categories of collateral "marketable", "non-marketable" or "unsecured".
Marketable: mortgage collateral up to a maximum of two-thirds of the official market value/bank appraisal or appraisal of a recognized expert; quoted securities; account monies (current account, deposit account, fiduciary, call money); precious metals; medium-term bonds; repurchase values of life-assurance policies; bank guarantees (from banks with open credit limit).
Non- marketable: Mortgage collateral up to a maximum of 80 percent of the official market value/bank appraisal or appraisal of a recognized expert.
Unsecured: all credits without collateral; sureties; unquoted securities; cession of debtor receivables; purchase-price residual receivables; receivables arising from letters of credit; discount bills.
Types of collateral which are not mentioned are deemed to be "unsecured". General management ensures that the monitoring of credits is appropriate to the risks assumed in the credit business. The collectibility of the collateral is subject to regular review. Changes in the credit-worthiness of the borrower is subjected to on-going review.

Derivative financial instruments

Derivative financial instruments are valued at their fair value and disclosed in the balance sheet. The fair value is determined on the basis of stock-exchange quotations or option pricing models. Realized and unrealized gains and losses are charged to income.

Hedge accounting

VP Bank Group does not apply hedge accounting.

Financial guarantee contracts

After initial recognition, a financial guarantee contract is valued at the higher of the following amounts: the provision that would have to be established if there is a probable outflow of resources, and a reliable estimate of that obligation can be made; or, the amount initially recognized less (when appropriate) the cumulative amortization recognized on the income statement.

Debt securities issued

Medium-term notes are recorded at their issue price and valued subsequently at their original historical cost value. At the time of their initial recording, debentures are recorded at their fair value minus transaction costs. The fair value equates to the consideration received. Subsequently, they are valued at amortized cost for balance-sheet reporting purposes. In this connection, the effective interest method is employed in order to amortize the difference between the issue price and redemption amount over the duration of the debt instrument.

Treasury shares

Shares in Verwaltungs- und Privat-Bank Aktiengesellschaft held by VP Bank Group are disclosed as treasury shares under shareholders' equity and deducted at acquisition cost. The difference between sales proceeds of treasury shares and the related acquisition cost is shown under capital reserves.

Repurchase and reverse-repurchase transactions

Repurchase and reverse-repurchase transactions serve to refinance or finance, respectively, or to acquire securities of a certain class. These are recorded as an advance against collateral in the form of securities or as a cash deposit with collateral in the form of own securities. Securities received and delivered are only recorded in the balance sheet or closed out when the control over the contractual rights (risks and opportunities of ownership) which these securities comprise, are passed on. The fair values of the securities received or delivered are monitored on an on-going basis in order to provide or demand additional collateral in accordance with the contractual agreements.

Securities lending and borrowing transactions

Financial instruments which are lent out or borrowed and valued at fair value and in respect of which VP Bank Group appears as principal are recorded in the balance sheet under amounts due to/from customers and banks. Securities lending and borrowing transactions in which VP Bank Group appears as agent are recorded under off-balance-sheet items. Fees received or paid are recorded under commission income.

7. Other principles

Provisions

Provisions are only recorded in the balance sheet if VP Bank Group has a liability to a third party which is to be attributed to an occurrence in the past, the outflow of resources with economic benefit to fulfill this liability is probable, and if this liability can be reliably estimated.

Valuation allowances for long-term assets (impairment)

The value of property and equipment and other assets (including goodwill and other intangible assets) is reviewed at least once a year, as well as whenever it appears that the carrying value is over-valued as a result of occurrences or changed circumstances. If the carrying value exceeds the realizable value, an extraordinary write-down is made.

Property and equipment

Property and equipment comprises bank premises, other real estate, furniture and equipment, as well as IT systems. Property and equipment is valued at acquisition cost less operationally necessary depreciation and amortization. Property and equipment is capitalized insofar as the acquisition or construction cost can be reliably determined and it carries a future economic benefit. The Bank's premises are real estate which is held and used by VP Bank Group to render services or for administrative purposes, while other real estate serves to generate rental income and/or achieve capital gains. Whenever a property serves partially as own premises for the Bank and partially as other real estate, the criterion as to whether both portions can be sold individually shall apply in determining to which classification it belongs. If a partial sale is possible, each part shall be recorded accordingly. Should each part be incapable of being sold individually, the entire property shall be classified as the Bank's premises, unless the portion used as bank premises is insignificant.

Depreciation and amortization is charged on a straight-line basis over the estimated useful lives:
Real estate: 25 years
Land: not depreciated
Furniture and equipment: 5 to 8 years
IT systems: 3 to 7 years
The depreciation and amortization methods and useful lives are subject to review at each year end. Minor purchases are charged directly to general and administrative expenses. Maintenance and renovation expenses are generally recorded under general and administrative expenses. If the expense is substantial and results in a significant increase in value, the amounts are capitalized. These are depreciated or amortized over their useful lives. Gains on disposal of property and equipment are disclosed as other income. Losses on sale lead to additional depreciation and amortization on property and equipment.

Leasing

Operating leasing expenditures (rights and duties arising from ownership relating to the object of the leasing contract remain with the lessor) are charged to the general and administrative expenses item. At present, there are no receivables or payables in connection with financing leases.

Goodwill

In the case of a takeover, should the acquisition costs be greater than the net assets acquired and valued in accordance with uniform Group guidelines (including identifiable and capitalizable intangible assets), the remaining amount constitutes the acquired goodwill. Goodwill is capitalized and subject to an annual review for any required valuation allowances. The recording of goodwill is made in the original currency and is converted on the balance-sheet date at rates prevailing at year end.

Intangible assets

Purchased software is capitalized and amortized over three to seven years. Minor purchases are charged directly to general and administrative expenses. Internally generated intangible assets such as software are capitalized insofar as the prerequisites for capitalization set forth in IAS 38 are met, i.e. it is probable that the Group will derive a future economic benefit from the asset and the costs of the asset can be both identified and measured in a reliable manner. Internally produced software meeting these criteria and purchased software are recorded in the balance sheet under software. The capitalized values are amortized on a straight-line basis over their useful lives. The period of amortization is three to seven years. Intangible assets with undefined estimated useful lives are reviewed at least once a year for any required valuation allowances. At present, VP Bank Group has not recorded any intangible assets with unlimited useful lives. Other intangible assets include separately identifiable intangible assets arising from acquisitions, as well as certain purchased client-related assets, etc., and are amortized on a straight-line basis over an estimated useful life of five to ten years. Other intangible assets are recorded in the balance sheet at purchase cost at the time of acquisition. On each balance-sheet date, or whenever there is reason to do so, a review is made as to whether there are indications of a possible impairment in value or of a change in the estimated useful life. Should such indications exist, it is ascertained whether the carrying value is completely recoverable. Should the carrying value exceed the realizable value, a write-off is made.

Taxes and deferred taxes

Current income taxes are computed on the basis of the applicable laws on taxation in the individual countries and are booked as expenses in the accounting period in which the related profits are recorded. They are shown as tax liabilities in the balance sheet. The taxation effects of timing differences between the values attributed to the assets and liabilities as reported in the consolidated balance sheet and their values reported for tax reporting purposes are recorded as deferred tax assets or deferred tax liabilities. Deferred tax assets arising from timing differences or from the utilization of tax loss carry-forwards are only recognized when it is probable that sufficient taxable profits are available, against which these timing differences or tax loss carry-forwards can be offset. Deferred tax assets and tax liabilities are computed using the rates of taxation which are expected to apply in the accounting period in which these tax assets will be realized or tax liabilities will be settled. Tax assets and tax liabilities are only offset against each other if they relate to the same taxable person, concern the same taxing jurisdiction and an enforceable right of offset exists. Deferred taxes are credited or charged to shareholders' equity if the tax relates to items which are directly credited or debited to shareholders' equity in the same or another period. The taxation savings expected from the utilization of estimated future realizable loss carry-forwards are capitalized. The probability of realizing expected taxation benefits is taken into account when valuing a capitalized asset for future taxation relief. Taxation assets arising from future taxation relief encompass deferred taxes on timing differences between the carrying values of assets and liabilities in the consolidated balance sheet and those used for taxation purposes as well as estimated future realizable loss carry-forwards. Deferred taxation receivables in one sovereign taxation jurisdiction are offset against deferred taxation liabilities of the same jurisdiction if the enterprise has a right of offset between actual taxation liabilities and tax claims and the taxes are levied by the same taxing authorities; amounts are offset insofar as the maturities correspond.

Retirement pension plans

VP Bank Group maintains a number of retirement pension plans for employees in Liechtenstein/Switzerland and abroad, amongst which there are both defined-benefit and defined-contribution plans. In the case of defined-benefit plans, the period costs are determined on the basis of opinions of external experts. For defined-benefit plans with segregated assets, the surplus or deficit of the net present value of the claims in comparison to the assets which are computed using market prices are disclosed in the balance sheet as liabilities or assets, after taking into account unrecorded actuarial gains and losses and claims still to be made (projected unit credit method). VP Bank Group records a portion of actuarially-computed gains and losses as income and expenses, should the balance of accumulated unrecorded gains and losses at the end of the prior accounting period exceed the prescribed threshold values.

Employee stock-ownership plans

The stock-ownership plan enables employees to subscribe annually to a defined number of bearer shares in Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, at a preferential price subject to a four-year restriction period on selling. Upon expiration of the sales restriction period, or at the time of resignation from VP Bank Group, the related shares become freely available. As the employees are therefore ultimately able to take up the shares at any time and in full, the expense arising from the employee stock-ownership plans is recorded in full at the time of their respective allocation. The number of bearer shares which can be subscribed to depends upon the years of service, rank and management level.
The purchase price is determined annually in relation to the market value of the bearer shares on the Swiss Exchange (ex-dividend). The shares issued in this manner derive either from the portfolio of VP Bank Group or are acquired for this purpose over the stock exchange. The resulting expense is charged directly to personnel expenses.

Management profit-sharing plan

A long-term and value-oriented compensation model exists for Group Executive Management and second-level executives. In accordance with this model, the compensation of Group Executive Management comprises three components:

1. A fixed base salary component which is contractually agreed between the Nomination & Compensation Committee (a committee of the Board) with each member of Group Executive Management. To be added to the base salary are the contributions made by VP Bank to the executive insurance scheme and pension fund.
2. A variable performance-related compensation component (Short-Term Incentive STI) which depends of the annual financial results of VP Bank Group as well as the attainment of personal targets and is paid out in cash annually.
3. A long-term variable management share-equity plan (Long Term Incentive LTI) in the form of bearer shares of VP Bank. On August 20, 2009, the Board of Directors resolved to amend the existing LTI. The basic principles remain unchanged, however. Amongst these are the focus on added value (economic profit), the principle of pay for performance and the long-term commitment of management to a variable salary component in the form of shares. The most important modification to the previous five-year plan is the change to a three-year rolling performance period. The number of shares which vest after the plan ends is directly dependent on the development of the economic profit of VP Bank Group. Depending on financial developments, a greater or lesser number of shares are allocated. The factor varies between a minimum of 0.5 and a maximum of 2.0 (previously 2.5). The monetary benefit which is settled in shares at the end of the plan further depends on the price of VP Bank bearer shares. The bearer shares which are required to service the LTI profit-sharing plan are

sourced from the treasury shares owned by VP Bank Group or are purchased on the stock exchange.

As required by the accounting provisions of IFRS 2, LTI is treated as share-based payment transactions settled in the form of equity instruments. The expense related to the LTI is expensed over the vesting period with an offsetting amount in capital reserves. Assumptions are made regarding the rate of forfeiture which is regularly adjusted over the vesting period so that at the end thereof only the expense for the rights actually vested is recorded.

Earnings per share

The undiluted earnings per share are arrived at by dividing the net profit or loss of the reporting period attributable to the shareholders by the weighted average number of shares outstanding in this period (less treasury shares).

The diluted earnings per share are computed using the same method, however, the parameters are adapted in order to reflect the potential dilution which would result from the transformation or exercise of options, warrants, convertible bonds or other contracts involving the shares.

8. Equity management

The focus of value-oriented risk management is to achieve a sustainable return on the capital invested and one which, from the shareholders' perspective, is commensurate with the risks involved. To reach this goal, VP Bank supports a rigorous dovetailing of profitability and risk within the scope of the management of its own equity resources; it consciously abandons the goal of gaining short-term interest advantages at the expense of the security of capital.

VP Bank avoids extreme risks which can jeopardize the ability to bear risk and in this respect the health and existence of the Group and manages all risks within the annual risk budget laid down by the Board of Directors. Thanks to the strong capitalization, VP Bank can invest in the expansion of its business, and the equity base can cover all inherent business risks. In managing the equity resources, VP Bank measures both the equity required (minimum amount of equity to cover our risks in accordance with the requirements of applicable supervisory law) as well as the available eligible equity (VP Banks' equity is computed in accordance with the criteria of the supervisory authorities) and project their future development. Equity resources which the Bank does not need for its growth or business activities are returned through dividend payments according to their long-term policy. Thus, through active management, VP Bank is in a position to maintain the robust capitalization as well as the credit rating and continue to create sustainable value for the shareholders.

Capital indicators

The determination of the required capital and tier capital is made on the basis of the IFRS consolidated financial statements, whereby unrealized gains are deducted from core capital. Total capital (core capital and supplementary capital) must amount to a minimum of 8 percent of the risk-weighted assets. As of December 31, 2009, risk-weighted assets were CHF 4.7 billion compared with CHF 5.4 billion in the prior year. Core capital as of December 31, 2009 was CHF 803.3 million compared with CHF 731.7 million in the prior year. The total capital ratio increased by 3.5 percentage points from 13.6 at December 31, 2008 to 17.1 percent at December 31, 2009. Both on December 31, 2009 and December 31, 2008, VP Bank Group was adequately capitalized in accordance with the respective guidelines of the FMA (Financial Monetary Authority of Liechtenstein) and the BIS (Bank for International Settlement).

Risk management of VP Bank Group

1. 2009: Review and assessment of status

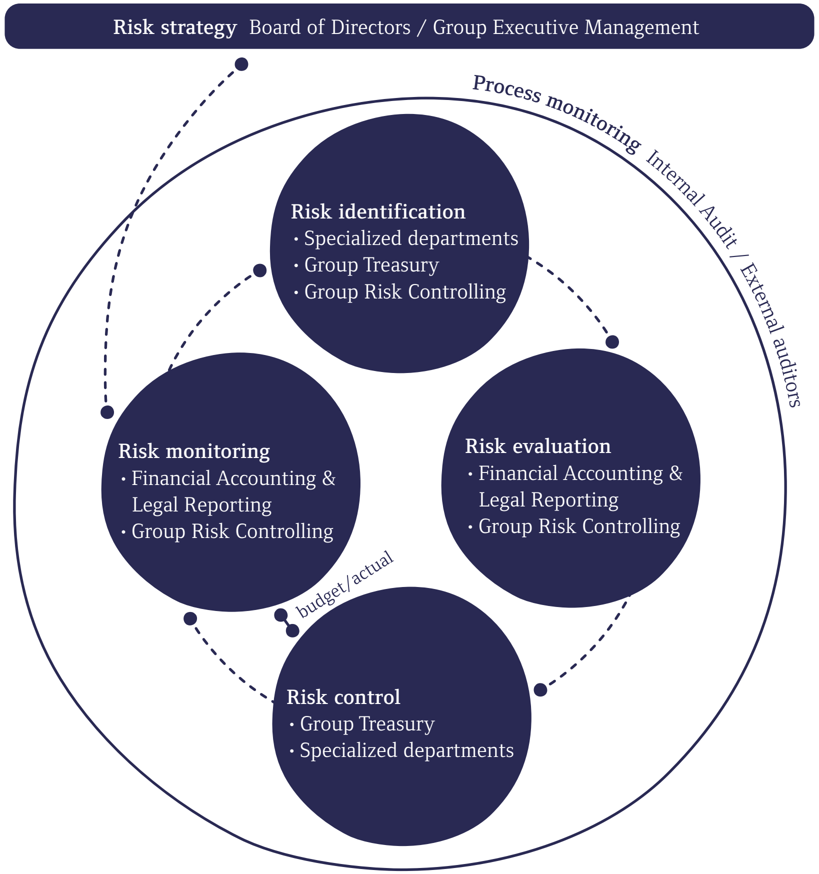
2009 was marked by lows in the business cycle and the influence exerted by governments. The global scale and severity of the present financial and economic crisis have seriously shaken the stability of the international financial architecture and required rapid and comprehensive rescue measures worldwide by governments and central banks which were thus able to break the dangerous cycle of loss of confidence, drying up of interbank markets and threatened bank insolvencies which also threatened to be amplified through the reciprocal interaction with the real economy.

Despite these difficult conditions, the risk management of VP Bank has proven itself during the past business year, as the figures listed in the paragraphs below show. The highlights in the table: the risk exposure in the Group's own financial investments was further reduced in view of the uncertain market situation (shareholders' equity was CHF 802.6 million at the end of 2008, the share of equities being 22 percent; as at the end of 2009, shareholders' equity totaled CHF 886.2 with a perceptibly lower share of equities of 10 percent); a massive shift of interbank deposits into USD-SNB bills was undertaken in order to guarantee liquidity; as of December 1, 2009, all available resources in the area of active risk management were consolidated as core activities in the risk-management process and restructured under the Group Treasury staff function. As a result of this reorganization, the strategically and tactically relevant subject areas of liquidity and refinancing management, allocation of the Bank's financial resources, assessment and management of risks as well as the active management of the assets and liabilities of the Bank's balance sheet could be optimized.

2. Principles underlying risk management in VP Bank

Risk management of VP Bank is predicated upon the following principles relating to risk policies:

- Risk tolerance: the Board of Directors of the Bank determines the risk measure needed to cover unexpected losses arising from all relevant types of risk on the basis of the freely available equity resources of the Bank in order to ensure the risk tolerance of VP Bank Group.
- Risk appetite: from the risk coverage measure for unexpected losses, the Board of Directors of the Bank derives a risk budget which is less than the maximum acceptable potential loss which the Bank can sustain. The risk budget reflects the risk appetite of the Bank and is distributed over the individual Group companies in the form of limits for each individual risk category. Under the management of Group Treasury, the Group companies implement the risk strategy within these limits with accountability for results. In the process, extreme risks, which could jeopardize the risk tolerance and hence the very existence of the Group, are avoided. The risk coverage measure, the risk budget and limits are reviewed regularly and adjusted, where necessary.
- Risks and returns: strategic and operational decisions are taken on the basis of calculations of risks and returns and inline with the interests of the investors. Assuming compliance with laws and the principles underlying business and ethical policies, VP Bank takes on risks consciously so long as it is adequately rewarded. It avoids transactions with an inadequate relationship of risks to returns.
- Segregation of duties: risk management of VP Bank Group comprises the active and ongoing management of risks as well as the monitoring thereof. Both tasks are undertaken independently from each other thus taking account of the need for a strict functional and organizational segregation of management and control over risks.
- Transparency: the underlying principle of risk monitoring is a comprehensive, objective, timely and transparent disclosure of risks to Group Executive Management and the Board of Directors.



Risk management process

The risk policy constitutes the binding framework for risk management within VP Bank Group. In addition to the principles underlying the risk policy, it contains directives as to organizational structures and processes, clear rules governing responsibilities and powers of authority, methods and actions to be taken for risk management as well as independent control functions.

3. Organization and powers of authority in the risk-management process

The **responsibility for risk** is borne by the **Board of Directors.** It is its remit to ensure that an internal control system (ICS), as the basic prerequisite effective and efficient management of risks, is set up and maintained. In particular, the Board of Directors is responsible for approving the risk policy, additional guidelines relating to matters of risk policy and the risk budget for the overall bank, for overseeing the implementation of the risk policy, the effectiveness of the organization supporting the risk management process and the risk situation of VP Bank Group. In assuming its duties, the Board of Directors is supported by the Audit & Risk Management Committee.

The **Group Executive Management** is responsible for the implementation of the strategies and business policies laid down by the Board of Directors. Amongst its core tasks are the management of risks and returns, the management of business and reputational risks as well as the approval of limits for the individual group companies and the respective risk categories.

It is incumbent on the **Boards of Directors of the Group companies** to adapt the risk policy to local circumstances and regulations specific to the respective financial markets as well as ensuring compliance therewith.

Group Risk Controlling is responsible for the measurement and control of financial risks at the portfolio level, the monitoring of compliance with the risk-policy guidelines as well as periodic and ad-hoc reporting on all risks to the Board of Directors and Group Executive Management. In addition, Group Risk Controlling computes the overall risk budget and the risk sub-limits and submits them for approval. Group Risk Controlling is a part of the Group Finance central staff function.

As of December 1, 2009 the Bank Liquidity Management, Bank Capital Management, Asset & Liability Management, Proprietary Trading und Group Trading functions were regrouped under the **Group Treasury** central staff function. The active and ongoing management of liquidity, market and credit risks within the framework of the risk tolerance of the Bank as well as compliance with the risk-policy guidelines is the responsibility of Group Treasury. Group Treasury takes responsibility for the gains and losses which were generated in respect of the risks entered into. Furthermore, Group Treasury is responsible for controlling of derivatives.

In the Group Treasury steering committee, which meets monthly or as and when the need arises, decisions on issues relating to the management of liquidity and limits, the management of own investments as well as asset and liability management (ALM) are taken.

The **risk-management process** of VP Bank comprises the four process phases of risk identification, risk evaluation, risk management and risk monitoring. The responsibilities and powers of authority within this process as well as the methods employed and measures to be taken are laid down in detail for each individual phase and each risk category.
The knowledge of the risks inherent in the business activity forms the basis for effective risk management. The identification of risk is essential primarily in the granting of credit, the introduction of new financial instruments, the review of new strategic directions or the execution of unusual one-off transactions.
In the area of risk evaluation, a distinction is made between risk measurement and risk assessment. In the process, it is also necessary to estimate non-quantifiable risks. Quantifiable risks are measured with the aid of the following three variables: expected loss, non-expected loss and stress tests.

- The expected loss measures the risk of individual credit portfolios and computes the average expected loss inherent in each transaction.
- The non-expected loss measures the estimated deviation of the actual loss from the expected loss assuming a certain level of probability. For this, VP Bank applies the historic value-at-risk concept (HsVaR) which presently is used exclusively for the computation of market risks. The VaR model of VP Bank is based upon the method of historic simulation: the historic changes in market data of the last 260 trading days are used to value all market-risk positions. In doing so, a holding duration of 30 days is assumed.
- Stress losses are triggered by extreme market movements and measured with the aid of stress tests during which extreme fluctuations in interest rates and curves are simulated.

The goal of risk management is the optimization of the correlation between risk and income within the framework of a defined risk appetite. Active management is undertaken within the framework of the legally stipulated limits and using an internal system of limits oriented to volumes, sensitivity indicators and size of losses. The management of qualitative risks is assured through key controls on the basis of stringently defined business processes.
Active risk management is accompanied by a functionally and organizationally independent risk monitoring process which encompasses the control of risks and reporting. The extent to which overall bank limits are utilized as well as observance of sub-limits are controlled. Group Risk Controlling immediately reports all excesses to the Board of Directors and Group Management. Reporting ensures that all relevant information on the income-risk situation of VP Bank is presented and reported in a reliable and timely manner.

4. Disclosures on the Basel capital-adequacy provisions

The required qualitative and quantitative disclosures on capital adequacy, on the strategy and processes for risk management as well as the risk situation of VP Bank are made shown in this chapter as well as in the commentary on the consolidated financial statements (see page 64).
For each risk category, Basel II foresees various approaches for the computation of required equity. VP Bank applies the standard approach for credit and market risks and the basis indicator approach for operational risks.
As of December 31, 2009, the business activities of VP Bank Group required equity of CHF 377.5 million (December 31, 2008: CHF 434.5 million). Eligible equity totaled CHF 803.3 million (December 31, 2008: CHF 731.7 million). The excess of equity could be increased by 43.2 percent to CHF 425.8 million (December 31, 2008: CHF 297.3 million) and together with a tier 1 ratio of 17.1 percent (December 31, 2008: 13.6 percent) reflects the robust equity base of the Bank. The following table shows the equity situation of the Group as of December 31, 2009.

Eligible and required equity Group (Basel II)

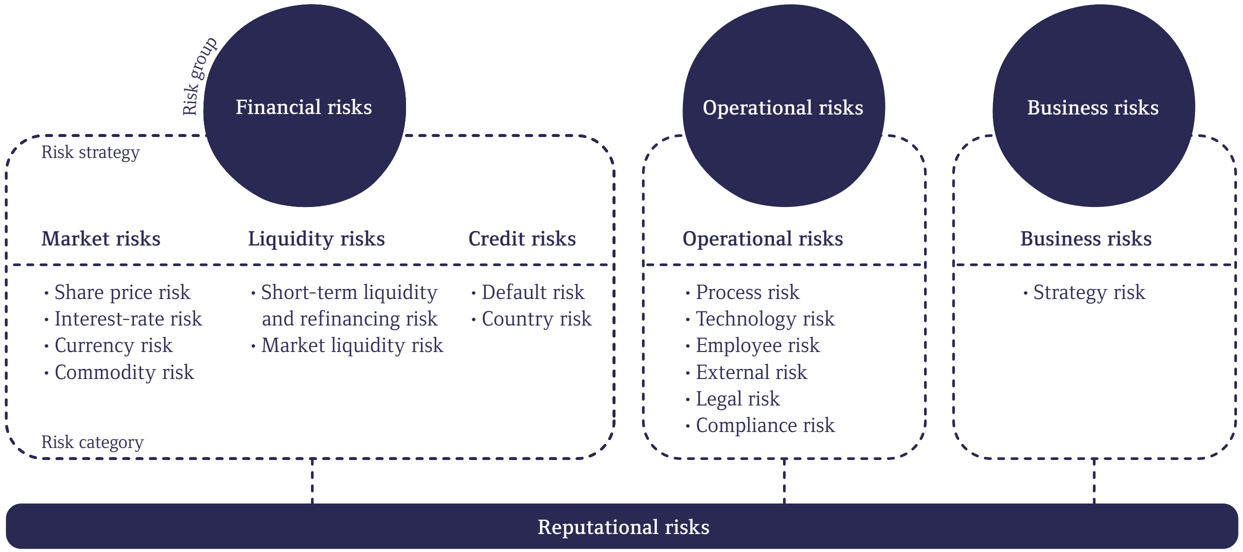
In CHF 1,000	12/31/2009	12/31/2008
Core capital (adjusted)	**911,216**	**830,698**
of which: minority shares	18,529	17,330
of which "innovative" instruments	0	0
Net long position in own securities	–38,302	–38,521
Other items to be deducted from core capital	–69,660	–60,450
Eligible core capital (adjusted)	**803,254**	**731,727**
Upper supplementary capital	0	0
Lower supplementary capital	0	0
Additional capital	0	0
Other deduction from supplementary capital from additional capital and from total capital	4,262	7,791
Eligible equity	**807,516**	**739,518**
Credit risk (per Liechtenstein standard approach)	269,289	337,979
of which: equity price risk of equity securities in banking book	8,849	6,220
Non-counterparty-related risks	11,731	12,747
Market risk (per Liechtenstein standard approach)	47,213	33,558
Operational risk (per basis indicator approach)	49,226	50,193
Total required equity	**377,459**	**434,477**
Ratio eligible/required equity[1]	212.8%	168.4%
Eligible (adjusted) core capital (incl. "innovative" instruments)	17.0%	13.5%
Eligible equity (tier 1)[2]	17.1%	13.6%

[1] Eligible core capital (adjusted) as a percentage of required equity (net).
[2] Eligible equity as a percentage of the risk-weighted positions plus required equity for market risks, operational risks and positions arising from unsettled transactions converted into equivalent units with a multiplier of 12.5.

As VP Bank Group has used no hybrid capital in its eligible equity and because in accordance with International Financial Reporting Standards (IFRS) it does not offset assets against liabilities (reduction in gross assets), the tier 1 ratio of VP Bank is not "diluted" and can be described as solid.

5. Risk categories in detail

The risks to which VP Bank is exposed in the conduct of its business operations are allocated to the three risk groups: financial risks, operational risks and business risks (including strategy risks). Financial risks are further divided into market risks, liquidity risks and credit risks.



Each individual type of risk must be identified, appropriately controlled and monitored. Otherwise, not only can significant financial losses arise, but damage to reputation may be incurred which may be accompanied by a loss of customers and employees, a decline in the value of the Bank's shares or even attract severe restrictions on business activities imposed by the financial market supervisory authorities. VP Bank thus does not consider reputational risk to be a distinct risk category, but as a danger which results from the occurrence of individual types of risk or a combination thereof. The management of reputational risks is incumbent on Group Executive Management.

Market risks

Market risk comprises the risk of a negative change in value of the bank's overall portfolio as a result of unexpected changes in market prices (interest rates, currencies, share prices and credit spreads) or price-influencing parameters such as volatility. Market risks are entered into with positions in debt securities, equity paper, foreign currencies, derivatives within the scope of asset & liability management, precious metals and precious-metal options as well as in the inter-bank business and business for customers.

In computing the capital charges to support market risks in accordance with Basel II, VP Bank applies the standard approach. For measuring market risks, VP Bank has recourse to a comprehensive set of methods and indicators. The central measurement indicator which is applied in the case of all market risks is the historical value-at-risk. The aggregate market VaR of VP Bank Group as of December 31, 2009 was CHF 34.1 million (December 31, 2008: CHF 65.4 million). The lower value reflects the conscious reduction of risk exposures in its own investments as a result of the uncertain market situation. The following table shows the value-at-risk (on a monthly basis) analyzed by risk categories as well as that computed over all risk categories. The diversification effect which is to be ascribed to the correlations between the market parameters is reflected in the difference between the overall market VaR and the sum of the VaR values per type of risk.

Value-at-risk in CHF million per 31/12/2009	Total	Diversification effect	Interest-rate risk	Equity price & commodity risk	Currency risk
Year-end	34.1	–21.5	13.1	18.8	23.6
Average	37.0	–26.5	13.5	26.4	23.6
Highest value	39.6	n.a.	16.4	30.4	40.7
Lowest value	34.1	n.a.	10.7	18.8	12.5

Value-at-risk in CHF million per 31/12/2008	Total	Diversification effect	Interest-rate risk	Equity price & commodity risk	Currency risk
Year-end	65.4	–15.3	6.8	42.5	31.4
Average	49.1	–18.0	5.8	39.9	21.4
Highest value	65.4	n.a.	9.0	46.1	31.4
Lowest value	34.6	n.a.	4.1	24.7	17.5

As no maximum losses can be determined using the Value-at-Risk concept, the market-risk analysis is supplemented by stress tests. These tests enable the impact of extreme market fluctuations in the risk factors on interest income and on the present value of shareholders' equity to be estimated.
In the area of interest and currency risks, the measurement of market risks using VaR is supplemented by various risk-sensitivity indicators. The central influencing variables on interest-rate risk are the on- and off-balance-sheet interest-rate exposures as well as changes in the respective interest-rate curves and their volatility. Thus, the key-rate duration profile shows the impact of a positive shift of one percent (+100 basis points) in the total interest-rate curve on the market value of the assets and liabilities of VP Bank Group in the respective currency.
The following table, divided into time bands and currencies, shows the results of such a scenario as of December 31, 2009 as well as the comparatives for the prior year. Negative values under this scenario indicate an excess of assets, positive values an excess of liabilities in the respective time band.

In CHF 1,000, per 100 basis points increase as of 12/31/2009	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	–173	–284	–273	6,698	–9,050	–3,082
EUR	–402	–471	2,735	16,658	–2,575	15,945
USD	–283	–1'011	–698	11,260	–43	9,225
Other currencies	–61	–68	69	2,556	0	2,496
Total as of 12/31/2009	**–919**	**–1,834**	**1,833**	**37,172**	**–11,668**	**24,584**

In CHF 1,000 per 100 basis points as of 12/31/2008	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	–66	–245	–1,275	–3,952	–10,592	–16,129
EUR	–355	–663	1,142	3,796	–4,383	–463
USD	–408	–678	–735	5,413	–73	3,518
Other currencies	–42	–105	41	1,678	0	1,572
Total as of 12/31/2008	**–871**	**–1,691**	**–827**	**6,935**	**–15,048**	**–11,502**

Which effects a negative change in exchange rate has on consolidated net income and shareholders' equity are shown by the following table:

Exchange rate	Variance in %	Effect on net income in CHF 1,000, 2009	Effect on equity in CHF 1,000, 2009	Effect on net income in CHF 1,000, 2008	Effect on equity in CHF 1,000, 2008
EUR	–5	–5'835	–210	–5'438	–76
USD	–12	–5'712	–11'340	–8'096	–9'499

The impact of a possible downward movement in equity markets of 10, 20 and 30 percent, respectively, is illustrated by the following table:

Variances in the relevant stock markets by	Effect on net income in CHF 1,000, 2009	Effect on equity in CHF 1,000, 2009	Effect on net income in CHF 1,000, 2008	Effect on equity in CHF 1,000, 2008
–10%	–509	–8'390	–6'234	–11'639
–20%	–2'581	–15'216	–17'873	–17'873
–30%	–8'638	–18'057	–33'263	–20'357

The Group Treasury central staff function, which reports to the Chief Financial Officer, is responsible for the active management of market risks. The steering of market risks is undertaken in the Asset & Liability Management, Bank Capital Management and Proprietary Trading departments.
The Asset & Liability Management department lays down the strategy for interest-rate, currency and equity-price risks by defining the strategic risk exposure and tactical limits for the Bank Capital Management and Proprietary Trading executing units and measures the result from the operational implementation thereof. The investment guidelines for the management of equity are laid down in cooperation with the Group Treasury steering committee. In managing the Group's own investments, the focus continued to be on the maintenance of capital security and liquidity in view of the continuing financial and economic crisis. The Asset & Liability Management department is also responsible for the measurement and management of the relationship of risks and returns for all on-balance-sheet and derivative transactions. In this connection, ALM reports to Group Executive Management and informs the individuals with product responsibilities on any matters requiring action.
Amongst the main tasks of Bank Capital Management are the operational and tactical steering of the interest-rate risks longer than one year, the management of the Group's own investments, collateral management as well as securities lending and borrowing.
The Proprietary Trading and Group Trading units are responsible for the active management of interest-rate and currency risks in the banking book shorter than one year, the settlement of trades in securities, foreign currencies, precious metals and forward contracts with clients, banks, brokers and similar finance companies as well as those for the Group's own account.
Asset & Liability Management is responsible for the strategic management of interest-rate and currency risks. In this process, the risk and income profile of variable transactions are mapped using replication portfolios consisting of marketable instruments.

The monitoring of the limits laid down by type of market risk is the task of Group Executive Management. In this respect, it is supported by Group Risk Controlling, which compares the current risk exposures to their respective limits. All excesses over limits are reported by Group Risk Controlling to the specialized units involved, to the member of the Group Executive Management currently responsible and to the Chief Financial Officer. The latter decides on the course of action. The Audit & Risk Management Committee is informed of any excesses. Overall market risks are computed each month for the total balance sheet. Reporting is made each month to the Chairman of the Board of Directors, Group Executive Management as well as the Audit & Risk Management Committee. Reporting on stress tests is addressed to the Board of Directors and the Group Executive Management on a semi-annual basis.

Liquidity risks

Liquidity risk lies in the danger that current and future payment obligations cannot be met on the due date or to the full extent. Without sufficient liquidity, VP Bank would be obligated to continually refinance itself on the market (short-term liquidity and refinancing risk) or to liquidate financial investments on the market at a discount (market liquidity risk) in order to meet its payment obligations.
Group Treasury is responsible for the active management of liquidity risks as well as the risk management of limits with banks and brokers within Group Treasury; during 2009, the Bank Liquidity Management unit was specifically created within Group Treasury for this purpose. It ensures that VP Bank at all times possesses sufficient liquidity to fulfill its payment obligations as and when they fall due and in full. In addition, compliance with liquidity norms imposed under supervisory law as well as the limitation of counterparty and credit risks of all exposures of VP Bank Group to banks and brokers figure amongst the core duties of this unit.
Amongst the instruments employed for the management of liquidity are the closest possible matching of client deposits in terms of maturities on the domestic and foreign money markets, the holding of cash reserves, the conclusion of currency swaps and repurchase and reverse repurchase transactions as well as the taking up of money on the interbank market.
Liquidity risks are assessed by computing short-term liquidity, minimum reserve requirements as well as risk concentrations on the assets and liabilities side.
The monitoring of liquidity risks is incumbent on Group Risk Controlling. The object of risk monitoring is – in addition to the observance of the legal liquidity norms – the legal prescriptions on asset and liability risk concentrations as well as the internal regulations on money-market transactions, repo activities and interbank deposits. The Board of Directors and the Group Executive Management are informed monthly about liquidity risks.

An important indicator for the purposes of liquidity monitoring is the relationship between liquid assets and short-term liabilities. Included in liquid assets are balances due from banks, bonds and other assets maturing within one month, liquid assets, assets which the Swiss National Bank recognizes for monetary repo operations and those which in the home country of a foreign branch are eligible for discount, pledging or for repo operations with the central bank as well as bonds of domestic issuers and foreign states. Short-term liabilities reflect all savings and deposit accounts, at-sight liabilities as well as deposits from banks and customers maturing during the following month.
The following table shows the relationship between liquid assets and short-term liabilities for 2009 and 2008 as of year end, as well as the average, highest and lowest values.

	2009	2008
12/31	64%	59%
Average during year	54%	60%
Highest value	64%	67%
Lowest value	44%	53%

As of December 31, 2009 and 2008, the following cash flows on the liabilities side of the balance sheet (non-discounted capital and interest payments) were to be reported:

In CHF 1,000, as of 12/31/2009	At sight	Cancellable	Maturing within 3 months	Maturing after 3 months to 12 months	Maturing after 12 months to 5 years	Maturing after 5 years	Total
Due to banks	69,545	2,453					71,998
Due to clients in the form of savings & deposits		969,267					969,267
Other liabilities to clients	4,735,774	2,416,426	1,661,896	211,159	86	1,593	9,026,934
Derivative financial instruments	44,048						44,048
Securitized liabilities			23,252	111,846	340,315	3,452	478,865
Total	**4,849,367**	**3,388,146**	**1,685,148**	**323,005**	**340,401**	**5,045**	**10,591,112**

In CHF 1,000, as of 12/31/2008	At sight	Cancellable	Maturing within 3 months	Maturing after 3 months to 12 month s	Maturing after 12 months to 5 years	Maturing after 5 years	Total
Due to banks	26,441		95,303	3,483			125,227
Due to clients in the form of savings & deposits		677,866					677,866
Other liabilities to clients	2,297,854	3,037,533	3,166,230	434,842	2,330		8,938,789
Derivative financial instruments	62,502						62,502
Securitized liabilities			68,062	121,936	455,372	5,550	650,920
Total	**2,386,797**	**3,715,399**	**3,329,595**	**560,261**	**457,702**	**5,550**	**10,455,304**

Credit risks

Credit risk is the danger that losses will be incurred as a result of non-fulfillment of the contractual obligations of a counterparty (default risk). Concentrations of credit risks primarily arise when customers are active in similar industry segments or are resident in the same region. Default risks may accrue to the bank from all transactions for which payment obligations of third parties in favor of the bank exist or can arise: from the credit and money-market business, the management of own investments in securities, trading activities as well as from securities lending.

In computing the capital charges to support credit risks in accordance with Basel II, VP Bank applies the standardized approach.

Credit risks are evaluated both at the level of the individual exposure as well at a portfolio level through the attribution of a rating which serves as an indicator for the probability of default. For banks, VP Bank used the rating of both rating agencies Standard & Poors und Moody's. For non-banks, an internal rating system is used. At a portfolio level, risk management aims to avoid existence-jeopardizing risk concentrations and to maximize income within the credit-risk limits. This includes analyses by rating and classes of size, economic segments and the quality of credit collateral. Furthermore, the anticipated and non-anticipated credit losses are computed.

With the active management of customer loans, VP Bank seeks to achieve a diversified credit portfolio with an optimal relationship between risk and returns. At December 31, 2009, the aggregate credit exposures amounted to CHF 10.9 billion (December 31, 2008: CHF 10.6 billion).

The following table shows the composition of the credit exposures by balance-sheet and off-balance-sheet positions. Provisions for these receivables are raised on the basis of a review for impairment in the individual credit positions. In this process, existing collateral is assessed on the basis of estimated liquidation values.

Credit exposures in CH 1,000	2009	2008
On-balance-sheet assets		
Receivables arising from money-market paper	777,654	109
Due from banks	6,319,844	7,023,989
Due from customers	3,026,639	2,976,188
Public-law enterprises	0	9,000
Trading portfolios	1,917	4
Derivative financial instruments	42,355	59,254
Financial instruments designated at-fair-value	92,174	49,386
Financial instruments available-for-sale	640,607	451,609
Total	**10,901,190**	**10,569,539**
Off-balance-sheet transactions		
Contingent liabilities	115,851	267,222
Irrevocable facilities granted	17,616	22,647
Total	**133,467**	**289,869**

The following two tables show the above listed credit exposures, analyzed by groups of counterparties and collateral, respectively.

Credit exposures per counterparty In CHF 1,000, as of 12/31/2009	Central governments and central banks	Banks and securities dealers	Other institutions	Corporates	Private customers and small enterprises	Other positions	Total
On-balance-sheet assets							
Receivables arising from money-market paper	777,570	84					777,654
Due from banks		6,319,837	7				6,319,844
Due from customers				462,570	2,564,069		3,026,639
Public-law enterprises							0
Trading portfolios				1,917			1,917
Derivative financial instruments		14,662	168	321	16,880	10,324	42,355
Financial instruments designated at-fair-value	58,025	19,818	26	13,898		408	92,174
Financial instruments available-for-sale	51,924	328,206	31,103	197,299		32,075	640,607
Total	**887,519**	**6,682,606**	**31,304**	**676,004**	**2,580,950**	**42,807**	**10,901,190**
Off-balance-sheet transactions							
Contingent liabilities		6,242	11	11,188	97,836	574	115,851
Irrevocable facilities granted		1,400		85	10,569	5,563	17,616
Total	**0**	**7,642**	**11**	**11,273**	**108,404**	**6,137**	**133,467**

Credit exposures per counterparty In CHF 1,000, as of 12/31/2008	Central governments and central banks	Banks and securities dealers	Other institutions	Corporates	Private customers and small enterprises	Other positions	Total
On-balance-sheet assets							
Receivables arising from money-market paper		109					109
Due from banks	197,811	6,826,178					7,023,989
Due from customers				580,661	2,395,528		2,976,188
Public-law enterprises			9,000				9,000
Trading portfolios						4	4
Derivative financial instruments		43,673	78	393	4,406	10,703	59,254
Financial instruments designated at-fair-value	18,113	19,684	27	11,236		326	49,386
Financial instruments available-for-sale	50,939	216,325	22,982	161,363			451,609
Total	**266,864**	**7,105,968**	**32,087**	**753,653**	**2,399,934**	**11,033**	**10,569,539**
Off-balance-sheet transactions							
Contingent liabilities	10	6,437	160	10,700	34,824	215,091	267,222
Irrevocable facilities granted			614		15,132	6,901	22,647
Total	**10**	**6,437**	**774**	**10,700**	**49,956**	**221,992**	**289,869**

Credit exposures by collateral In CHF 1,000, as of 12/31/2009	Secured by recognized financial collateral	Not secured by recognized financial collateral	Total
On-balance-sheet assets			
Receivables arising from money-market paper		777,654	777,654
Due from banks		6,319,844	6,319,844
Due from customers	2,601,923	424,716	3,026,639
Public-law enterprises			0
Trading portfolios		1,917	1,917
Derivative financial instruments	22,017	20,338	42,355
Financial instruments designated at-fair-value		92,174	92,174
Financial instruments available-for-sale		640,607	640,607
Total	**2,623,940**	**8,277,250**	**10,901,190**
Off-balance-sheet transactions			
Contingent liabilities	115,851		115,851
Irrevocable facilities granted	10,569	7,048	17,616
Total	**126,419**	**7,048**	**133,467**

Credit exposures by collateral In CHF 1,000, as of 12/31/2008	Secured by recognized financial collateral	Not secured by recognized financial collateral	Total
On-balance-sheet assets			
Receivables arising from money-market paper		109	109
Due from banks		7,023,989	7,023,989
Due from customers	2,651,939	324,249	2,976,188
Public-law enterprises		9,000	9,000
Trading portfolios		4	4
Derivative financial instruments	52,598	6,656	59,254
Financial instruments designated at-fair-value		49,386	49,386
Financial instruments available-for-sale		451,609	451,609
Total	**2,704,537**	**7,865,002**	**10,569,539**
Off-balance-sheet transactions			
Contingent liabilities	134,935	132,287	267,222
Irrevocable facilities granted	15,132	7,515	22,647
Total	**150,067**	**139,802**	**289,869**

In the case of amounts due from banks, public-law corporations and interest-bearing securities amongst its own investments, the valuation is based on external ratings. The following tables show the individual on- and off-balance-sheet positions by rating classes, risk-weighting classes and domicile.

Credit exposures according to ratings		Not-value-adjusted positions			Value-adjusted positions	Total
In CHF 1,000, as of 12/31/2009	Investment grade (AAA to BBB)	Safe (BB+ to BB–)	Unsafe (B– to C)	Without external rating		
On-balance-sheet assets						
Receivables arising from money-market paper	777,654					777,654
Due from banks	6,156,430			170,715	7,301	6,319,844
Due from clients				3,067,548	40,909	3,026,639
Public-law enterprises						0
Trading portfolios				1,917		1,917
Derivative financial instruments	11,493			30,862		42,355
Financial instruments designated at-fair-value	89,809			2,365		92,174
Financial instruments available-for-sale	621,139			19,468		640,607
Total	**7,656,525**	**0**	**0**	**3,292,876**	**48,210**	**10,901,190**
Off-balance-sheet transactions						
Contingent liabilities	284			115,566		115,851
Irrevocable facilities granted				17,616		17,616
Total	**284**	**0**	**0**	**133,183**	**0**	**133,467**

Credit exposures according to ratings	Not-value-adjusted positions				Value-adjusted positions	Total
In CHF 1,000, as of 12/31/2008	Investment grade (AAA to BBB)	Safe (BB+ to BB–)	Unsafe (B– to C)	Without external rating		
On-balance-sheet assets						
Receivables arising from money-market paper				109		109
Due from banks	6,981,928			48,012	5,951	7,023,989
Due from clients				3,008,863	32,675	2,976,188
Public-law enterprises				9,000		9,000
Trading portfolios				4		4
Derivative financial instruments	41,048			18,206		59,254
Financial instruments designated at-fair-value	49,033			353		49,386
Financial instruments available-for-sale	429,287		285	22,037		451,609
Total	**7,501,296**	**0**	**285**	**3,106,584**	**38,626**	**10,569,539**
Off-balance-sheet transactions						
Contingent liabilities	182			267,040		267,222
Irrevocable facilities granted				22,647		22,647
Total	**182**	**0**	**0**	**289,687**	**0**	**289,869**

Credit exposures by classes of risk weighting In CHF 1,000, as of 12/31/2009	0%	10%	20%	35%	50%	75%	100%	150%	Total
On-balance-sheet assets									
Receivables arising from money-market paper	777,654								777,654
Due from banks	168,596		5,463,728		680,712		6,808		6,319,844
Due from customers	478,229		11,731	1,541,580	42,835	94,364	845,181	12,720	3,026,639
Derivative financial instruments	2,935		10,769		8,170	2,390	18,091		42,355
Financial instruments	106,528		380,102		218,078		173,044	8,013	885,765
Other assets	739		1,678	1	13,539	1,910	37,133		55,000
Total	**1,534,681**	**0**	**5,868,007**	**1,541,581**	**963,334**	**98,665**	**1,080,257**	**20,733**	**11,107,257**
Off-balance-sheet transactions									
Contingent liabilities	104,519		5,324	553	669	3,436	1,350		115,851
Irrevocable facilities granted	1,128			6,732	1,400	1,000	7,357		17,616
Total	**105,647**	**0**	**5,324**	**7,285**	**2,069**	**4,436**	**8,707**	**0**	**133,467**

Credit exposures by classes of risk weighting In CHF 1,000, as of 12/31/2008	0%	10%	20%	35%	50%	75%	100%	150%	Total
On-balance-sheet assets									
Receivables arising from money-market paper	109								109
Due from banks			6,057,265		961,533		3,267	1,924	7,023,989
Due from customers	225,349		2,796	1,083,339	388,757	115,697	1,162,234	7,016	2,985,188
Derivative financial instruments			41,704		3,060	1,271	13,219		59,254
Financial instruments	77,233	14,146	273,164		139,063		255,118	47,133	805,857
Other assets	17,264		634				53,001		70,899
Total	**319,955**	**14,146**	**6,375,563**	**1,083,339**	**1,492,413**	**116,968**	**1,486,839**	**56,073**	**10,945,296**
Off-balance-sheet transactions									
Contingent liabilities	111,159		5,526	540	11,008	8,768	130,221		267,222
Irrevocable facilities granted			7,966		5,529		9,152		22,647
Total	**111,159**	**0**	**13,492**	**540**	**16,537**	**8,768**	**139,373**	**0**	**289,869**

Credit exposures by geographic area In CHF 1,000, as of 12/31/2009	Liechtenstein and Switzerland	Europe	North America	South America	Asia	Others	Total
On-balance-sheet assets							
Receivables arising from money-market paper	777,570	84					777,654
Due from banks	989,230	5,026,722	294,450		2,479	6,964	6,319,844
Due from customers	2,452,528	236,761	20,928	10,869	10,241	295,311	3,026,639
Public-law enterprises							0
Trading portfolios		1,917					1,917
Derivative financial instruments	30,507	6,175	215	94	55	5,308	42,355
Financial instruments designated at-fair-value	1,019	65,186	25,536			434	92,174
Financial instruments available-for-sale	4,104	463,397	109,703		31,225	32,178	640,607
Total	**4,254,958**	**5,800,241**	**450,833**	**10,963**	**44,000**	**340,195**	**10,901,190**
Off-balance-sheet transactions							
Contingent liabilities	82,448	12,604	945	823	813	18,217	115,851
Irrevocable facilities granted	11,514	340	90		1,112	4,561	17,616
Total	**93,962**	**12,944**	**1,035**	**823**	**1,925**	**22,778**	**133,467**

Credit exposures by geographic area In CHF 1,000, as of 12/31/2008	Liechtenstein and Switzerland	Europe	North America	South America	Asia	Others	Total
On-balance-sheet assets							
Receivables arising from money-market paper		14				95	109
Due from banks	814,152	5,983,049	206,884		11,843	8,061	7,023,989
Due from customers	2,399,028	267,753	3,497	21,501	14,701	269,708	2,976,188
Public-law enterprises	9,000						9,000
Trading portfolios	4						4
Derivative financial instruments	48,064	5,144	721	8	49	5,268	59,254
Financial instruments designated at-fair-value	16,974	23,523	5,897			2,992	49,386
Financial instruments available-for-sale	3,970	329,690	71,819		17,996	28,135	451,610
Total	**3,291,192**	**6,609,173**	**288,818**	**21,509**	**44,589**	**314,258**	**10,569,539**
Off-balance-sheet transactions							
Contingent liabilities	174,977	23,961	314	10,556	1,163	56,251	267,222
Irrevocable facilities granted	8,973		1,538			12,137	22,647
Total	**183,949**	**23,961**	**1,852**	**10,556**	**1,163**	**68,388**	**289,869**

The following table shows the receivables vulnerable to default and overdue receivables as well as related specific valuation allowances according to domicile.

In CHF 1,000 as of 12/31/2009	Impaired receivables subject to default risk (gross amount)	Overdue receivables (gross amount)	Individual value adjustments
Liechtenstein and Switzerland	52,111	21,910	9,206
Europe	3,386	1,318	6,190
South America	73	73	81
Asia			
Others	17,705	167	8,602
Total	**73,275**	**23,468**	**24,079**

In CHF 1,000 as of 12/31/2008	Impaired receivables subject to default risk (gross amount)	Overdue receivables (gross amount)	Individual value adjustments
Liechtenstein and Switzerland	48,457	26,328	9,311
Europe	4,016	1,218	4,098
South America	75	75	75
Asia	34	0	27
Others	18,553	200	3,913
Total	**71,134**	**27,820**	**17,423**

The ten largest individual exposures to banks total CHF 3.1 billion (December 31, 2008: CHF 2.9 billion). These relate exclusively to institutions with a high credit capacity (minimum rating A) and a registered office in an OECD country.
The principal focus in the traditional credit business is constituted by mortgage credits with CHF 2.1 billion (2008: CHF 2.1 billion). Viewed from a regional perspective, VP Bank conducts the largest part of this business in the Principality of Liechtenstein and the eastern part of Switzerland. Based upon on the broad distribution of exposures, there exists no concentration of risks within industry segments. The ten largest single exposures to customers encompass 15 percent of total customer loans or 4 percent of total assets (December 31, 2008: 16 percent of total customer loans or 4 percent of total assets).
Within the framework of reducing risks, the volume of credit derivatives in its own positions was cut back during last year.
The following table shows the contract values by type of product.

Credit derivatives In CHF 1,000	Provider of collateral per 12/31/2009	Receiver of security per 12/31/2009	Provider of collateral per 12/31/2008	Receiver of security per 12/31/2008
Credit-linked notes	18,268		21,507	
Other credit derivatives	12,299		28,745	
Total	**30,567**	**0**	**50,252**	**0**

Country risk

Country risk is a further reflection of credit risk and describes the danger that cross-frontier payments cannot be made as a result of transfer difficulties relating to sovereign measures taken by a foreign state.
Country risks are controlled using country-specific volume limits for foreign exposures. These are receivables from counterparties with domicile outside Liechtenstein or Switzerland. The positions which are taken into account encompass all on- and off-balance-sheet receivables. The ascertainment of country risk is effected using the principle of risk domicile; in this respect, in the case of secured exposures, in principle the country in which the collateral is located is considered.
For categorizing and estimating the risks of individual countries, VP Bank employs the ratings of Standard & Poor's and Moody's. The following table shows the distribution of credit exposures by country rating. Non-rated positions are mostly exposures from local business activities (receivables secured by mortgage) of VP Bank (BVI) Limited.

Country exposures by rating	12/31/2009	12/31/2008
AAA	94.4%	88.8%
AA	4.0%	6.0%
A	0.1%	4.0%
BBB–B	0.2%	0.2%
Not Rated	1.3%	1.0%
Total	**100.0%**	**100.0%**

Operational risks

Operational risks represent the danger of incurring losses arising as a result of the inappropriateness or failure of internal procedures, people or systems or as a result of external events. Included therein are process, technology and employee risks, external risks as well as risks resulting from violations of due-diligence obligations ("compliance risk").

In computing the capital charges to support operational risks in accordance with Basel II, VP Bank applies the basic indicator approach.

During the past year, the systematic and uniform process to identify, value, manage and monitor operational risks introduced in 2008 was developed further. The main objective here is to integrate into this process existing management checks and operational processes and to synchronize them. Thus, the existing procedures to monitor project and legal risks were centralized and simplified. The methodology to quantify IT risks (e.g. as a result of the failure of critical software) as well as the systematic surveying of compliance risks could also be standardized.

Group Risk Controlling is responsible for the uniform, Group-wide implementation of the risk management process. The management of operational risks is undertaken primarily on a decentralized basis at the second and third management level. Central staff functions take appropriate management measures for identified transverse risks, e.g. IT risks. Group Risk Controlling has an advisory capacity and is responsible for the quarterly reporting on operational risks and on the status of projects to the Board of Directors and Group Executive Management.

Business risks

VP Bank classifies as business risks those risks which are currently regarded by the Group Executive Management and Board of Directors as being highly charged. Risks that are deemed to be highly charged are those risks that could jeopardize on an ongoing basis the achievement of the long-term corporate goals as a result of the currently prevailing external and internal risk factors. The assessment of business risks is subject to continual review and they remain valid only until such time as the management bodies undertake a further revalidation and prioritization thereof.

VP Bank thus does not consider business risks to be an autonomous risk category. Those business risks which the Board of Directors and Group Executive Management have identified as important are reflected in the two risk groups of financial and operational risks.

Business risks also include strategy risks. These result from strategic decisions which were taken using estimates of future developments and therefore taken under conditions of uncertainty. Such risks jeopardize the achievement of long-term corporate objectives. They arise, for example, when a company is inadequately oriented towards the development of the business environment, whenever unrealistic goals are set, whenever the strategy is poorly implemented or when the implementation is inadequately controlled.

VP Bank reviews the fundamental risk scenarios in a three-year cycle (last time in 2008); the validation and prioritization of business risks is undertaken annually by the Audit & Risk Management Committee and Group Executive Management. Probabilities of crystallization are given to each risk scenario and evaluated as to their impact on corporate goals. The effectiveness of existing measures to avoid risks and the effectiveness of the controls implemented are reviewed regularly. The top risk scenarios are controlled at the level of their underlying risk drivers: each risk driver underlying a scenario is influenced by target variables and suitable parameters for action. The Audit & Risk Management Committee and Group Executive Management determine who shall assume responsibility for the management of risk drivers within the scope of projects.

The negative development of the financial markets in 2008 compelled VP Bank to reassess its position. The "FOCUS" banking project sub-divides this reassessment into several phases. As a first step, immediate measures were taken to alleviate costs in 2009. In subsequent phases, all VP Bank Group organizational units and projects were analyzed in detail and cost saving opportunities in the area of general and administrative and personnel expenses were realized. Other, potential opportunities were identified and measures developed aimed at enhancing revenues. In this reassessment, the long-term strategic direction was not called into question.

Segment Reporting by Business Units

Segment reporting includes the two business units, Private Banking Clients and Intermediaries, the service unit Banking Services and the Corporate Center.
Indirect costs for services rendered between these units are basically accounted for with the provider of the services as income and with the recipient as expenses, following the originator principle.

Private Banking Clients
The Private Banking Clients business unit encompasses the private-banking business of VP Bank Group and is divided into the units of Private Banking Clients, Commercial Banking and Wealth Management Solutions. It offers international clients comprehensive advice and services which are tailored to all types of assets. VP Vermögensverwaltung GmbH, Munich, VP Bank (Singapore) Ltd., Singapore, VP Wealth Management (Middle East) Ltd., Dubai[1], and VP Wealth Management (Hong Kong) Ltd., Hong Kong all belong to the Private Banking Clients business unit.

Intermediaries
The Intermediaries business unit consists of the Intermediaries and Fund Solutions units. It offers customized services for trustees, attorneys and external asset managers. The subsidiary companies IFOS Internationale Fonds Service Aktiengesellschaft, Vaduz, VP Bank and Trust Company (BVI) Limited, Tortola, and VPB Finance S.A., Luxembourg, also report to the Intermediaries business unit.

Banking Services
The service unit Banking Services comprises the Information Technology, Operations and Logistics & Security units.

Corporate Center
Items of income and expenditure which have no direct relationship to the operating business units, as well as central management and consolidation items, are reported under Corporate Center. The management of equity resources by the Risk Management central staff function and the gains/losses from asset and liability management are allocated to the Corporate Center. Also integrated into the results of the Corporate Center are those of the subsidiaries FIB Finanz- und Beteiligungs-AG, Vaduz, Proventus Treuhand und Verwaltung AG, Vaduz, and IGT Intergestions Trust reg., Vaduz.

[1] Note 38.

2009 In CHF 1,000	Private Banking Clients	Intermediaries	Banking Services	Corporate Center	Total Group
Total income from interest-differential business	45,910	31,412	12,596	31,098	121,016
Total income from commission business and services	64,961	61,514	–3,432	478	123,521
Income from trading activities	11,904	8,739	2,950	–6,028	17,565
Other income	8,306	2,676	2,924	37,840	51,746
Total net operating income	**131,081**	**104,341**	**15,038**	**63,388**	**313,848**
Personnel expenses	49,668	17,106	36,811	20,482	124,067
General and administrative expenses	14,336	7,285	13,573	25,835	61,029
Services to/from other segments	22,064	13,657	–25,051	–10,670	0
Operating expenses	**86,068**	**38,048**	**25,333**	**35,647**	**185,096**
Gross income	**45,013**	**66,293**	**–10,295**	**27,741**	**128,752**
Depreciation and amortization	1,809	1,622	30,317	6,745	40,493
Valuation allowances, provisions and losses	8,112	3,128	60	4,569	15,869
Income/loss before income tax	**35,092**	**61,543**	**–40,672**	**16,427**	**72,390**
Taxes on income					12,563
Net income					**59,827**
Share of net income attributable to minority interests					2,416
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz					**57,411**
Segment assets (in CHF million)	2,706	896	2,143	5,882	11,627
Segment liabilities (in CHF million)	4,448	5,393	716	139	10,695
Investments in property and equipment	403	440	41,571	753	43,167
Depreciation and amortization	1,809	1,622	30,317	6,745	40,493
Creation of valuation allowances for credit risks	7,933	558	3,591	0	12,082
Release of valuation allowances for credit risks	1,866	239	192	0	2,297
Headcount (full-time equivalents)	235.1	109.5	264.1	111.5	720.2

The recharging of costs and revenues between the business units is made on the basis of agreements as would be the case between unrelated third parties ("at arm's length"). The transfer prices within the segments are reviewed annually and renegotiated to reflect current economic conditions.

2008 In CHF 1,000	Private Banking Clients	Intermediaries	Banking Services	Corporate Center	Total Group
Total income from interest-differential business	50,098	45,458	14,147	38,822	148,525
Total income from commission business and services	85,144	68,417	–2,233	501	151,829
Income from trading activities	14,391	8,465	4,512	2,955	30,323
Other income	9,767	3,789	3,770	–57,911	–40,585
Total net operating income	**159,400**	**126,129**	**20,196**	**–15,633**	**290,092**
Personnel expenses	54,575	17,192	33,804	26,202	131,773
General and administrative expenses	18,251	7,775	14,259	24,681	64,966
Services to/from other segments	26,076	17,133	–30,890	–12,319	0
Operating expenses	**98,902**	**42,100**	**17,173**	**38,564**	**196,739**
Gross income	**60,498**	**84,029**	**3,023**	**–54,197**	**93,353**
Depreciation and amortization	2,245	584	17,672	7,921	28,422
Valuation allowances, provisions and losses	11,188	8,357	1,732	131,871	153,148
Income before income tax	**47,065**	**75,088**	**–16,381**	**–193,989**	**–88,217**
Taxes on income					–7,914
Net loss					**–80,303**
Share of net income attributable to minority interests					2,944
Net loss attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz					**–83,247**
Segment assets (in CHF million)	2,628	1,164	1,917	5,702	11,411
Segment liabilities (in CHF million)	4,117	5,227	1,089	132	10,565
Investments in property and equipment	10,217	1,778	69,395	2,150	83,540
Depreciation and amortization	2,245	584	17,672	7,921	28,422
Creation of valuation allowances for credit risks	9,793	778	1,732	1,101	13,404
Release of valuation allowances for credit risks	2,985	484	122	336	3,927
Headcount (full-time equivalents)	261.6	112.4	275.9	125.8	775.7

The recharging of costs and revenues between the business units is made on the basis of agreements as would be the case between unrelated third parties ("at arm's length"). The transfer prices within the segments are reviewed annually and renegotiated to reflect current economic conditions.

Geographic Segment Reporting

2009 In CHF 1,000	Liechtenstein and Switzerland	Rest of Europe	Other countries	Total Group
Total net operating income	257,444	42,093	14,311	313,848
Assets (in CHF million)	9,650	1,473	504	11,627
Investments in property and equipment	42,279	755	133	43,167

2008 In CHF 1,000	Liechtenstein and Switzerland	Rest of Europe	Other countries	Total Group
Total net operating income	230,266	44,444	15,382	290,092
Assets (in CHF million)	9,035	1,966	410	11,411
Investments in property and equipment	76,518	2,253	4,769	83,540

Segment reporting follows the principle of branch accounting.

Notes to Consolidated Income Statement and Consolidated Balance Sheet

1 Income from interest-differential business

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Interest and discount income[1]	177,292	332,197	–154,905	–46.6
Interest income on available-for-sale financial instruments	23,292	15,379	7,913	51.5
Dividend income on available-for-sale financial instruments	2,044	3,490	–1,446	–41.4
Subtotal	**202,628**	**351,066**	**–148,438**	**–42.3**
Interest income from trading portfolios and interest-rate derivatives	–1,345	–2,306	961	n. a.
Interest income from financial instruments designated at fair value	4,592	7,790	–3,198	–41.1
Dividend income from trading portfolios	3	22	–19	–86.4
Dividend income from financial instruments designated at fair value	4	37	–33	–89.2
Total interest income	**205,882**	**356,609**	**–150,727**	**–42.3**
Interest expenses on liabilities	70,637	191,820	–121,183	–63.2
Interest expenses on medium-term notes	6,424	8,476	–2,052	–24.2
Interest expenses on debenture issues	7,805	7,788	17	0.2
Total interest expenses	**84,866**	**208,084**	**–123,218**	**–59.2**
Total income from interest-differential business	**121,016**	**148,525**	**–27,509**	**–18.5**

[1] The interest income from value-impaired loans (note 15) in 2009 amounted to CHF 0.973 million (2008: CHF 1.552 million).

2 Income from commission business and services

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Commission income from credit business	1,252	1,210	42	3.5
Asset management and investment business[1]	35,039	46,773	–11,734	–25.1
Brokerage fees	45,307	46,166	–859	–1.9
Securities account fees	17,720	21,937	–4,217	–19.2
Fund management fees	49,279	62,890	–13,611	–21.6
Fiduciary commissions	3,753	8,954	–5,201	–58.1
Commission income from other services	13,794	13,118	676	5.2
Total income from commission business and services	**166,144**	**201,048**	**–34,904**	**–17.4**
Brokerage expenses	8,282	8,012	270	3.4
Other commission and services-related expenses	34,341	41,207	–6,866	–16.7
Total expenses from commission business and services	**42,623**	**49,219**	**–6,596**	**–13.4**
Total income from commission business and services	**123,521**	**151,829**	**–28,308**	**–18.6**

[1] Corporate actions, asset management commissions, investment-advisory services, all-in fees, securities lending and borrowing, retrocessions.

3 Income from trading activities

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Securities trading[1]	–5,442	3,611	–9,053	–250.7
Foreign currency	22,269	25,161	–2,892	–11.5
Bank notes, precious metals and other	738	1,551	–813	–52.4
Total income from trading activities	**17,565**	**30,323**	**–12,758**	**–42.1**

[1] The result arising from trading derivatives, options, etc. is included in the securities trading item.

4 Other income

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Income from financial instruments designated at fair value	42,369	–42,329	84,698	n. a.
Income from available-for-sale financial instruments	–5,904	–11,649	5,745	n. a.
Income from real estate	118	96	22	22.9
Release of valuation allowances and provisions no longer required	2,397	4,214	–1,817	–43.1
Miscellaneous other income	17,329	10,369[1]	6,960	67.1
Loss of associated companies	–2,517	0	–2,517	n. a.
Miscellaneous other expenses	–2,046	–1,286	–760	59.1
Total other income	**51,746**	**–40,585**	**92,331**	**n. a.**

[1] Principally, revenues from Group companies with fiduciary services.

Income from financial instruments designated at fair value				
Income from assets designated at fair value	42,369	–42,329	84,698	n. a.
Income from liabilities designated at fair value	0	0	0	n. a.
Total[1]	**42,369**	**–42,329**	**84,698**	**n. a.**

[1] Included in this amount are gains and losses from purchases and sales and changes in market values of financial instruments designated at fair value.

Income from available-for-sale financial instruments				
Debt instruments	–8,103	–13,579	5,476	n. a.
Equity instruments/investment-fund units	2,199	1,930	269	13.9
Total[1]	**–5,904**	**–11,649**	**5,745**	**n. a.**

[1] In this amount are included amounts transferred from shareholders' equity to the income statement on the disposal of "available-for-sale" financial instruments.

5 Personnel expenses

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Salaries and wages	100,752	109,683	–8,931	–8.1
Social contributions required by law	9,030	9,852	–822	–8.3
Contributions to pension plans/defined-benefit plans	7,277	5,296	1,981	37.4
Contributions to pension plans/defined-contribution plans	1,119	1,228	–109	–8.9
Other personnel expenses	8,389	11,814	–3,425	–29.0
Capitalized personnel expenses[1]	–2,500	–6,100	3,600	n. a.
Total personnel expenses	**124,067**	**131,773**	**–7,706**	**–5.8**

[1] In conformity with IAS 38, a portion of self-produced software is capitalized. Personnel expenses are reduced by the amount capitalized in this way.

6 General and administrative expenses

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Occupancy expenses	9,248	9,283	–35	–0.4
Insurance	1,108	1,053	55	5.2
Professional fees	8,092	6,592	1,500	22.8
Financial information procurement	7,627	6,864	763	11.1
Telecommunications and postage	2,524	2,870	–346	–12.1
IT systems	17,445	13,538	3,907	28.9
Marketing and public relations	5,570	10,573	–5,003	–47.3
Capital taxes	1,786	2,408	–622	–25.8
Other general and administrative expenses	7,629	11,785	–4,156	–35.3
Total general and administrative expenses	**61,029**	**64,966**	**–3,937**	**–6.1**

7 Depreciation and amortization

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Depreciation and amortization of property and equipment (note 21)	14,313	14,228	85	0.6
Amortization of intangible assets (note 22)	26,180	14,194	11,986	84.4
Total depreciation and amortization	**40,493**	**28,422**	**12,071**	**42.5**

8 Valuation allowances, provisions and losses

In CHF 1,000	2009	2008	Variance absolute	Variance in %
Credit risks	12,693	13,371	–678	–5.1
Legal and litigation risks	600	0	600	n.a.
Valuation allowances on available-for-sale financial instruments	503	62,648	–62,145	–99.2
Other	2,073	77,129	–75,056	–97.3
Total valuation allowances, provisions and losses	**15,869**	**153,148**	**–137,279**	**–89.6**

9a Taxes on income

In CHF 1,000	2009	2008
Domestic		
Current taxes	1,119	34
Deferred taxes	9,184	–10,691
Foreign		
Current taxes	2,252	2,838
Deferred taxes	8	–95
Total current taxes	3,371	2,872
Total deferred taxes	9,192	–10,786
Total taxes on income	**12,563**	**–7,914**

Actual payments for domestic and foreign taxes made by the Group in 2009 CHF 1.210 million (2008: CHF 13.194 million).

Proof – taxes on income

All anticipated liabilities arising in connection with taxes on income earned during the reporting period are reflected in the financial statements. They are computed in accordance with the laws governing taxation in the respective countries. Deferred tax liabilities arising from differences between the values in the financial statements drawn up for legal and/or tax purposes and those in the consolidation are computed using the following tax rates:

	2009	2008
Liechtenstein	7.5%	7.5%
Switzerland	20%	20%
Luxembourg	29%	30%
British Virgin Islands	0%	0%
Singapore	10%	10%
Hong Kong	16.5%	16.5%

Pre-tax results, as well as differences between the tax charge in the income statement and the tax charge arrived at on the basis of a standard assumed average rate of 10 percent, may be analyzed as follows:

In CHF 1,000	2009	2008
Domestic	57,509	–105,714
Foreign	14,881	17,497
Taxes on income using an assumed average charge	**7,239**	**–8,822**

In CHF 1,000	2009	2008
Reasons for increased/decreased taxable income:		
difference between actual and assumed tax rates	8,095	11,881
Change in deferred tax assets and liabilities	9,192	–10,786
Utilization of tax loss carry-forwards	–11,963	0
Lower taxation charge and relief resulting from a fiscal agreement of VP Bank (Luxembourg) S.A.	0	–187
Total income taxes	**12,563**	**–7,914**

The rate of taxes on income in Liechtenstein can increase by 1 up to a maximum of 5 percent if the dividend distribution constitutes more than 8 and 24 percent, respectively, of taxable capital.

9b Deferred taxes

In CHF 1,000	2009	2008
Deferred tax assets		
Real estate and property and equipment	3,025	2,798
Tax loss carry-forwards[1]	423	11,983
Securities	0	4
Total deferred tax assets	**3,448**	**14,765**
Deferred tax liabilities		
Real estate and property and equipment	1,911	1,548
Financial instruments	2,166	4,223
Financial instruments directly offset within shareholders' equity	41	–3,421
Valuation allowances for credit risks	934	1,242
Other provisions	2,656	10,599
Other liabilities	122	548
Total deferred tax liabilities	**7,830**	**14,739**
Deferred tax assets		
Balance at beginning of financial year	14,765	2,632
Tax loss carry-forwards[1]	423	11,963
Charged to income statement	230	347
Released to income statement	–11,970	–24
Impact of deferred tax rate changes	0	–153
Total deferred tax assets	**3,448**	**14,765**

[1] Providing that the realization of future tax benefits is considered probable, these must be treated as an asset. The offset of deferred tax assets and liabilities is only possible if they are due to/from the same taxing authority.

In CHF 1,000	2009	2008
Deferred tax liabilities		
Balance at beginning of financial year	14,739	17,953
Appropriation	–8,250	0
Reclassifications	3,466	–4,561
Charged to income statement	966	4,052
Released to income statement	–2,958	–1,932
Impact of deferred tax rate changes	–133	–773
Total deferred tax liabilities	**7,830**	**14,739**

Deferred taxes arise because of timing differences between the IFRS financial statements and the statutory accounts as a result of differing valuation policies.

Loss carry-forwards not reflected in the balance sheet expire as follows:		
Within 1 year	0	4,320
2 – 4 years	561	324
After 4 years	805	498
Total	**1,366**	**5,142**

No loss carry-forwards could be utilized during the current or prior financial year.

9c Tax assets and liabilities

In CHF 1,000	12/31/2009	12/31/2008
Tax assets		
Amounts receivable arising on current taxes on income	447	487
Deferred tax assets (note 9b)	3,448	14,765
Total tax assets	**3,895**	**15,252**
Tax liabilities		
Liabilities arising on current taxes on income	4,687	4,083
Deferred tax liabilities (note 9b)	7,830	14,739
Total tax liabilities	**12,517**	**18,822**

10 Earnings per share

	2009	2008
Consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
Net income/loss (in CHF 1,000)[1]	57,411	–83,247
Weighted average bearer shares	5,158,256	5,213,195
Weighted average registered shares	5,993,021	5,995,609
Total weighted average number of shares (bearer)	5,757,559	5,812,756
Undiluted consolidated earnings/losses per bearer share	9.97	–14.32
Undiluted consolidated earnings/losses per registered share	1.00	–1.43
Fully-diluted consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
Net loss/income (in CHF 1,000)[1]	57,411	–83,247
Adjusted consolidated net income (in CHF 1,000)	57,411	–83,247
Number of shares used to compute the fully-diluted consolidated net income	5,757,559	5,812,756
Fully-diluted consolidated earnings/losses per bearer share	9.97	–14.32
Fully-diluted consolidated earnings/losses per registered share	1.00	–1.43

[1] On the basis of Group profits/losses attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz.

11 Dividend

	2009	2008
Approved and paid dividend of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
Dividend (in CHF 1,000) for the financial year 2008 (2007)	14,787	65,062
Dividend per bearer share	2.50	11.00
Dividend per registered share	0.25	1.10
Pay-out ratio (in %)	n.a.	41.2
Proposed dividend to be approved by the Annual General Meeting of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (not reflected as liability as of December 31)		
Dividend (in CHF 1,000)	20,702	14,787
Dividend per bearer share	3.50	2.50
Dividend per registered share	0.35	0.25
Pay-out ratio (in %)	35.1	n. a.

12 Cash and cash equivalents

In CHF 1,000	12/31/2009	12/312008
Cash on hand	34,119	14,841
At-sight balances on postal checking accounts	8,574	3,780
At-sight balances with National and Central Banks	224,973	196,561
Total cash and cash equivalents	**267,666**	**215,182**

13 Receivables arising from money-market paper

In CHF 1,000	12/31/2009	12/31/2008
Money-market paper (non interest-bearing and qualifying for refinancing purposes)	777,570	0
Other money-market paper	84	109
Total receivables arising from money-market paper	**777,654**	**109**

14 Due from banks and customers

By type of exposures In CHF 1,000	12/31/2009	12/31/2008
Due from banks – at-sight balances	1,005,236	790,626
Due from banks – term balances	5,321,910	6,239,314
Valuation allowances for credit risks (note 15)	–7,302	–5,951
Due from banks	**6,319,844**	**7,023,989**
Mortgage receivables	2,163,688	2,020,379
Other receivables	903,860	997,484
Valuation allowances for credit risks (note 15)	–40,909	–32,675
Due from customers	**3,026,639**	**2,985,188**
Total due from banks and customers	**9,346,483**	**10,009,177**

Due from customers by type of collateral In CHF 1,000	12/31/2009	12/31/2008
Mortgage collateral	2,127,280	2,060,541
Other collateral	723,418	591,398
Without collateral	216,850	365,924
Subtotal	**3,067,548**	**3,017,863**
Valuation allowances for credit risks	–40,909	–32,675
Total due from customers	**3,026,639**	**2,985,188**

15 Valuation allowances for credit risks

In CHF 1,000	2009	2008
Balance at beginning of financial year	38,626	30,835
Amounts written off on loans / utilization in accordance with purpose	–811	–1,653
Creation of valuation allowances and provisions for credit risks	12,082	13,404
Release of valuation allowances and provisions for credit risks	–2,297	–3,927
Foreign-currency translation differences and other adjustments	611	–33
Balance at end of financial year	**48,211**	**38,626**
As valuation adjustment for due from banks	7,302	5,951
As valuation adjustment for due from customers	40,909	32,675
Total valuation allowances for credit risks	**48,211**	**38,626**

By type of exposure In CHF 1,000	Banks	Mortgage receivables	Other receivables	Total 2009
Balance at beginning of financial year	5,951	9,664	23,011	38,626
Amounts written off on loans / utilization in accordance with purpose	–289	–140	–382	–811
Creation of valuation allowances and provisions for credit risks	3,591	2,863	5,628	12,082
Release of valuation allowances and provisions for credit risks	–218	–1,095	–984	–2,297
Foreign-currency translation differences and other adjustments	–1,733	1	2,343	611
Balance at end of financial year	7,302	11,293	29,616	48,211
of which				
Individual valuation allowances	0	7,024	17,055	24,079
Lump-sum valuation allowances	7,302	4,269	12,561	24,132
Total	**7,302**	**11,293**	**29,616**	**48,211**

Other receivables primarily compromise lombard loans, debit balances on accounts and unsecured loans.

By type of exposure In CHF 1,000	Banks	Mortgage receivables	Other receivables	Total 2008
Balance at beginning of financial year	3,671	8,303	18,861	30,835
Amounts written off on loans / utilization in accordance with purpose	0	–113	–1,540	–1,653
Creation of valuation allowances and provisions for credit risks	2,654	2,062	8,688	13,404
Release of valuation allowances and provisions for credit risks	–374	–588	–2,965	–3,927
Foreign-currency translation differences and other adjustments	0	0	–33	–33
Balance at end of financial year	**5,951**	**9,664**	**23,011**	**38,626**
of which				
Individual valuation allowances	2,021	7,145	10,278	19,444
Lump-sum valuation allowances	3,930	2,519	12,733	19,182
Total	**5,951**	**9,664**	**23,011**	**38,626**

By type of valuation allowances In CHF 1,000	12/31/2009 Individual	12/31/2009 Lump-sum	12/31/2008 Individual	12/31/2008 Lump-sum
Balance at beginning of financial year	19,444	19,182	10,614	20,221
Amounts written off on loans / utilization in accordance with purpose	–811	0	–1,653	0
Creation of valuation allowances and provisions for credit risks	6,889	5,193	12,096	1,308
Release of valuation allowances and provisions for credit risks	–2,079	–218	–1,614	–2,313
Foreign-currency translation differences and other adjustments	636	–25	1	–34
Balance at end of financial year	**24,079**	**24,132**	**19,444**	**19,182**

Individual valuation allowances relate to loans which are not covered by the liquidation proceeds of collateral, or unsecured loans.

Value-impaired loans

Value-impaired loans are amounts outstanding from clients and banks where it is improbable that the debtor can meet its obligations.

In CHF 1,000	2009	2008
Value-impaired loans[1]	73,275	73,348
Amount of valuation allowances for credit losses from non-performing loans	24,079	19,444
Net amounts due	**49,196**	53,904
Estimated realizable value of value-impaired loans	**49,196**	53,904
Average amount of value-impaired loans	**73,282**	51,895

[1] Interest receivable on non-performing loans in 2009 was CHF 0.973 million (2008: CHF 1.552 million).

Recoveries from loans already written off (other income)	3	3

Non-performing loans

Non-performing loans are generally component parts of value-impaired loans. A loan is classified as non-performing as soon as the capital repayments and/or interest payments stipulated by contract are outstanding for 90 days or more.

In CHF 1,000	2009	2008
Non-performing loans	23,468	30,034
Amount of valuation allowances for credit losses from non-performing loans	8,037	10,983
Net amounts due	**15,431**	19,051
Average amount of non-performing loans	**26,751**	24,008

In CHF 1,000	2009	2008
Valuation allowances on non-performing loans at beginning of financial year	10,983	6,535
Net de-/increase	–2,720	6,105
Amounts written off and disposals / utilization in conformity with purpose	–226	–1,657
Valuation allowances on non-performing loans at end of financial year	**8,037**	**10,983**

According to type of exposure In CHF 1,000	12/31/2009	12/31/2008
Banks	**0**	**2,214**
Mortgage receivables	17,538	25,060
Other receivables	5,930	2,760
Customers	**23,468**	**27,820**
Total non-income-producing loans	**23,468**	**30,034**

According to regions (domicile of debtor) In CHF 1,000	12/31/2009	12/31/2008
Liechtenstein and Switzerland	21,910	26,617
Rest of Europe	1,318	3,142
North and South America	73	75
Other countries	167	200
Total non-income-producing loans	**23,468**	**30,034**

16 Trading portfolios

In CHF 1,000	12/31/2009	12/31/2008
Debt securities valued at fair value, listed	1,917	0
Total	**1,917**	**0**
Equity instruments / investment fund units valued at fair value	0	0
Total	**0**	**0**
Other	**188**	**4**
Total trading portfolios	**2,105**	**4**

17 Derivative financial instruments

12/31/2009 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Forward contracts			
Swaps	182	2,912	52,263
Futures			
Options (OTC)		278	148,915
Options (exchange-traded)			
Total interest-rate instruments 12/31/2009	**182**	**3,190**	**201,178**
Foreign currencies			
Forward contracts	32,227	32,054	3,077,826
Combined interest-rate/currency swaps	1,584	442	50,436
Futures			
Options (OTC)			
Options (exchange-traded)			
Total foreign currencies 12/31/2009	**33,811**	**32,496**	**3,128,262**
Equity securities / indices			
Forward contracts			
Futures			
Options (OTC)	5,660	5,660	47,156
Options (exchange-traded)			
Total equity securities / indices 12/31/2009	**5,660**	**5,660**	**47,156**
Precious metals			
Forward contracts			
Futures			
Options (OTC)	2,702	2,702	71,439
Options (exchange-traded)			
Total precious metals 12/31/2009	**2,702**	**2,702**	**71,439**
Total derivative financial instruments 12/31/2009	**42,355**	**44,048**	**3,448,035**

The fair value of derivative financial instruments without market value is arrived at by recognized valuation models. These models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

12/31/2008 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Forward contracts			
Swaps	492	3,982	95,638
Futures			
Options (OTC)			
Options (exchange-traded)			
Total interest-rate instruments 12/31/2008	**492**	**3,982**	**95,638**
Foreign currencies			
Forward contracts	55,206	54,964	2,054,361
Combined interest-rate/currency swaps			
Futures			
Options (OTC)	4	4	16,911
Options (exchange-traded)			
Total foreign currencies 12/31/2008	**55,210**	**54,968**	**2,071,272**
Equity securities / indices			
Forward contracts			
Futures			
Options (OTC)			
Options (exchange-traded)			
Total equity securities / indices 12/31/2008	**0**	**0**	**0**
Precious metals			
Forward contracts			
Futures			
Options (OTC)	3,552	3,552	60,136
Options (exchange-traded)			
Total precious metals 12/31/2008	**3,552**	**3,552**	**60,136**
Total derivative financial instruments 12/31/2008	**59,254**	**62,502**	**2,227,046**

The fair value of derivative financial instruments without market value is arrived at by recognized valuation models. These models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

18 Financial instruments designated at fair value

In CHF 1,000		12/31/2009	12/31/2008
Debt securities valued at fair value			
• public-law institutions outside Liechtenstein and Switzerland		58,363	18,113
• exchange-listed		33,728	30,971
• non-exchange listed		83	302
Total		**92,174**	**49,386**
Equity securities / investment-fund units valued at fair value			
• exchange-listed		0	390
• non-exchange listed		2,758	2,586
Total		**2,758**	**2,976**
Structured products valued at-fair-value			
• exchange-listed		41,236	3,381
• non-exchange listed[1]		20,652	119,484
Total		**61,888**	**122,865**
Total financial instruments designated at-fair-value	**175,227**	**156,820**	

[1] Principally structured credit notes (credit-linked notes and asset swaps).

19 Financial instruments available-for-sale

In CHF 1,000	12/31/2009	12/31/2008
Debt securities valued at fair value		
• public-law institutions outside Liechtenstein and Switzerland	59,736	44,224
• exchange-listed	513,921	168,394
• non-exchange listed	66,950	238,991
Total	**640,607**	**451,609**
Equity securities / investment-fund units valued at fair value		
• exchange-listed	88,112	82,927
• non-exchange listed	226	96,094
Total	**88,338**	**179,021**
Total financial instruments available-for-sale	**728,945**	**630,630**

The fair value of non-exchange listed financial instruments is determined exclusively on the basis of traders' quotations or external pricing models based upon prices and interest of a supervised, active and liquid market. Management is convinced that the prices arrived at by these techniques constitute the most appropriate value for the balance sheet as of the date of the transactions, as well as for the related revaluation entries in the income statement.

20 Associated companies

In CHF 1,000	12/31/2009	12/31/2008
Balance at beginning of financial year	2,565	0
Additions	0	2,565
Value impairments	–2,517	0
Balance as of balance-sheet date	**48**	**2,565**

Details of material companies reflected in the consolidation using the equity method				% of capital held	
Name	Registered office	Activity	Share capital in GBP	12/31/2009	12/31/2008
VAM Corporate Holdings Ltd.	Mauritius	promotion company	50,000	20	20

21 Property and equipment

2009 In CHF 1,000	Bank buildings	Other real estate	Furniture and equipment	IT systems	Total
Acquisition cost					
Balance on 01/01	194,170	21,617	21,389	28,235	265,411
Additions	676		357	3,335	4,368
Disposals/derecognitions[1]	–106		–141	–2,713	–2,960
Foreign-currency translation	–3		–28	–30	–61
Balance on 12/31	**194,737**	**21,617**	**21,577**	**28,827**	**266,758**
Accumulated depreciation and amortization					
Balance on 01/01.	–77,624	–3,686	–10,998	–16,506	–108,814
Depreciation and amortization	–5,917	–449	–2,117	–5,609	–14,092
Valuation allowances			–201	–20	–221
Disposals/derecognitions[1]	106		141	2,713	2,960
Foreign-currency translation	2		24	19	45
Balance on 12/31	**–83,433**	**–4,135**	**–13,151**	**–19,403**	**–120,122**
Net book values on 12/31	**111,304**	**17,482**	**8,426**	**9,424**	**146,636**

[1] includes the derecognitions of completely depreciated and amortized assets

2008 in CHF 1,000	Bank buildings	Other real estate	Furniture and equipment	IT systems	Total
Acquisition cost					
Balance on 01/01	192,650	20,530	14,862	21,253	249,295
Additions	1,555	1,121	7,189	8,281	18,146
Disposals/derecognitions[1]		–34	–560	–1,247	–1,841
Foreign-currency translation	–35		–102	–52	–189
Balance on 12/31	**194,170**	**21,617**	**21,389**	**28,235**	**265,411**
Accumulated depreciation and amortization					
Balance on 01/01	–70,642	–3,261	–9,548	–12,521	–95,972
Depreciation and amortization	–6,996	–459	–2,110	–4,663	–14,228
Valuation allowances					0
Disposals/derecognitions[1]		34	498	640	1,172
Foreign-currency translation	14		35	38	87
Other movements			127		127
Balance on 12/31	**–77,624**	**–3,686**	**–10,998**	**–16,506**	**–108,814**
Net book values on 12/31	**116,546**	**17,931**	**10,391**	**11,729**	**156,597**

[1] Includes the derecognitions of completely depreciated and amortized assets.

Additional information regarding property and equipment	2009	2008
Fire insurance value of real estate	161,763	161,752
Fire insurance value of other property and equipment	41,342	39,361
Fair value of other real estate	17,482	17,931

There is no property and equipment arising from financing leasing contracts.

22 Goodwill and other intangible assets

2009 in CHF 1,000	Software[1]	Other intangible assets capitalized	Goodwill	Total
Acquisition cost				
Balance on 01/01	122,120	3,041	46,112	171,273
Additions	38,799			38,799
Disposals/derecognitions	–21,320			–21,320
Foreign-currency translation	–110			–110
Balance on 12/31	**139,489**	**3,041**	**46,112**	**188,642**
Accumulated amortization				
Balance on 01/01	–43,573	–1,218	–35,302	–80,093
Amortization	–25,572	–608		–26,180
Disposals/derecognitions	21,320			21,320
Foreign-currency translation	10			10
Balance on 12/31	**–47,815**	**–1,826**	**–35,302**	**–84,943**
Net book values on 12/31	**91,674**	**1,215**	**10,810**	**103,699**

[1] In conformity with IAS 38, a portion of self-created software is capitalized. The amount of CHF 2.5 million, which is capitalized, is reduced from personnel expenses accordingly.

There are no other capitalized intangible assets in the consolidated balance sheet of VP Bank Group with an unlimited estimated useful life.

2008 in CHF 1,000	Software[1]	Other intangible assets capitalized	Goodwill	Total
Acquisition cost				
Balance on 01/01	62,214	3,041	46,112	111,367
Additions	65,394			65,394
Disposals/derecognitions	–5,474			–5,474
Foreign-currency translation	–14			–14
Balance on 12/31	**122,120**	**3,041**	**46,112**	**171,273**

[1] In conformity with IAS 38, a portion of self-created software is capitalized. The amount of CHF 6.1 million, which is capitalized, is reduced from personnel expenses accordingly.

2008 in CHF 1,000	Software	Other intangible assets capitalized	Goodwill	Total
Acquisition cost				
Balance on 01/01	–31,283	–608	–35,302	–67,193
Additions	–13,584	–610		–14,194
Disposals/derecognitions	1,285			1,285
Foreign-currency translation	9			9
Balance on 12/31	**–43,573**	**–1,218**	**–35,302**	**–80,093**
Net book values on 12/31	**78,547**	**1,823**	**10,810**	**91,180**

There are no other capitalized intangible assets in the consolidated balance sheet of VP Bank Group with an unlimited estimated useful life.

Review of impairment in value of goodwill

The existing goodwill of CHF 10.81 million arises from an acquisition of VP Bank (Luxembourg) S.A. in 2001 and is allocated to the two cash-generating units Private Banking Clients and Intermediaries in amounts of CHF 7.2 million and CHF 3.6 million, respectively. Since January 1, 2005, this goodwill amount has no longer been subject to amortization, but rather to an annual impairment test.

For the purposes of the impairment test carried out in 2009, the realizable amount was based upon the fair value, less selling costs. The level of the implicit premium for client assets was computed on the basis of stock-exchange quotes for enterprises which focus on the business of asset management, as well as acquisition prices paid on the occasion of corporate mergers, and was used to determine the recoverable amount. The recoverable amount exceeded the book value to such an extent that a decline in the value of the goodwill could be viewed as improbable. For this reason, a supplementary computation of the recoverable amount based upon the value in use was dispensed with.

Other intangible assets

Customer relationships are capitalized under other intangible assets. The estimated aggregated amortization of other intangible assets is:

In CHF 1,000	
2010	608
2011	607
Total	**1,215**

23 Other assets

In CHF 1,000	12/31/2009	12/31/2008
Value-added taxes and other tax receivables	1,869	1,542
Prepaid retirement pension contributions	1,299	0
Real estate intended for sale	0	630
Miscellaneous other assets[1]	16,715	10,054
Total other assets	**19,883**	**12,226**

[1] Compensation accounts, settlement accounts, miscellaneous other assets

24 Medium-term notes

In CHF 1,000 Maturity	Interest rate 0–0.9999%	Interest rate 1–1.9999%	Interest rate 2–2.9999%	Interest rate 3–3.9999%	Interest rate 4–4.9999%	Interest rate above 5%	Total
2010		5,247	73,783	42,752			121,782
2011		16,113	24,194	1,187			41,494
2012		1,654	18,927	1,417			21,998
2013			6,630				6,630
2014		242	2,972				3,214
2015		1,224	689	768			2,681
2016			211	512			723
2017			222	258			480
longer			544	91			635
Total 12/31/2009	**0**	**24,480**	**128,172**	**46,985**	**0**	**0**	**199,637**
Total 12/31/2008	0	49,405	231,569	73,785	1,477	0	356,236

The average interest rate as per December 31, 2009 amounted to 2.55 percent (December 31, 2008: 2.48 percent).

25 Debentures Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

In CHF 1,000 Year of issue	Interest rate in %	Currency	Maturity	Nominal amount	12/31/2009 Total	12/31/2008 Total
2007	2.875	CHF	06/04/12	250,000	248,486	247,894

On June 4, 2007, Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, issued debentures in the amount of CHF 250 million, which are listed on the Swiss stock exchange under the security ID number 3.089.669. Upon their initial recording, debt securities issued are recorded at their fair value less transaction costs. The fair value corresponds to the consideration received. Subsequently, the debentures are valued at amortized cost. In doing so, the effective interest method (3.14 percent) is applied in order to amortize the difference between issuance price and the redemption value over the duration of the debt security.

26 Other liabilities

In CHF 1,000	12/31/2009	12/31/2008
Value-added taxes and other tax receivables	11,702	13,379
Accrued retirement pension contributions	10,374	7,607
Miscellaneous other liabilities[1]	67,708	15,641
Total other liabilities	**89,784**	**36,627**

[1] Compensation accounts, settlement accounts, miscellaneous other liabilities

27 Provisions

In CHF 1,000	Default risks	Legal and litigation risks	Other provisions	12/31/2009 Total	12/31/2008 Total
Carrying value at beginning of financial year	464	297	69,086	69,847	1,099
Utilization in accordance with purpose			–68,961	–68,961	0
New provisions charged to income statement	27	600	425	1,052	68,724
Provisions releases to income statement	–135			–135	–1
Foreign-currency translation differences and other adjustments				0	25
Carrying value at end of financial year	**356**	**897**	**550**	**1,803**	**69,847**
Maturity of provisions					
• within one year				1,803	69,847
• over one year				0	0

28 Minority interests

In CHF 1,000	2009	2008
Balance at beginning of financial year	17,330	17,019
Reductions and dividend payments	–694	–1,569
Foreign-currency translation differences	–523	–1,064
Share of minorities in net income	2,416	2,944
Balance at end of financial year	**18,529**	**17,330**

29 Share capital

	12/31/2009 Number of shares	12/31/2009 Nominal CHF	12/31/2008 Number of shares	12/31/2008 Nominal CHF
Registered shares of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Bearer sharers of CHF 10.00 nominal value	5,314,347	53,143,470	5,314,347	53,143,470
Total share capital		**59,147,637**		**59,147,637**

All shares are fully paid up.

30 Treasury shares

	2009 No. of shares	2009 In CHF 1,000	2008 No. of shares	2008 In CHF 1,000
Registered shares at beginning of financial year	9,915	252	8,970	246
Purchases	3,000	32	4,300	97
Sales	0	0	–3,355	–91
Balance of registered shares as of balance-sheet date	**12,915**	**284**	**9,915**	**252**
Bearer shares at beginning of financial year	151,695	38,269	40,009	11,679
Purchases	18,942	1,688	195,516	48,680
Sales	–19,892	–1,939	–83,830	–22,090
Balance of bearer shares as of balance-sheet date	**150,745**	**38,018**	**151,695**	**38,269**

31 Assets pledged or assigned to secure own liabilities and assets subject to reservation of title

In CHF 1,000	12/31/2009 Market value	12/31/2009 Actual liability	12/31/2008 Market value	12/31/2008 Actual liability
Securities	830,347	41,743	133,821	67,791
Money-market paper	0	0	0	0
Other	0	0	0	0
Total pledged assets	**830,347**	**41,743**	**133,821**	**67,791**

The assets are pledged to limits for the repo business with national and central banks, for stock-exchange deposits and to secure the business activities of overseas organizations pursuant to local legal provisions. Pledged or assigned assets within the framework of securities lending transactions or of repurchase and reverse repurchase transactions are not reflected in the above analysis. They are shown in the table "Securities lending and repurchase and reverse-repurchase transactions with securities" (see page 84).

32 Future commitments under operating leases

At the end of the year, there were several operating lease contracts for real estate and other property and equipment, which are principally used for the conduct of business activities of the Bank. The equipment leasing contracts contain renewal options as well as escape clauses.

In CHF 1,000	12/31/2009	12/31/2008
Remaining duration of up to 1 year	8,444	8,929
Remaining duration of 1 to 5 years	16,058	22,307
Remaining duration of over 5 years	508	1,784
Total minimum commitments under operating leases	**25,010**	**33,020**

As of December 31, 2009, general and administrative expenses include CHF 9.449 million of operating lease costs (December 31, 2008: CHF 7.320 million).

33 Litigation

Within the normal course of business, VP Bank Group is involved in various legal proceedings. It raises provisions for ongoing and threatened litigation whenever, in the opinion of management, payments or losses by Group companies are probable and their amount can be estimated. All provisions are recorded in the item "Other provisions" in the consolidated balance sheet (note 27).

34 Balance sheet per currency

In CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	229,453	1,011	36,671	531	267,666
Receivables arising from money-market paper		777,570	23	61	777,654
Due from banks	462,422	1,846,264	3,343,844	667,314	6,319,844
Due from customers	2,418,590	292,376	217,269	98,404	3,026,639
Trading portfolios			1,917	188	2,105
Derivative financial instruments	31,671	985	3,223	6,476	42,355
Financial instruments designated at-fair-value	28,295	40,445	88,080		156,820
Financial instruments available-for-sale	400,167	41,469	282,772	4,537	728,945
Associated companies				48	48
Property and equipment	145,381	940	315		146,636
Intangible assets	100,331	3,368			103,699
Tax receivables	31		416		447
Deferred tax assets	3,448				3,448
Accrued receivables and prepaid expenses	18,818	2,622	8,791	991	31,222
Other assets	11,901	1,484	5,889	609	19,883
Total assets 12/31/2009	**3,850,508**	**3,008,534**	**3,989,210**	**779,159**	**11,627,411**
Liabilities and shareholders' equity					
Due to banks	0	19,383	41,251	11,364	71,998
Due to customers – savings and deposits	969,150	1	116		969,267
Due to customers – other liabilities	1,789,303	2,916,659	3,637,576	680,846	9,024,384
Derivative financial instruments	33,997	264	3,311	6,476	44,048
Medium-term notes	199,637				199,637
Debenture issues	248,486				248,486
Tax liabilities	1,479		3,172	36	4,687
Deferred tax liabilities	7,830				7,830
Accrued liabilities and deferred items	25,507	2,441	5,295	326	33,569
Other liabilities	59,169	4,615	25,343	657	89,784
Provisions	1,803				1,803
Total liabilities	**3,336,361**	**2,943,363**	**3,716,064**	**699,705**	**10,695,493**
Total shareholders' equity	**832,323**	**94,503**	**4,198**	**894**	**931,918**
Total liabilities and shareholders' equity 12/31/2009	**4,168,684**	**3,037,866**	**3,720,262**	**700,599**	**11,627,411**

In CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	88,461	679	125,750	292	215,182
Receivables arising from money-market paper		11		98	109
Due from banks	617,926	2,609,924	3,213,240	582,899	7,023,989
Due from customers	2,392,673	287,688	227,935	76,892	2,985,188
Trading portfolios				4	4
Derivative financial instruments	27,663	1,568	23,869	6,154	59,254
Financial instruments designated at-fair-value	34,284	54,747	71,113	15,083	175,227
Financial instruments available-for-sale	360,323	63,971	204,367	1,969	630,630
Associated companies				2,565	2,565
Property and equipment	154,651	163	411	1,372	156,597
Intangible assets	87,065	65		4,050	91,180
Tax receivables	55		432		487
Deferred tax assets	14,765				14,765
Accrued receivables and prepaid expenses	19,880	7,432	13,857	2,251	43,420
Other assets	8,744	1,932	1,508	42	12,226
Total assets 12/31/2008	**3,806,490**	**3,028,180**	**3,882,482**	**693,671**	**11,410,823**
Liabilities and shareholders' equity					
Due to banks	44,628	29,781	34	50,394	124,837
Due to customers – savings and deposits	677,755	2	108	1	677,866
Due to customers – other liabilities	1,782,731	2,786,699	3,738,447	608,230	8,916,107
Derivative financial instruments	7,609	35,321	7,844	11,728	62,502
Medium-term notes	356,236				356,236
Debenture issues	247,894				247,894
Tax liabilities	1,021		3,062		4,083
Deferred tax liabilities	14,739				14,739
Accrued liabilities and deferred items	39,713	2,591	10,530	1,765	54,599
Other liabilities	27,359	3,938	5,154	176	36,627
Provisions	69,847				69,847
Total liabilities	**3,269,532**	**2,858,332**	**3,765,179**	**672,294**	**10,565,337**
Total shareholders' equity	**745,066**	**71,975**	**1,524**	**26,921**	**845,486**
Total liabilities and shareholders' equity 12/31/2008	**4,014,598**	**2,930,307**	**3,766,703**	**699,215**	**11,410,823**

35 Maturity structure of assets and liabilities

In CHF 1,000	At sight	Callable	1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	267,666					267,666
Receivables arising from money-market paper	673,995		103,659			777,654
Due from banks	1,005,236		5,307,176	5,996	1,436	6,319,844
Due from customers	29,363	587,459	1,185,224	1,164,557	60,036	3,026,639
Trading portfolios	2,105					2,105
Derivative financial instruments	42,355					42,355
Financial instruments designated at-fair-value	156,820					156,820
Financial instruments available-for-sale	728,945					728,945
Associated companies	48					48
Property and equipment	146,636					146,636
Intangible assets	103,699					103,699
Tax receivables	447					447
Deferred tax assets				3,448		3,448
Accrued receivables and prepaid expenses	31,222					31,222
Other assets	18,564		1,319			19,883
Total assets 12/31/2009	**3,207,101**	**587,459**	**6,597,378**	**1,174,001**	**61,472**	**11,627,411**
Liabilities and shareholders, equity						
Due to banks	69,545	2,453				71,998
Due to customers – savings and deposits		969,267				969,267
Due to customers – other liabilities	4,735,774	2,416,426	1,870,505	86	1,593	9,024,384
Derivative financial instruments	44,048					44,048
Medium-term notes			123,122	73,256	3,259	199,637
Debenture issues				248,486		248,486
Tax liabilities	4,687					4,687
Deferred tax liabilities				7,830		7,830
Accrued liabilities and deferred items	32,847		722			33,569
Other liabilities	88,942		842			89,784
Provisions	1,803					1,803
Total liabilities 12/31/2009	**4,977,646**	**3,388,146**	**1,995,191**	**329,658**	**4,852**	**10,695,493**

In CHF 1,000	At sight	Callable	1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	215,182					215,182
Receivables arising from money-market paper	109					109
Due from banks	790,626	1,631	6,229,398	2,334		7,023,989
Due from customers	54,542	1,187,237	1,184,043	520,607	38,759	2,985,188
Trading portfolios	4					4
Derivative financial instruments	59,254					59,254
Financial instruments designated at-fair-value	175,227					175,227
Financial instruments available-for-sale	630,630					630,630
Associated companies	2,565					2,565
Property and equipment	156,597					156,597
Intangible assets	91,180					91,180
Tax receivables	487					487
Deferred tax assets				14,765		14,765
Accrued receivables and prepaid expenses	43,420					43,420
Other assets	11,767	10	449			12,226
Total assets 12/31/2008	**2,231,590**	**1,188,878**	**7,413,890**	**537,706**	**38,759**	**11,410,823**
Liabilities and shareholders' equity						
Due to banks	26,441		98,396			124,837
Due to customers – savings and deposits		677,866				677,866
Due to customers – other liabilities	2,297,854	3,037,533	3,578,445	2,275		8,916,107
Derivative financial instruments	62,502					62,502
Medium-term notes			173,979	176,991	5,266	356,236
Debenture issues				247,894		247,894
Tax liabilities	4,083					4,083
Deferred tax liabilities				14,739		14,739
Accrued liabilities and deferred items	54,599					54,599
Other liabilities	35,864		747	16		36,627
Provisions	1,761		68,086			69,847
Total liabilities 12/31/2008	**2,483,104**	**3,715,399**	**3,919,653**	**441,915**	**5,266**	**10,565,337**

36 Classification of assets by country or groups of countries

	12/31/2009 In CHF 1,000	12/31/2009 Proportion in %	12/31/2008 In CHF 1,000	12/31/2008 Proportion in %
Liechtenstein and Switzerland	4,904,479	42.2	3,956,563	34.7
Rest of Europe	5,845,357	50.3	6,697,731	58.7
North America	435,518	3.7	320,100	2.8
Other countries	442,057	3.8	436,429	3.8
Total assets	**11,627,411**	**100.0**	**11,410,823**	**100.0**

The classification is made according to the principle of domicile of the counterparties. Diversified collateral existing in the area of lombard loans is not taken into consideration in this respect.

37 Financial instruments

Fair value of financial instruments

The following table shows the fair values of financial instruments based on the valuation methods and assumptions set out below. This table is presented because not all financial instruments are disclosed at their fair values in the consolidated financial statements. Fair value means the price at which assets could be freely exchanged or liabilities could be fulfilled by parties who are willing to conduct transactions between one another and who are knowledgeable and independent of each other. Insofar as an active market exists (e.g. a recognized stock exchange), VP Bank Group uses the market price as it is the best indicator of the fair value of financial instruments.

In CHF million	Carrying value 12/31/2009	Fair Value 12/31/2009	Variance	Carrying value 12/31/2008	Fair Value 12/31/2008	Variance
Assets						
Cash and cash equivalents	268	268	0	215	215	0
Receivables arising from money-market paper	778	778	0	0	0	0
Due from banks	6,320	6,327	7	7,024	7,048	24
Due from customers	3,027	3,094	67	2,985	3,104	119
Trading portfolios	2	2	0	0	0	0
Derivative financial instruments	42	42	0	59	59	0
Financial instruments designated at-fair-value	157	157	0	175	175	0
Financial instruments available-for-sale	729	729	0	631	631	0
Subtotal			**74**			**143**

In CHF million	Carrying value 12/31/2009	Fair Value 12/31/2009	Variance	Carrying value 12/31/2008	Fair Value 12/31/2008	Variance
Liabilities						
Due to banks	72	72	0	125	125	0
Due to customers	9,994	9,867	127	9,594	9,558	36
Derivative financial instruments	44	44	0	63	63	0
Medium-term notes	200	205	–5	356	366	–10
Debenture issue	248	265	–17	248	265	–17
Subtotal			**105**			**9**
Total variance			**179**			**152**

The following valuation methods are used to determine the fair value of on-balance-sheet financial instruments:

Cash and cash equivalents, money-market paper

For the balance-sheet items cash and cash equivalents and receivables arising from money-market paper which do not have a published market value on a recognized stock exchange or on a representative market, the fair value corresponds to the amount payable at the balance-sheet date.

Due from/to banks and customers, medium-term notes, debenture issues

In determining the fair value of amounts due from/to banks, due from/to customers (including mortgage receivables and due to customers in the form of savings and deposits), as well as of medium-term notes and debenture issues with a fixed maturity or a refinancing profile, the net present value method is applied (discounting of monetary flows with swap rates corresponding to the respective term). For products whose interest or payment flows cannot be determined in advance, replicating portfolios are used.

Trading portfolios, trading portfolios which are pledged as collateral, financial instruments denominated at fair value

Fair value corresponds to market value for the majority of these financial instruments. The fair value of non-exchange-listed financial instruments (in particular for structured credit loans) is determined only on the basis of external traders' prices or pricing models which are based on prices and interest rates in an observable, active and liquid market.

Derivative financial instruments

For the majority of the positive and negative replacement values (see note 17), the fair value equates to the market value. The fair value for derivative instruments without market value is determined using uniform models. These valuation models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

Valuation methods for financial instruments

The fair value of listed securities held for trading purposes or as financial instruments, as well as that of listed derivatives and other financial instruments with a price established in an active market, is determined on the basis of current market value (Level 1). Valuation methods or pricing models are used to determine the fair value of financial instruments if no direct market prices are available. If possible, the underlying assumptions are based on observed market prices or other market indicators as at the balance sheet date (Level 2). For most of the derivatives traded over the counter, as well as for other financial instruments that are not traded in an active market, fair value is determined by means of valuation methods or pricing models. Among the most frequently applied of those methods and models are cash-value-based forward pricing and swap models, as well as options pricing models such as the Black-Scholes model or derivations thereof. The fair values arrived at on the basis of these methods and models are influenced to a significant degree by the choice of the specific valuation model and the underlying assumptions applied, for example the amounts and time sequence of future cash flows, discount rates, volatilities and/or credit risks.
If neither current market prices nor valuation methods/models based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods or pricing models supported by realistic assumptions derived from actual market data are used (Level 3).

Valuation methods for financial instruments

In CHF million	Quoted market prices	Valuation methods based on market data	Total 12/31/2009	Quoted market prices	Valuation methods based on market data	Total 12/31/2008
Assets						
Receivables arising from money-market paper	778	0	778	0	0	0
Trading portfolios	2	0	2	0	0	0
Derivative financial instruments	0	42	42	0	59	59
Financial instruments designated at-fair-value	110	47	157	175	0	175
Financial instruments available-for-sale	710	19	729	622	9	631
Liabilities						
Derivative financial instruments	0	44	44	0	63	63

During the reporting period ending 31 December 2009, there were CHF 61.0 million (2008: CHF 9.0 million) transfered between Level 1 and Level 2 fair value measurements.

38 Scope of consolidation

Company	Registered office	Base currency	Capital outstanding	Group share of equity
Verwaltungs- und Privat-Bank Aktiengesellschaft	Vaduz	CHF	59,147,637	100%
FIB Finanz- und Beteiligungs-AG	Vaduz	CHF	50,000	100%
IGT Intergestions Trust reg.	Vaduz	CHF	100,000	100%
IFOS Internationale Fonds Service AG	Vaduz	CHF	1,000,000	100%
VP Vermögensverwaltung GmbH	Munich	EUR	500,000	100%
VP Bank (Singapore) Ltd.	Singapore	SGD	40,000,000	100%
VP Wealth Management (Middle East) Ltd.	Dubai	USD	2,000,000	100%
VP Wealth Management (Hong Kong) Ltd.	Hong Kong	HKD	5,000,000	100%
Proventus Treuhand und Verwaltung AG	Vaduz	CHF	250,000	100%
VP Bank (Luxembourg) S.A.	Luxembourg	CHF	20,000,000	100%
which holds the following sub-participation:				
VPB Finance S.A.	Luxembourg	CHF	5,000,000	100%
VPB Finanz Holding AG	Zurich	CHF	20,000,000	100%
which holds the following sub-participation:				
VP Bank (Schweiz) AG	Zurich	CHF	20,000,000	100%
VP Bank and Trust Company (BVI) Limited	Tortola	USD	11,000,000	60%
which holds the following sub-participation:				
VP Bank (BVI) Limited	Tortola	USD	10,000,000	100%
ATU General Trust (BVI) Limited	Tortola	USD	250,000	100%

Sharholdings excluded from the scope of consolidation	none in 2009, VP Wealth Management (Middle East) Ltd. will be liquidated in spring 2010. As of December 31, 2009, VP Wealth Management (Middle East) Ltd. had four employees. Gross income was CHF 0.044 million (2008: – CHF 0.033 million) and total assets amounted to CHF 1.019 million (2008: CHF 3.226 million). It is allocated to the Private Banking Clients segment.
Associated companies	VAM Corporate Holdings Ltd., Mauritius
Companies consolidated for the first time	none
Shareholdings accounted for the first time in accordance with the equity method	none
Name changes during the financial year	none

39 Transactions with related companies and individuals

Members of the Board of Directors and Group Executive Management as well as their next of kin, and companies which are controlled by these individuals either by virtue of a majority shareholding or as a result of their role as Chairman of the Board and/or Chief Executive Officer in these companies are considered to be related companies and individuals.

In CHF 1,000	2009	2008
Remuneration of the members of the Board of Directors[1]		
Remuneration due in the short term[2, 3]	673	709
Post-employment benefits		
Other long-term remuneration due		
Remuneration due upon termination of contract of employment		
Share-based payment[2, 3, 6]	222	221
Remuneration of the members of Group Executive Management[1]		
Remuneration due in the short term[2]	3,125	3,141
Post-employment benefits		
Other long-term remuneration due[4]		
Remuneration due upon termination of contract of employment[5]	975	0
Share-based payments[6]	0	0

[1] Payments due in the calendar year are shown.
[2] The social-security costs and any applicable value-added taxes on the emoluments paid to Board members are not included.
[3] Compensation for out-of-pocket expenses is not included.
[4] We refer to the table "Remuneration to members of the body" (see page 181) in respect of the entitlement arising from the LTI (Long-Term Incentive Plan). The number of bearer shares and the monetary equivalent will not be defined until the end of the 3-year period (end of 2011). The calculation of the number of shares depends on the average economic profit in the years 2009 to 2011. The monetary equivalent will be determined by the share price at the time ownership is transferred (end of 2011) (see Corporate Governance section § 5.1.2 page 59)
[5] At VP Bank, there are no agreements on severance compensation for acting members of Group Executive Management. In connection with the departure of Adolf E. Real from the GEM and in reflection of his 26 years of activity on behalf of VP Bank, a termination grant in the amount of CHF 975,000 was agreed.
[6] The shares are not subject to any sales restrictions. (see note 43)

VP Bank Group also makes payments to related persons within the framework of brokerage services and bought-in advisory services. These correspond to customary market conditions. The aggregate amount of such payments and fees in 2009 totaled CHF 0.340 million (2008: CHF 0.250 million).
The Board of Directors and the Group Executive Management as well as parties related thereto (excluding qualifying shareholders) and retirement pension plans as of December 31, 2009, held 75,510 bearer shares and 168,600 registered shares of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (prior year: 72,455 bearer shares and 170,600 registered shares).

Loans to related companies and individuals (as of balance-sheet dates):

In CHF 1,000	2009	2008
Mortgages and loans at beginning of financial year	11,448	10,410
Additions	1,611	1,281
Repayments	–2,248	–243
Mortgages and loans at end of financial year	**10,811**	**11,448**

With regard to members of the Board of Directors and the Group Executive Management, basically the same conditions apply as for all other employees. They correspond to customary market conditions excluding a credit margin. Loans to related individuals and companies were granted under normal market conditions.

40 Retirement pension plans

In addition to social insurance schemes regulated by law, VP Bank Group maintains several retirement pension plans in the Principality of Liechtenstein, Switzerland and abroad.

Retirement pension plans in Liechtenstein and Switzerland

In Liechtenstein, the retirement pension plan assets of the parent company and Liechtenstein-based subsidiary companies are held in an independent pension plan which is separated from the Group, managed by a board of trustees composed of the representatives of employees and employers. The financing of these benefits is covered by contributions from both employees and employers. In accordance with the provisions of IAS 19, this retirement pension plan is to be classified as a defined-benefit plan, for which an actuarial valuation must be performed by an independent expert. Such a valuation was last undertaken as of December 31, 2009. The employee contributions are determined as a percentage of the insured annual salary and deducted on a monthly basis. The contribution deducted from the salary covering the full amount of pension benefits (including the risk credits) amounts to 7.5 percent. The employer contributions amount to 160 percent of the employee contributions. The formula used for the computation is based upon the contribution years and the latest insured salary. The insured benefits encompass retirement pensions, invalidity benefits, death benefits, survivors' benefits and departure benefits. Under IAS 19, Swiss retirement pension plans with defined contributions are considered as performance-oriented plans because of the interest-rate guarantee and the prescribed conversion rate.

Retirement pension plans abroad

The employees of the subsidiary companies are insured within collective and grouped pension plans (multi-employer plans). These retirement pension plans are treated as defined-contribution plans. Pension expenses for these plans amounted to CHF 1.119 million for the year 2009.

Retirement pension expenses

In CHF 1,000	2009	2008
Service expenses of the current period	11,109	7,907
Interest expenses for pension liabilities	6,287	5,795
Anticipated income from assets[1]	–5,118	–5,779
Employee contributions	–3,468	–3,685
Amortization of actuarial losses not yet recorded	2,037	0
Impact of upper limit pursuant to IAS 19.58b	–3,570	1,058
Pension expenses for defined-benefit retirement pension plans according to actuarial computation	**7,277**	**5,296**
Contributions to defined-contribution retirement pension plans	**1,119**	**1,228**
Total retirement pension expenses	**8,396**	**6,524**
[1] Actual income on assets	13,400	–16,909

Defined-benefit retirement pension plans

In CHF 1,000	12/31/2009	12/31/2008
Net assets of retirement pension plans at market values	154,979	141,824
Net present value of anticipated claims	187,984	184,565
Actuarial losses not yet recorded	–23,930	–35,134
Amortization of actuarial losses not yet recorded	0	0
Recorded under other liabilities	**10,374**	**7,607**
Capitalized under other assets	**1,299**	**0**

Change in the consolidated balance sheet

In CHF 1,000	2009	2008
Liabilities at beginning of financial year	7,607	8,795
Pension expenses for defined-benefit retirement pension plans according to actuarial computation (above)	7,277	5,296
Amortization of actuarial losses not yet recorded	0	0
Fund endowments made by employer	–4,510	–6,484
Liabilities at end of financial year	**10,374**	**7,607**

Changes in pension plan benefit obligations

In CHF 1,000	2009	2008
Balance at beginning of business year	184,565	150,468
Service cost of the current period	11,109	7,907
Interest expenses for pension liabilities	6,287	5,795
Employee contributions	1,725	7,167
Actuarial gains/losses	–4,455	11,987
Benefits paid out/received	–11,247	1,241
Balance at end of business year	**187,984**	**184,565**

Changes in plan assets

In CHF 1,000	2009	2008
Net assets at beginning of business year	141,824	137,644
Anticipated return on plan assets	5,118	5,779
Actuarial gains (losses)	8,282	–20,176
Employer contributions	5,809	6,484
Employee contributions	5,193	10,852
Benefits paid out	–11,247	1,241
Net assets at end of business year	**154,979**	**141,824**

The pension plans hold shares of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, with a market value of CHF 1.5 million (2008: CHF 2.0 million). Payments into the plans of CHF 4.4 million (employee contributions) and CHF 7.0 million (employer contributions) are expected for 2010.

Principal categories of plan assets

In percent	2009	2008
Liquidity	31	14
Equity instruments	10	17
Debt instruments	51	60
Real estate	8	9
Total	**100**	**100**

Amounts for the current and four preceding reporting periods

In CHF 1,000	2009	2008	2007	2006	2005
Net present value of anticipated benefit obligations	187,984	184,565	150,468	156,525	143,573
Net assets of pension plans	154,979	141,824	137,644	128,981	118,606
Non-recognized actuarial losses	23,930	35,134	4,029	17,269	14,081
Surplus/deficit	–10,374	–7,607	–8,795	–10,275	–10,886

Actuarial assumptions

In percent	12/31/2009	12/31/2008
Technical interest rate for the period	3.5	3.5
Anticipated yield on assets	3.3	3.8
Development of salaries	2.0	2.0
Development of pensions	0.5	0.5
Probability of departure (at age 20, on a straight-line basis declining to 0% at the age of 50) Men	19.5	19.5
Probability of departure (at age 20, on a straight-line basis declining to 0% at the age of 50) Women	25.0	25.0
Probability of retirement (at age 64)	100.0	100.0

41 Significant foreign exchange rates

The following exchange rates were used for the most important currencies:

	12/31/2009 Year-end rates	12/31/2008 Year-end rates	2009 Annual average rates	2008 Annual average rates
USD/CHF	1.0375	1.0650	1.08492	1.08258
EUR/CHF	1.4850	1.5000	1.50978	1.58718
SGD/CHF	0.7393	0.7365	0.74617	0.76495
HKD/CHF	0.1340	0.1367	0.14002	0.13909
GBP/CHF	1.6600	1.5340	1.69678	2.00094

42 Employee stock-ownership plan

The stock-ownership plan enables employees to subscribe annually to a defined number of bearer shares of Verwaltungs- und Privat-Bank Aktiengesellschaft,
Vaduz, at a preferential price subject to a four-year restriction on selling. Upon expiration of the sales restriction period, or at the time of resignation from
VP Bank Group, the related shares become freely available. As the employees are therefore ultimately able to take up the shares at any time and in full, the expense
arising from the employee participation plans is recorded in full at the time of their respective allocation.
The number of bearer shares that can be subscribed to depends upon the years of service, rank and management level. The purchase price is determined annually in relation to the market value of the bearer shares on the Swiss Exchange (ex-dividend).
The shares issued in this manner derive either from shareholdings of VP Bank Group or must be purchased for this purpose over the exchange.
The expense thereby incurred is charged directly to personnel costs.During 2009, 0 shares were issued at a preferential price (2008: 8,217). Share issue expenses in 2009 were CHF 0.0 million (2008: CHF 1.7 million). There is no profit-sharing plan for the Board of Directors. They receive, however, a part of their remuneration/bonuses in the form of equity shares which are not subject to any restriction on selling (note 39).
A profit-sharing plan exists for general management and other management members (note 43).

43 Management profit-sharing plan

A long-term, value-oriented compensation model applies to the GEM and second-level management members of VP Bank. Under this model, the compensation paid to 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 targets and is paid annually.
3. A variable long-term management share ownership scheme (Long-Term Incentive, LTI) with grants in the form of VP Bank bearer shares. On August 20, 2009, the Board of Directors decided to modify the existing LTI, whereby the fundamental principles of the scheme still apply. In this regard, the focus is on added value (economic profit), the principle of "Pay for performance", as well as the long-term commitment of management to receiving a variable compensation component in the form of VP Bank shares. The most significant change versus the previous five-year plan is represented by the change to a three-year, rolling performance period. The number of shares granted upon termination of the plan is directly dependent on the trend in economic profit of VP Bank Group. More or fewer shares will be granted in reflection of that financial trend, with the related factor ranging from a minimum of 0.5 to a maximum of 2.0 (previously 2.5). The monetary value of the compensation paid in the form of shares at the end of the plan is also dependent on the current market price of VP Bank 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.

Client assets under management

Analysis of client assets under management In CHF million	2009	2008	Variance in %
Assets in self-administered investment funds	3,006.0	2,616.9	14.9
Assets in discretionary asset-management accounts	2,626.7	2,084.7	26.0
Other client assets under management	23,911.8	23,817.3	0.4
Total client assets under management (including amounts counted twice)	**29,544.5**	**28,518.9**	**3.6**
of which: amounts counted twice	2,160.6	1,963.9	10.0
Net new money	**–1,125.6**	**–1,261.2**	**n.a.**

Custody assets In CHF million	2009	2008	Variance in %
Custody assets	**12,280.1**	**6,582.3**	**86.6**

Total client assets In CHF million	2009	2008	Variance in %
Total client assets under management (including amounts counted twice)	29,544.5	28,518.9	3.6
Custody assets	12,280.1	6,582.3	86.6
Total client assets	**41,824.6**	**35,101.2**	**19.2**

Classification of client assets under management

Analysis by asset class in percent	2009	2008
Liquidity	37	41
Bonds	24	25
Equities	17	15
Investment funds	20	17
Other	2	2
Total	**100**	**100**

Analysis by currency in percent	2009	2008
CHF	27	28
EUR	41	42
USD	22	24
Other	10	6
Total	**100**	**100**

Calculation method

All client assets which are managed or held for investment purposes for which investment-advisory and asset-management services are provided are considered as client assets under management. In principle all amounts owing to clients, fiduciary deposits and all assets in security deposits with a value are included therein. The calculation is made on the basis of the provisions of the Liechtenstein Banking Ordinance (Note 3, Point 88a FL-BankO) and the internal guidelines of VP Bank Group.

Assets in self-administered investment funds

This item contains the assets of all investment funds of VP Bank Group.

Assets in discretionary asset-management accounts

The assets in discretionary asset-management accounts encompass securities, uncertificated securities, precious metals, fiduciary deposits placed with third parties valued at market value and client deposits. The data includes both assets deposited with Group companies as well as with third parties which are the object of a discretionary asset-management agreement with a Group company.

Other client assets under management

Other client assets under management encompass securities, uncertificated securities, precious metals, fiduciary deposits placed with third parties valued at market value and client deposits. The data encompasses assets which are the object of an administration or advisory mandate.

Amounts counted twice

This item encompasses unit shares in self-administered investment funds which are in client portfolios subject to a discretionary asset-management agreement and other security deposits of clients.

Net new money

This item comprises the acquisition of new clients, lost clients and inflows or outflows from existing clients. Performance-related changes in assets such as share price movements, interest and dividend payments, as well as interest charged to clients, are not considered as inflows and outflows.
Acquisition-related changes in assets are also not taken into account.

Custody assets

Assets held exclusively for the purposes of trading and custody for which the involvement of VP Bank Group is limited to custodian and collection activities.

Report of the Group Auditors

To the General Meeting of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz
As Group auditor, we have audited the consolidated financial statements (balance sheet, income statement, comprehensive income, statement of cash flows, changes in shareholders' equity and notes; (see pages 76–161) and the consolidated annual report (see pages 64–75) of Verwaltungs- und Privat-Bank Aktiengesellschaft for the year ended December 31, 2009.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the law as well as the consolidated annual report. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Liechtenstein law. Furthermore, the consolidated annual report corresponds to the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd.

Stefan Fuchs	Christian Bögli
Certified Accountant	Certified Accountant
(Auditor in charge)	

Berne, February 19, 2010

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VP Bank Group

Strategy Report

Stakeholders' Report

Segments

Corporate Governance

Financial Report 2009 VP Bank Group

Financial Report 2009 Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

Annual Report of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

The annual report of Verwaltungs- und Privat-Bank Aktiengesellschaft is largely evident from the consolidated annual report of VP Bank Group.
As of the balance-sheet date, Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, and/or its subsidiaries held in total 150,745 bearer shares as well as 12,915 registered shares (prior year: 151,695 bearer shares and 9,915 registered shares). This equates to a capital share of approximately 2.6 percent (prior year: 2.6 percent). In addition, we refer to the notes to the relevant annual financial statements regarding the number of and changes in treasury shares in the parent company.
In keeping with the spirit of VP Bank's long-term dividend policy, the Board of Directors will propose a dividend of CHF 3.50 per bearer share and CHF 0.35 per registered share (previous year: CHF 2.50 per bearer share and CHF 0.25 per registered share) at the Annual General Meeting of shareholders on April 30, 2010.

Balance Sheet

Assets

In CHF 1,000 (Art. 24b FL-BankO)	12/31/2009	12/31/2008	Variance absolute	Variance in %
Cash balances	219,253	84,783	134,470	158.6
Debt instruments of the public sector and bills of exchange eligible for refinancing at central banks	0	0	0	0
• debt instruments of the public sector and similar securities	0	0	0	0
Due from banks	5,266,124	5,456,246	–190,122	–3.5
• maturing daily	779,336	632,069	147,267	23.3
• other receivables	4,486,788	4,824,177	–337,389	–7.0
Due from customers	2,694,359	2,709,254	–14,895	–0.5
of which mortgage receivables	1,999,712	1,884,322	115,390	6.1
Debentures and other interest-bearing securities	1,328,219	570,597	757,622	132.8
• Money-market paper	673,911	0	673,911	n.a.
• from public-sector issuers	673,911	0	673,911	n.a.
• debt securities	654,308	570,597	83,711	14.7
• from public-sector issuers	62,373	55,722	6,651	11.9
• from other issuers	591,935	514,875	77,060	15.0
Equity shares and other non-interest-bearing securities	105,173	177,744	–72,571	–40.8
Participations	170	170	0	0
Shares in affiliated companies	113,385	116,656	–3,271	–2.8
Intangible assets	68,833	55,694	13,139	23.6
Property and equipment	135,136	142,480	–7,344	–5.2
Treasury shares	15,295	21,312	–6,017	–28.2
Other assets	50,931	61,549	–10,618	–17.3
Accrued receivables and prepaid expenses	31,122	40,108	–8,986	–22.4
Total assets	**10,028,000**	**9,436,593**	**591,407**	**6.3**

Total liabilities and shareholders' equity

In CHF 1,000 (Art. 24b FL-BankO)	12/31/2009	12/31/2008	Variance absolute	Variance in %
Due to banks	1,078,271	656,889	421,382	64.1
• maturing daily	738,119	303,768	434,351	143.0
• with agreed duration or term of notice	340,152	353,121	–12,969	–3.7
Due to customers	7,582,282	7,271,512	310,770	4.3
• savings deposits	818,493	584,762	233,731	40.0
• other liabilities	6,763,789	6,686,750	77,039	1.2
• maturing daily	5,560,225	4,199,329	1,360,896	32.4
• with agreed duration or term of notice	1,203,564	2,487,421	–1,283,857	–51.6
Securitized liabilities	449,937	606,536	–156,599	–25.8
• issued debentures	449,937	606,536	–156,599	–25.8
of which medium-term notes	199,937	356,536	–156,599	–43.9
Other liabilities and deferred items	130,762	78,989	51,773	65.5
Accrued liabilities and deferred items	27,040	43,153	–16,113	–37.3
Provisions	11,385	86,170	–74,785	–86.8
• tax provisions	2,396	10,262	–7,866	–76.7
• other provisions	8,989	75,908	–66,919	–88.2
Provisions for general banking risks	71,400	63,150	8,250	13.1
Subscribed capital	59,148	59,148	0	0
Income reserves	556,388	555,989	399	0.1
• legal reserves	239,800	239,800	0	0
• reserve for treasury shares and stock	15,295	21,312	–6,017	–28.2
• other reserves	301,293	294,877	6,416	2.2
Retained earnings brought forward	270	563	–293	–52.0
Net income for the year	61,117	14,494	46,623	321.7
Total liabilities and shareholders' equity	**10,028,000**	**9,436,593**	**591,407**	**6.3**

Off-balance-sheet items

In CHF 1,000 (Art. 24b FL-BankO)	12/31/2009	12/31/2008	Variance absolute	Variance in %
Contingent liabilities	**113'851**	**255,025**	**–141'174**	**–55.4**
Credit risks	**26'953**	**30,260**	**–3'307**	**–10.9**
• irrevocable facilities granted	26'953	30,260	–3'307	–10.9
Derivative financial instruments				
• positive replacement values	38'179	56,337	–18'158	–32.2
• negative replacement values	40'108	59,677	–19'569	–32.8
• contract volumes	3'005'306	2,100,722	904'584	43.1
Fiduciary transactions	**2'756'091**	**3,634,343**	**–878'252**	**–24.2**

Income Statement

In CHF 1,000 (Art. 24c FL-BankO)	2009	2008	Variance absolute	Variance in %
Interest income	160,197	272,418	–112,221	–41.2
of which from interest-bearing securities	19,863	21,514	–1,651	–7.7
of which from trading transactions	0	0	0	0
Interest expenses	75,417	157,582	–82,165	–52.1
Income from interest-differential business	84,780	114,836	–30,056	–26.2
Current income from securities	9,594	7,782	1,812	23.3
• shares and other non-interest-bearing securities	2,044	3,851	–1,807	–46.9
of which from trading transactions	0	361	–361	–100.0
• participations	0	0	0	0
• shares in affiliated companies	7,550	3,931	3,619	92.0
Income from commission business and services	100,295	134,919	–34,624	–25.7
• commission income from credit business	971	912	59	6.4
• commission income from securities and investing business	90,095	123,822	–33,727	–27.2
• commission income from other services	9,229	10,185	–956	–9.4
Commission expenses	18,379	20,256	–1,877	–9.3
Income from commission business and services	81,916	114,663	–32,747	–28.6
Income from financial transactions	67,087	–138,899	205,986	n.a.
of which from trading transactions	12,186	19,625	–7,439	–37.9
Other ordinary income	1,421	3,537	–2,116	–59.8
• income from real estate	238	235	3	1.4
• other ordinary income	1,183	3,302	–2,119	–64.2
Total net operating income	**244,798**	**101,919**	**142,879**	**140.2**
Operating expenses	126,182	145,561	–19,379	–13.3
• personnel expenses	83,174	103,705	–20,531	–19.8
• general and administrative expenses	43,008	41,856	1,152	2.8
Gross profit	**118,616**	**–43,642**	**162,258**	**n.a.**

Income statement (continued)

In CHF 1,000 (Art. 24c FL-BankO)	2009	2008	Variance absolute	Variance in %
Depreciation and amortization of intangible assets and property and equipment	33,585	29,775	3,810	12.8
Other ordinary expenses	2,375	7,675	–5,299	–69.0
Valuation allowances on receivables and increases in provisions for contingent liabilities and credit risks	12,524	78,094	–65,570	–84.0
Income from release of valuation allowances on receivables and from the release of provisions for contingent liabilities and credit risks	1,585	2,986	–1,401	–46.9
Write-offs on participations, shares in affiliated companies and securities dealt with as non-current assets	8,500	3,000	5,500	183.3
Income from normal business operations	**63,217**	**–159,200**	222,416	n.a.
Extraordinary income	8,250	0	8,250	n.a.
Extraordinary expenses	1	0	0	n.a.
Taxes on income	700	0	700	n.a.
Other taxes if not included in above items	1,399	306	1,093	357.1
Increases in provisions for general banking risks / Income from release for provisions for general banking risks	–8,250	174'000	–182,250	n.a.
Net income for the year	**61,117**	**14,494**	**46,623**	**321.7**

Appropriation of income

Net income for the year	61,117	14,494	46,623	321.7
Retained earnings brought forward	270	563	–293	–52.0
Retained earnings	61,388	15,057	46,331	307.7
Appropriation of retained earnings				
• appropriation to other reserves	40,000	0	40,000	n.a.
• distribution on the basis of company capital	20,702	14,787	5,915	40.0
• release from other reserves	0	0	0	0
Retained earnings to be carried forward	**686**	**270**	**416**	**153.7**

Information regarding Business Activities and Number of Employees (Art. 24e Par. 1 Point 1 FL-BankO)

Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank), which has its registered office in Vaduz, was established in 1956 and is one of the three largest banks in Liechtenstein. As at December 31, 2009, it owns subsidiary companies in Zurich, Luxembourg, on the British Virgin Islands and in Singapore, asset management companies in Munich, Dubai and Hong Kong, as well as representative offices in Moscow and Hong Kong, and two investment fund companies in Liechtenstein and Luxemburg. The asset management company in Dubai will be closed in 2010. Adjusted to reflect full-time equivalents, at year end 2009 VP Bank had 473.1 individuals under its employment (previous year: 508.1).
VP Bank's core activities consist of asset-management and investment-advisory services for private and institutional investors, as well as lending operations.

Commission business and services
Aside from its general banking operations, VP Bank's commission- and service-related business encompasses asset management for private clients, financial intermediaries and institutional clients, as well as investment advice, safekeeping and fiduciary services. VP Bank earns a significant portion of its total commission-related revenues from transactions in securities on behalf of clients.

Lending business
The credit business of the Bank is primarily geared to providing financing for mortgages for private clients, as well as asset-management and investment-advisory services for private clients. The Bank also grants commercial loans for commercial clients.

Money market and interbank activities
To the extent that they are not used for the Bank's lending operations, client funds are invested with first-rate banks.

Trading activities
Clients are afforded a full range of execution and settlement services for all customary types of financial transaction. A significant portion of VP Bank's trading activities is related to foreign exchange dealings on behalf of private clients.

For liquidity-management and investment purposes, VP Bank maintains a portfolio of interest-bearing securities and equities positions.

Principles of Accounting and Valuation, Disclosures on Risk Management (Art. 24e Par. 1 Point 2 FL-BankO)

Principles of Accounting and Valuation

General principles
Accounting and valuation follow the prescriptions of Liechtenstein Civil and Company Law, as well as the Liechtenstein Banking Act and its related Ordinance.

Recording of transactions
In accordance with the valuation policies laid down, all business transactions are recorded in the Bank's accounts as of their trade date. Forward contracts are recorded under off-balance-sheet transactions until their settlement or value date.
Income and expenditure in foreign currencies are converted into Swiss francs at their respective daily rates; assets and liabilities are converted at the rates prevailing at year end. Foreign-exchange gains and losses resulting from revaluation are recorded in the income statement.

Cash balances, debt securities of the public sector and bills of exchange which are eligible for refinancing with central banks, amounts due from banks, liabilities
Recording is effected at nominal values less any applicable unearned discount in the case of money-market paper. Valuation allowances are established to cover identifiable risks taking into account the principle of prudence. Individual and lump-sum valuation allowances are deducted directly from the related balance-sheet positions.
Interest overdue for more than 90 days is provided for and recorded in the income statement as and when received.

Amounts due from clients
Receivables from clients are recorded in the balance sheet at their nominal values less any applicable valuation adjustments. A receivable is considered as being value-impaired when there is a probability that the total contractually owed amount is no longer recoverable.
A valuation allowance is recorded in the balance sheet as a reduction of the carrying value of the receivable to its probable realizable value. On the other hand, provisions for credit risks are established for off-balance-sheet positions. In addition to individual valuation allowances, VP Bank creates individual valuation allowances on a lump-sum basis as well as lump-sum valuation allowances to cover latent credit risks.
A review of collectibility is undertaken at least annually for all non-performing loans.

Debentures and other interest-bearing securities, equity shares and other non-interest-bearing securities
Trading portfolios of securities and precious metals are valued at the quoted market price as of the balance-sheet date.
Portfolios of securities and precious metals classified as current assets are valued at the lower of cost and market. Interest on interest-bearing securities is reflected in the interest income item, dividend income in the current income from securities item. Gains and losses from revaluation are disclosed in the gains/losses arising from financial transactions item.

Participations
Equity shareholdings in companies owned by the Bank representing a minority interest held on a long-term basis are recorded as participations. Participations are valued at acquisition cost less economically required valuation allowances.

Shares in affiliated companies
The existing majority shareholdings of VP Bank are recorded as shares in affiliated companies. Shares in affiliated companies are valued at acquisition cost less economically required valuation allowances.
These affiliated companies are fully consolidated for the purposes of the published consolidated financial statements.

Intangible assets
Value-enhancing expenditures in connection with the acquisition and installation of software are capitalized and amortized on a straight-line basis over the estimated service life of three to seven years. Self-developed intangible assets are not capitalized. Minor purchases are charged directly to general and administrative expenses.

Property and equipment
Property and equipment encompasses buildings used by the Bank, other real estate, furniture and equipment as well as IT installations. Investments in new and existing property and equipment are capitalized and valued at acquisition cost. Minor purchases are charged directly to general and administrative expenses.

In subsequent valuations, property and equipment is recorded at acquisition cost, less accumulated depreciation and amortization. Depreciation and amortization is charged on a systematic basis over the estimated useful lives (buildings used by the Bank and other real estate: 25 years; furniture and equipment: 8 years; IT: 3 years; software: 3 to 7 years). The property and equipment is reviewed annually for impairment in value.

Other assets, other liabilities

Other assets and liabilities include the positive and negative replacement values, respectively, of all financial derivative instruments open at the balance-sheet date arising from nostro transactions as well as OTC contracts arising from transactions on behalf of clients. In addition, these positions include balances of various settlement and clearing accounts.

Valuation allowances and provisions

Valuation allowances and provisions are established to reflect recognizable risks, as dictated by the principle of prudence. Individual and lump-sum valuation allowances for receivables from banks and clients as well as on mortgage receivables are deducted directly from the corresponding asset position. Provisions are raised for receivables subject to a country risk as dictated by the principle of prudence.

Provisions for general banking risks

Provisions for general banking risks are prudently established reserves to cover latent risks arising from the normal course of business of the Bank. As required by the prescriptions governing financial-statement reporting, they are shown as a separate item in the balance sheet. Changes thereto are disclosed separately in the income statement.

Contingent liabilities, irrevocable facilities granted, capital subscription and margin obligations

Amounts disclosed as off-balance-sheet items are stated at nominal values. Lump-sum provisions exist in the balance sheet for latent default risks.

Statement of cash flows

VP Bank is exempted from drawing up a statement of cash flows as a result of the obligation to prepare consolidated financial statements (Art. 24l FL-BankO). The consolidated statement of cash flows of VP Bank Group is a part of the consolidated financial statements.

Post-balance-sheet date events

The subordinated loan to VP Bank (Luxembourg) S.A., Luxembourg, in the amount of CHF 20 million was repaid in full in early 2010.

Commentaries on Risk Management

Appropriate risk management is the basic prerequisite for the sustainable development and continuing success of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz. By "appropriate" it is to be understood that VP Bank, as a value-oriented enterprise, although it takes on financial, operational and business risks in a conscious manner, does not hinder growth through innovation and initiatives, but realistically evaluates and realizes profit opportunities. The principles for identifying, evaluating, controlling and monitoring financial, operational and business risks apply to Verwaltungs- und Privat-Bank Aktiengesellschaft to the same extent as to the subsidiary companies and exactly mirror the risk management and control framework of VP Bank Group, for which reason reference is made at this point to the commentaries on risk management of VP Bank Group set out on page 118.

Information regarding Balance Sheet and Income Statement

Analysis of collateral

In CHF 1,000 (Art. 24e Par. 1 Point 3.1 FL-BankO)	Mortgage collateral	Other collateral	Without collateral	Total
Loans				
Due from clients (excluding mortgage-backed receivables)	25,995	454,288	214,364	694,647
Mortgage loans secured by	1,934,868	44,810	20,034	1,999,712
• residential property	1,643,692	0	7,479	1,651,171
• office and business premises	32,747	0	31	32,778
• commercial and industrial property	209,442	0	0	209,442
• other	48,987	44,810	12,524	106,321
Total loans, 12/31/2009	**1,960,863**	**499,098**	**234,398**	**2,694,359**
Total loans, 12/31/2008	1,926,911	411,061	371,282	2,709,254
Off-balance-sheet amounts				
Contingent liabilities	1,816	103,473	8,562	113,851
Irrevocable facilities granted	5,279	68	21,606	26,953
Total off-balance-sheet amounts, 12/31/2009	**7,095**	**103,541**	**30,168**	**140,804**
Total off-balance-sheet amounts, 12/31/2008	1,407	123,182	160,696	285,285

In CHF 1,000	Gross amount owed	Estimated liquidation proceeds from collateral	Net amount owed	Individual value adjustments
Value-impaired loans				
Total value-impaired loans, 12/31/2009	**66,852**	**45,302**	**21,550**	**21,550**
Total value-impaired loans, 12/31/2008	69,011	51,779	17,232	17,232

Portfolios of securities and precious metals

In CHF 1,000	Carrying value		Acquisition cost		Market value	
(Art. 24e Par. 1 Point 3.2 FL-BankO)	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Trading portfolios of securities and precious metals						
Equity shares	190	297	350	447	190	297
of which equity shares in the treasury	190	297	350	447	190	297
Precious metals	188	4	193	4	188	4
Total	**378**	**301**	**543**	**451**	**378**	**301**
Material receivables and liabilities included in other balance sheet positions which are marked to market value and whose revaluation is recorded in the caption "gains/losses from trading transactions":						
Positive replacement values of derivative financial instruments in trading portfolios (other assets)	38,179	55,845			38,179	55,845
Negative replacement values of derivative financial instruments in trading portfolios (other liabilities)	40,108	55,696			40,108	55,696
Total	**78,287**	**111,541**	**0**	**0**	**78,287**	**111,541**
Portfolios of securities and precious metals in current assets (excluding trading portfolios)						
Debt securities	1,328,219	570,597	1,351,614	669,129	1,355,997	574,475
Equity shares	120,278	198,759	163,409	301,278	123,626	199,768
of which equity shares in the treasury	15,105	21,015	37,946	37,946	15,105	21,015
Precious metals	0	0	0	0	0	0
Total	**1,448,497**	**769,356**	**1,515,023**	**970,407**	**1,479,623**	**774,243**
of which repo-eligible securities	1,193,101	230,972	1,206,010	244,065	1,216,295	233,754
of which exchange-listed securities	689,273	265,413	766,364	334,598	713,799	267,938

Analysis of treasury shares

In numbers / in CHF 1,000 (Art. 24e Par. 1 Point 3.2 FL-BankO)	Amount 2009	Amount 2008	Carrying value 2009	Carrying value 2008
Disclosures on treasury shares included in current assets (excluding trading portfolios)				
Balance at beginning of year	**150,000**		**21,015**	
Purchase		150,000		37,946
Disposals				
Valuation allowances			–5,910	–16,931
Balance at end of year	**150,000**	**150,000**	15,105	**21,015**

Participations and shares in affiliated companies

In CHF 1,000 (Art. 24e Par. 1 Point 3.2 FL-BankO)	Carrying value 12/31/2009	Carrying value 12/31/2008
Participations		
without quoted market value	170	170
Total participations	**170**	**170**
Shares in affiliated companies		
without quoted market value[1]	113,385	116,656
Total shares in affiliated companies	**113,385**	**116,656**

[1] Waiver of any possible revaluation pursuant to Art. 1090 PGR under consideration of the discretionary powers applicable in valuing participations.

Participations and shares in affiliated companies

		12/31/2009			12/31/2008	
In 1,000 (Art. 24e Par. 1 Point 3.3 FL-BankO)	Currency	Corporate capital	Percentage ownership	Currency	Corporate capital	Percentage ownership
Participations						
Finarbit AG, Küsnacht (money-market and foreign-exchange broker)	CHF	1,500	8.33%	CHF	1,500	8.33%
Shares in affiliated companies						
FIB Finanz- und Beteiligungs-AG, Vaduz (investment company)	CHF	50	100%	CHF	50	100%
IGT Intergestions Trust reg., Vaduz (trustee company)	CHF	100	100%	CHF	100	100%
IFOS Internationale Fonds Service AG, Vaduz (fundmanagement company)	CHF	1,000	100%	CHF	1,000	100%
VP Bank and Trust Company (BVI) Limited, Tortola (holding company)	USD	11,000	60%	USD	11,000	60%
VPB Finanz Holding AG, Zurich[1] (holding company)	CHF	20,000	100%	CHF	20,000	100%
VP Bank (Luxembourg) S.A., Luxembourg[2] (bank)	CHF	20,000	100%	CHF	20,000	100%
Proventus Treuhand und Verwaltung AG, Vaduz (trustee company)	CHF	250	100%	CHF	250	100%
VP Vermögensverwaltung GmbH, Munich (asset management company)	EUR	500	100%	EUR	500	100%
VP Wealth Management (Middle East) Ltd., Dubai[3] (asset management company)	USD	2,000	100%	USD	2,000	100%
VP Wealth Management (Hong Kong) Ltd., Hongkong (asset management company)	HKD	5,000	100%	HKD	5,000	100%
VP Bank (Singapore) Ltd., Singapore (bank)	SGD	40,000	100%	SGD	40,000	100%

[1] As regards VP Bank (Schweiz) AG, which is a 100 percent subsidiary of VPB Finanz Holding AG, Zurich, there is a subordinate loan in the amount of CHF 6.0 million.
[2] Including subordinated loan of CHF 20.0 million. This loan was paid back beginning of 2010.
[3] The Company will be liquidated in 2010.

The carrying value of affiliated banks included under shares in affiliated companies amounts to CHF 87.1 million including subordinated loans (prior year: CHF 87.1 million).

Overview of investments

In CHF 1,000 (Art. 24e Par. 1 Point 3.4 FL-BankO)	Acquisition cost	Cumulative depreciation to date	Carrying value 12/31/2008	Financial year 2009 Investments	Divestments	Reclassifications	Depr. & amortization	Depr. & amort. on disposal	Carrying value 12/31/2009
Total participations (minority participations)	298	–128	170						170
Total shares in affiliated companies	152,138	–35,482	116,656	5,229			–8,500		113,385
Total intangible assets (excluding goodwill)	107,604	–51,910	55,694	36,207	–21,039		–23,068	21,039	68,833
Real estate									
• bank premises	193,848	–77,912	115,936	676	–106		–5,884	106	110,728
• other real estate	17,214	–714	16,500						16,500
Other property and equipment	34,388	–24,344	10,044	2,497	–1,975		–4,633	1,975	7,908
Total property and equipment	245,450	–102,970	142,480	3,173	–2,081		–10,517	2,081	135,136
Fire-insurance values of real estate			159,290						159,290
Fire-insurance values of other property and equipment			27,500						29,720

Future commitments under operating leases

At year-end there were various operating lease contracts for real estate and other property and equipment which are principally used to conduct the business activities of the Bank. The material lease contracts include renewal options as well as escape clauses.

In CHF 1,000 (PGR Art. 1092 Point 3)	12/31/2009	12/31/2008
Total minimum commitments arising from operating leases	**10,847**	**13,628**

Operating expenses as of December 31, 2009 include CHF 5.050 million arising from operating leases (December 31, 2008: CHF 2.481 million).

Assets pledged or assigned to secure own or third-party liabilities and assets subject to reservation of title

In CHF 1,000 (Art. 24k Par. 1 und Art. 24e Par. 1 Point 3.6 FL-BankO)	12/31/2009	12/31/2008
Assets pledged or assigned to secure own or third-party liabilities and assets subject to reservation of title excluding securities lending/borrowing and repo transactions		
Carrying value of assets pledged or assigned as security	794,425	104,377
Effective liabilities	41,743	67,791
Securities lending/borrowing and repurchase transactions		
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Amounts payable arising from cash deposits in connection with securities lending und repurchase transactions	0	0
Securities owned by the Bank lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing or transferred within the scope of repurchase transactions	350,881	182,509
of which securities for which an unconditional right has been granted to sell on or repledge	249,045	182,509
Securities received as collateral within the scope of securities lending or borrowed within the scope of securities borrowing or received within the scope of reverse repurchase transactions in the case of which the unconditional right to sell on or repledge was granted	494,742	51,065
of which securities repledged or sold on	228,117	51,065

Liabilities to own retirement pension plans

In CHF 1,000 (Art. 24e Par. 1 Point 3.7 FL-BankO)	12/31/2009	12/31/2008
Due to customers	45,829	7,215
Securitized liabilities	905	1,016
Other liabilities	831	0
Total liabilities to own retirement pensions plans	**47,565**	**8,231**

Outstanding debenture loan

In CHF 1,000 (Art. 24e Par. 1 Point 3.8 FL-BankO)	Interest rate in %	Year of issue	Maturity	12/31/2009 Nominal amount	12/31/2008 Nominal amount
VP Bank debenture issue	2.875	2007	06/04/2012	250,000	250,000

Valuation allowances/provisions for general banking risks

In CHF 1,000 (Art. 24e Par. 1 Point 3.9 FL-BankO)	Balance 01/01/2009	Utilization in accordance with purpose	Recoveries, overdue interest, forex diff.	Charges to income statement	Releases to income statement	Balance 12/31/2009
Valuation allowances for default risks						
• individual valuation allowances	17,232	805	643	6,039	1,559	21,550
• individual valuation allowances made on lump-sum basis						
• lump-sum valuation allowances	16,911			5,135		22,046
• individual valuation allowances made on lump-sum basis for country risks	1,500			1,000		2,500
Provisions for contingent liabilities and credit risks	326				26	300
Provisions for other business risks	68,086	68,086				
Provisions for taxes and deferred taxes	10,262	1,715		2,099	8,250	2,396
Other provisions	5,996	157		350		6,189
Total valuation allowances and provisions	**120,313**	**70,763**	**643**	**14,623**	**9,835**	**54,981**
less: valuation allowances	34,143					43,596
Total provisions as per balance sheet	**86,170**					**11,385**
Provisions for general banking risks	**63,150**			**8,250**		**71,400**

Company capital

In CHF 1,000 Art. 24e Par. 1 Point 3.10 FL-BankO	12/31/2009 Total par value	Number	Capital entitled to dividend	12/31/2008 Total par value	Number	Capital entitled to dividend
Bearer shares	53,143	5,314,347	53,143	53,143	5,314,347	53,143
Registered shares	6,005	6,004,167	6,005	6,005	6,004,167	6,005
Total company capital	**59,148**	**11,318,514**	**59,148**	**59,148**	**11,318,514**	**59,148**

Significant stakeholders and groups of stakeholders with interlinking voting rights

In CHF 1,000 (Art. 24e Par. 1 Point 3.10.1 FL-BankO)	12/31/2009 Par value	Share in % of par value	Share of voting rights in %	12/31/2008 Par value	Share in % of par value	Share of voting rights in %
with voting rights						
Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz	14,717	24.9	48.4	14,717	24.9	48.4
U.M.M. Hilti-Stiftung, Schaan	5,959	10.1	10.5	5,959	10.1	10.5

Statement of changes in shareholders' equity

In CHF 1,000 (Art. 24e Par. 1 Point 3.11 FL-BankO)	2009
Shareholders' equity at beginning of financial year	
Subscribed and paid-up capital	59,148
Legal reserves	239,800
Reserve for treasury shares	21,312
Other reserves	294,877
Provisions for general banking risks	63,150
Retained earnings	15,057
Total shareholders' equity at beginning of financial year	**693,344**
Capital increase/capital reduction (–)	
Other appropriations/releases from reserves (–)	8,649
Dividends and other distributions from net income of the prior year[1]	–14,787
Net income for the financial year	61,117
Total shareholders' equity at end of financial year	**748,323**
of which:	
Subscribed and paid-up capital	59,148
Legal reserves	239,800
Reserve for treasury shares	15,295
Other reserves	301,293
Provisions for general banking risks	71,400
Retained earnings	61,387

[1] only dividends to third parties.

Maturity structure of assets as well as liabilities and provisions

In CHF 1,000 (Art. 24e Par. 1 Point 3.12 FL-BankO)	Sight	Callable	Due within 3 months	Due after 3 months to 12 months	Due after 12 months to 5 years	Due after 5 years	Without maturity	Total
Assets								
Cash balances	219,253							219,253
Debt instruments of the public sector and bills of exchange eligible for refinancing at central banks								
Due from banks	779,336		3,946,342	529,645	9,364	1,437		5,266,124
Due from customers	4,299	467,128	700,181	346,062	1,118,469	58,220		2,694,359
of which mortgage receivables	4,295	318,761	460,033	207,815	951,970	56,838		1,999,712
Trading portfolios of securities and precious metals	378							378
Portfolios of securities and precious metals in current assets (excluding trading portfolios)	1,448,497							1,448,497
Other assets	271,712		449				127,228	399,389
Total assets, 12/31/2009	**2,723,475**	**467,128**	**4,646,972**	**875,707**	**1,127,833**	**59,657**	**127,228**	**10,028,000**
Total assets, 12/31/2008	1,797,014	1,050,525	5,044,917	860,674	511,421	39,606	132,436	9,436,593
Liabilities and provisions								
Due to banks	738,118	19,245	311,866	8,106	936			1,078,271
Due to customers	3,304,884	3,224,609	896,812	155,977				7,582,282
• savings deposits		818,493						818,493
• other liabilities	3,304,884	2,406,116	896,812	155,977				6,763,789
Securitized liabilities			22,741	100,631	323,306	3,259		449,937
• issued debentures			22,741	100,631	323,306	3,259		449,937
of which medium-term notes			22,741	100,631	73,306	3,259		199,937
Provisions (excluding provisions for general banking risks)	11,385							11,385
Other liabilities	157,029		773					157,802
Total liabilities, 12/31/2009	**4,211,416**	**3,243,854**	**1,232,192**	**264,714**	**324,242**	**3,259**		**9,279,677**
Total liabilities, 12/31/2008	2,089,653	3,299,438	2,287,310	631,071	430,511	5,266		8,743,249
Debentures and other interest-bearing securities which mature in the following financial year								790,833
Issued debentures which mature in the following financial year								123,372

Receivables and payables to participations, affiliated companies and qualifying participants, as well as loans to governing bodies and material transactions with related persons

In CHF 1,000 (Art. 24e Par. 1 Point 3.13 FL-BankO)	12/31/2009	12/31/2008
Receivables and payables from participations, affiliated companies and qualifying participants		
Receivables from participations	0	0
Payables to participations	0	0
Receivables from affiliated companies	150,556	103,046
Payables to affiliated companies	1,025,846	584,013
Receivables from qualifying participants	0	0
Payables to qualifying participants	12,787	21,190
Loans to governing bodies		
Members of Executive Board and parties related thereto	4,106	4,748
Members of the Board of Directors and parties related thereto[1]	2,925	1,700

[1] Excluding receivables from related qualifying participants.

VP Bank Group also makes payments to related persons within the framework of brokerage services and bought-in advisory services. These correspond to customary market conditions. The aggregate amount of such payments and fees in 2009 totaled CHF 0.340 million (2008: CHF 0.250 million).

Remuneration paid to members of governing bodies

In CHF 1,000		Remuneration[1, 2, 5]					Total Remuneration	
Art. 663b[bis] Code of Obligations (Switzerland)	Fixed		There of in bearer shares (market value)		Pension fund, senior employee insurance			
	2009	2008	2009	2008	2009	2008	2009	2008
Board of Directors								
Hans Brunhart, Chairman[A, D]	400	400	99	99			400	400
Dr. Guido Meier, Vice-Chairman[B]	105	105	26	26			105	105
Markus Thomas Hilti, BoD[B]	75	75	19	18			75	75
Dr. Matthias Donhauser, BoD[E]		35					0	35
Roland Feger, BoD[D]	80	80	20	20			80	80
Walo Frischknecht, BoD[C]	105[3]	105	26	26			105	105
Prof. Dr. Beat Bernet, BoD	65	65	16	16			65	65
Dr. Daniel H. Sigg, BoD[F]	65	65	16	16			65	65
Total BoD	**895**	**930**	**222**	**221**	**none**	**none**	**895**	**930**
International Council[4], 13 individuals	**120**	**130**					**120**	**130**

In CHF 1,000	Remuneration[2, 5]						Total Remuneration			
Art. 663b[bis] Code of Obligations (Switzerland)	Fixed basic salary[6]		Short-Term Incentive (STI)		Pension fund, senior employee insurance				Long-Term Incentive (LTI), number of bearer shares (prospective entitlement)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009[7]	2008[8]
Executive Management, 5 individuals	3,816	2,857	0	0	284	284	4,100	3,141	4,664	6,750
Highest remuneration										
Adolf E. Real, CEO[9]	1,625[10]	743	0	0	67	67	1,692	810	0	1,500

The model of variable remuneration with a Short-Term Incentive (STI) and Long-Term Incentive (LTI) is described in the Corporate Governance section (see Par. 5.1.2 page 59). The number of bearer shares (eligibility from LTI – see last column) and the corresponding monetary value will not be defined until the end of the term of the plan. The calculation of the number of shares depends on the average economic profit over the performance period. The monetary equivalent from the LTI will naturally be determined by the share price at the time ownership is transferred (end of 2011 for 2009 and end of 2012 for 2008).

[A] Chairman of the Committee of the Board of Directors.
[B] Member of the Committee of the Board of Directors.
[C] Chairman of the Audit & Risk Management Committee.
[D] Member of the Audit & Risk Management Committee.
[E] Member of the Board of Directors through the 2008 Annual General Meeting.
[F] Member of the Board of Directors from the 2008 Annual General Meeting onwards.
[1] Social-security costs and any applicable value-added taxes on the emoluments paid to the Board members are borne by VP Bank.
[2] Compensation for out-of-pocket outlays is not included in these amounts.
[3] Including remuneration as representative of the Board of Directors in the pension fund.
[4] Corresponds to the lump-sum compensation for expenses paid to the external members of the International Council and Honorary Chairman.
[5] Payments due in the calendar year are shown.
[6] Gifts for length of service are included.
[7] 3-year plan.
[8] 5-year plan.
[9] CEO until August 25, 2009.
[10] including agreed termination grant.

	Shareholdings in VP Bank Number of shares (including related parties excluding qualifying participants)				Loans and credits		Related parties[2]			
	Registered		Bearer				Loans and credits[3]		Remuneration for services provided	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Board of Directors										
Hans Brunhart	5,000	5,000	4,210	2,705	1,900	600				
Dr. Guido Meier	23,250[1]	23,250[1]	20,986[1]	20,721[1]	609	680				
Markus Thomas Hilti			3,943[1]	3,753[1]						
Roland Feger	40,350[1]	40,350[1]	29,792[1]	29,590[1]	416	420			250	250
Walo Frischknecht			818	553					48	
Prof. Dr. Beat Bernet			257	257						
Dr. Daniel Sigg			280	115					42	
Total BoD	**68,600**	**68,600**	**60,286**	**57,694**	**2,925**	**1,700**	**none**	**none**	**340**	**250**
International Council	**none**	**none**	**none[6]**	**none[6]**	**none**	**none**	**none**	**none**	**none**	**none**
Executive Management	**none**	**2,000**	**10,224**	**9,761**	**4,106**	**4,748**	**none**	**none**	**none**	**none**
Fredy Vogt, CFO, CEO ad interim[4]			4,000	4,000						
Georg Wohlwend, Head of Intermediaries			4,047	2,347						
Ernst Näf, Head of Private Banking Clients			1,663	1,163	1,800	1,625				
Gerhard Häring, Head of Banking Services			514	579						
Adolf E. Real CEO[5]		2,000		1,672						

[1] Excluding the number of shares of the significant shareholders (qualifying participants).
[2] Individual or legal entities which are economically, legally or de facto closely related to a member of one of the governing bodies.
[3] As of the balance-sheet date, there were no loans or credits to related parties which were not granted at market conditions.
[4] As of August 25, 2009
[5] CEO until August 25, 2009
[6] Deposited shares by the Verwaltungs- und Privat-Bank AG.

Domestic and foreign liabilities

In CHF 1,000 (Art. 24e Par. 1 Point 3.14 FLqBankO)	12/31/2009 Domestic	12/31/2009 Foreign	12/31/2008 Domestic	12/31/2008 Foreign
Assets				
Cash balances	219,253		84,783	
Debt instruments of the public sector and bills of exchange eligible for refinancing at central banks				
Due from banks	819,702	4,446,422	692,659	4,763,587
Due from customers	2,511,724	182,635	2,480,685	228,569
of which mortgage receivables	1,999,522	190	1,884,128	194
Debentures and other interest-bearing securities	677,891	650,328	10,539	560,058
Equity shares and other non-interest-bearing securities	57,724	47,449	95,062	82,682
Participations	170		170	
Shares in affiliated companies	11,014	102,371	11,014	105,642
Intangible assets	68,833		55,694	
Property and equipment	135,136		142,480	
Treasury shares	15,295		21,312	
Other assets	42,554	8,377	54,328	7,221
Accrued receivables and prepaid expenses	17,498	13,624	40,108	
Total assets	**4,576,794**	**5,451,206**	**3,688,834**	**5,747,759**
Liabilities and shareholders' equity				
Due to banks	616,067	462,204	320,667	336,222
Due to customers	4,580,026	3,002,256	4,458,156	2,813,356
• savings deposits	684,651	133,842	483,382	101,380
• other liabilities	3,895,375	2,868,414	3,974,774	2,711,976
Securitized liabilities	449,937		606,536	
Other liabilities and deferred items	123,540	7,222	65,608	13,381
Accrued liabilities and deferred items	23,510	3,530	43,153	
Provisions	11,385		86,170	
Provisions for general banking risks	71,400		63,150	
Subscribed capital	59,148		59,148	
Income reserves	556,388		555,989	
• legal reserves	239,800		239,800	
• reserve for treasury shares	15,295		21,312	
• other reserves	301,293		294,877	
Retained earnings brought forward	270		563	
Net profit for the year	61,117		14,494	
Total liabilities and shareholders' equity	**6,552,788**	**3,475,212**	**6,273,634**	**3,162,959**

In accordance with the Banking Ordinance (Art. 24e Par. 1), Switzerland counts as domestic.

Assets in individual countries / groups of countries

In CHF 1,000 (Art. 24e Par. 1 Point 3.15 FL-BankO)	12/31/2009 Absolute	12/31/2009 Share in %	12/31/2008 Absolute	12/31/2008 Share in %
Assets				
Liechtenstein/Switzerland	4,576,794	45.6	3,688,834	39.1
Europe (excluding Liechtenstein/Switzerland)	4,794,493	47.8	5,240,094	55.5
North America	345,531	3.4	219,416	2.3
Caribbean	172,151	1.8	223,166	2.4
Asia	126,524	1.3	64,609	0.7
Others	12,507	0.1	474	0.0
Total assets	**10,028,000**	**100.0**	**9,436,593**	**100.0**

Balance sheet by currency

In CHF 1,000 (Art. 24e Par. 1 Point 3.16 FL-BankO)	CHF	USD	EUR	Others	Total
Assets					
Cash balances	209,734	446	8,861	212	219,253
Debt instruments of the public sector and bills of exchange eligible for refinancing at central banks					
Due from banks	384,605	1,359,439	2,909,613	612,467	5,266,124
Due from customers	2,391,391	133,076	93,010	76,882	2,694,359
of which mortgage receivables	1,999,098	295	319		1,999,712
Debentures and other interest-bearing securities	372,713	699,274	256,232		1,328,219
Equity shares and other non-interest-bearing securities	31,300	35,582	38,018	273	105,173
Participations	170				170
Shares in affiliated companies	113,385				113,385
Intangible assets	68,833				68,833
Property and equipment	135,136				135,136
Treasury shares	15,295				15,295
Other assets	36,785	931	5,942	7,273	50,931
Accrued receivables and prepaid expenses	20,886	1,698	7,740	798	31,122
Total on-balance-sheet assets	**3,780,233**	**2,230,446**	**3,319,416**	**697,905**	**10,028,000**
Delivery claims arising from foreign-exchange spot, forward and option transactions	152,013	263,825	233,227	190,767	839,832
Total assets, 12/31/2009	**3,932,246**	**2,494,271**	**3,552,643**	**888,672**	**10,867,832**
Total assets, 12/31/2008	4,189,879	2,823,578	3,662,294	704,180	11,379,931

In CHF 1,000 (Art. 24e Par. 1 Point 3.16 FL-BankO)	CHF	USD	EUR	Others	Total
Liabilities and shareholders' equity					
Due to banks	165,039	365,710	426,635	120,887	1,078,271
Due to customers	2,574,483	1,849,667	2,626,585	531,547	7,582,282
• savings deposits	818,375	1	116	1	818,493
• other liabilities	1,756,108	1,849,666	2,626,469	531,546	6,763,789
Securitized liabilities	449,937				449,937
Other liabilities	95,127	1,556	27,006	7,073	130,762
Accrued liabilities and deferred items	23,086	1,068	2,753	133	27,040
Provisions	11,385				11,385
Provisions for general banking risks	71,400				71,400
Subscribed capital	59,148				59,148
Income reserves	556,388				556,388
• legal reserves	239,800				239,800
• reserve for treasury shares	15,295				15,295
• other reserves	301,293				301,293
Retained earnings brought forward	270				270
Net income of the year	61,117				61,117
Total on-balance-sheet liabilities and shareholders' equity	**4,067,380**	**2,218,001**	**3,082,979**	**659,640**	**10,028,000**
Delivery obligations arising from foreign-exchange spot, forward and option transactions	252,606	174,636	232,488	179,731	839,461
Total liabilities and shareholders' equity, 12/31/2009	**4,319,986**	**2,392,637**	**3,315,467**	**839,371**	**10,867,461**
Total liabilities and shareholders' equity, 12/31/2008	4,440,144	2,762,959	3,465,351	711,330	11,379,784
Net position per currency	**–387,740**	**101,634**	**237,176**	**49,301**	**371**

Contingent liabilities

In CHF 1,000 (Art. 24e Par. 1 Point 4.1 FL-BankO)	12/31/2009	12/31/2008	Variance absolute	Variance in %
Contingent liabilities				
Credit guarantees and similar	1,218	3,853	–2,635	–68.4
Performance guarantees and similar	112,633	137,569	–24,936	–18.1
Other contingent liabilities	0	113,603	113,603	n.a.
Total contingent liabilities	**113,851**	**255,025**	**–141,174**	**–55.4**

Unsettled derivative financial instruments

In CHF 1,000 (Art. 24e Par. 1 Point 4.3 FL-BankO)	Trading instruments: Positive replacement values	Trading instruments: Negative replacement values	Trading instruments: Contract volumes	Hedging instruments: Positive replacement values	Hedging instruments: Negative replacement values	Hedging instruments: Contract volumes
Interest-rate instruments						
Swaps				182	2,912	52,263
Options (OTC)		278	148,915			
Foreign exchange/precious metals						
Forward contracts	29,635	28,556	2,635,098			
Options (OTC)	2,702	2,702	121,875			
Equity instruments/indices						
Forward contracts						
Options (OTC)	5,660	5,660	47,156			
Total prior to consideration of netting agreements, 12/31/2009	**37,997**	**37,196**	**2,953,044**	**182**	**2,912**	**52,263**
Total prior to consideration of netting agreements, 12/31/2008	55,845	55,696	2,005,084	492	3,981	95,638

VP Bank has no netting agreements.

Fiduciary transactions

In CHF 1,000 (Art. 24e Par. 1 Point 4.4 FL-BankO)	12/31/2009	12/31/2008	Variance absolute	Variance in %
Fiduciary transactions				
Fiduciary deposits	2,752,626	3,630,840	–878,214	–24.2
• fiduciary deposits with third-party banks	2,563,152	3,193,928	–630,776	–19.7
• fiduciary deposits with affiliated banks and finance companies	189,474	436,912	–247,438	–56.6
Fiduciary loans	3,465	3,503	–38	–1.1
Other fiduciary transactions of financial nature	0	0	0	0.0
Total fiduciary transactions	**2,756,091**	**3,634,343**	**–878,252**	**–24.2**

Information regarding the income statement

In CHF 1,000 (Art. 24e Par. 1 Point 5.2 FL-BankO)	2009	2008	Variance absolute	Variance in %
Income from trading activities				
Gains/losses from securities	–125	–2,165	2,040	n.a.
Gains/losses from foreign-exchange derivatives	–6,263	2,934	–9,197	–313.4
Gains/losses from foreign-exchange transactions	17,800	17,748	52	0.3
Gains/losses from trading in bank notes	180	282	–102	–35.9
Gains/losses from precious metals	594	826	–232	–28.0
Total income from trading activities	**12,186**	**19,625**	**–7,439**	**–37.9**

In CHF 1,000 (Art. 24e Abs. 1 Ziff. 5.3 FL-BankV)	2009	2008	Variance absolute	Variance in %
Personnel expenses				
Wages and salaries	61,900	75,106	–13,206	–17.6
Social security costs and staff retirement pensions and assistance costs	11,341	12,699	–1,358	–10.7
of which for staff retirement pensions	10,089	11,419	–1,330	–11.6
Other personnel expenses	9,933	15,900	–5,967	–37.5
Total personnel expenses	**83,174**	**103,705**	**–20,531**	**–19.8**
Emoluments of members of the Board of Directors[1, 2]	895	930	–35	–3.8
Compensation of members of Group Executive Management[2, 3]	4,100	3,141	959	30.5

[1] Social costs and any applicable value-added taxes on the emoluments paid to Board members are not included. The prior year comparative figure has been adjusted accordingly.
[2] Compensation for out-of-pocket expenses is not included.
[3] The compensation entitlement for the current year has been recorded (excluding any applicable vesting rights from LTI).

In CHF 1,000 (Art. 24e Par. 1 Point 5.4 FL-BankO)	2009	2008	Variance absolute	Variance in %
General and administrative expenses				
Occupancy expenses	3,189	3,598	–409	–11.4
Expenses for IT, equipment, furniture, motor vehicles and other installations	14,940	10,392	4,548	43.8
Other business expenses	24,879	27,866	–2,987	–10.7
Total general and administrative expenses	**43,008**	**41,856**	**1,152**	**2.8**

In CHF 1,000 (Art. 24e Par. 1 Point 5.5 FL-BankO)	2009	2008	Variance absolute	Variance in %
Extraordinary income				
Extraordinary expense[1]	8,250	0	8,250	n.a.
Creation and release for provisions for general banking risks				
Creation and earnings from release for provisions for general banking risks	–8,250	174,000	–182,250	n.a.

[1] Release of deferred tax liabilities

Other assets and liabilities

In CHF 1,000 (Art. 24e Par. 2 Point 6 FL-BankO)	12/31/2009	12/31/2008	Variance absolute	Variance in %
Other assets				
Precious metals	188	4	184	n.a.
Unsettled derivative financial instruments (positive replacement values)	38,179	56,337	–18,158	–32.2
• trading positions	38,179	55,845	–17,666	–31.6
• liquidity positions	0	492	–492	–100.0
Clearing accounts	2,912	2,734	178	6.5
Settlement accounts	7,312	230	7,082	n. a.
Miscellaneous other assets	2,340	2,244	96	4.3
Total other assets	**50,931**	**61,549**	**–10,618**	**–17.3**
Other liabilities				
Accounts for disbursement of taxes and fees	6,066	7,568	–1,502	–19.8
Unsettled derivative financial instruments (negative replacement values)	40,108	59,677	–19,569	–32.8
• trading positions	40,108	55,696	–15,588	–28.0
• liquidity positions	0	3,981	–3,981	–100.0
Compensation accounts	182	0	182	n.a.
Settlement accounts	78,025	11,139	66,886	n.a.
Miscellaneous other liabilities	6,381	605	5,776	n.a.
Total other liabilities	**130,762**	**78,989**	**51,773**	**65.5**

Report of the Auditors

To the Annual General Meeting of shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

As statutory auditor, we have audited the accounting records and the financial statements (balance sheet, income statement and notes – pages 165–188), and the annual report (page 164) of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, for the year ended December 31, 2009.

These financial statements and the annual report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these based on our audit.

We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Liechtenstein profession which require that an audit be planned and performed to obtain reasonable assurance that the financial statements and annual report are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended give a true and fair view of the financial position, the result of operations and the cash flows in accordance with Liechtenstein law. Furthermore, the accounting records, the financial statements and the annual report as well as the proposed appropriation of available earnings comply with Liechtenstein law and the Company's articles of incorporation.

The annual report corresponds to the annual financial statements.

We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Stefan Fuchs Certified Accountant (Auditor in charge)	Christian Bögli Certified Accountant

Berne, February 19, 2010

The VP Bank Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shareholder information

Tuesday, March 9, 2010
Media and analyst conference
2009 financial results

Friday, April 30, 2010
47th Annual General Meeting of shareholders

Wednesday, May 5, 2010
Dividend payment

Tuesday, August 31, 2010
Roundtable – 2010 semiannual results

Tuesday, March 15, 2011
Media and analyst conference
2010 financial results

Core data on shares

Bearer shares listed on SIX Swiss Exchange

Symbol	VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216
SEDOL number	5968006 CH

Imprint

This annual report has been produced with the greatest possible care and all data has been closely examined. Rounding, typeset or printing errors however cannot be ruled out. This annual report includes information and forecasts relating to the future development of VP Bank Group. Those forecasts represent estimates based on all information available at the time of publication. Any such forward-looking statement is subject to risks and uncertainties that could lead to significant variances in actual future results. No guarantee can be made as to the reliability of the prognoses, planned quantities or forward-looking statements contained herein. This annual report has been produced in the German and English languages, whereas the German version shall prevail in case of doubt.

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

Realization
VP Bank, Vaduz

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VP Bank, Vaduz

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