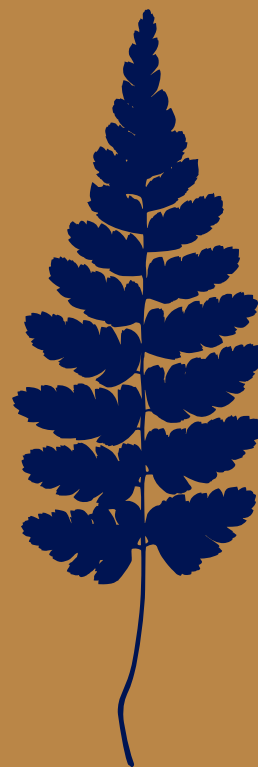
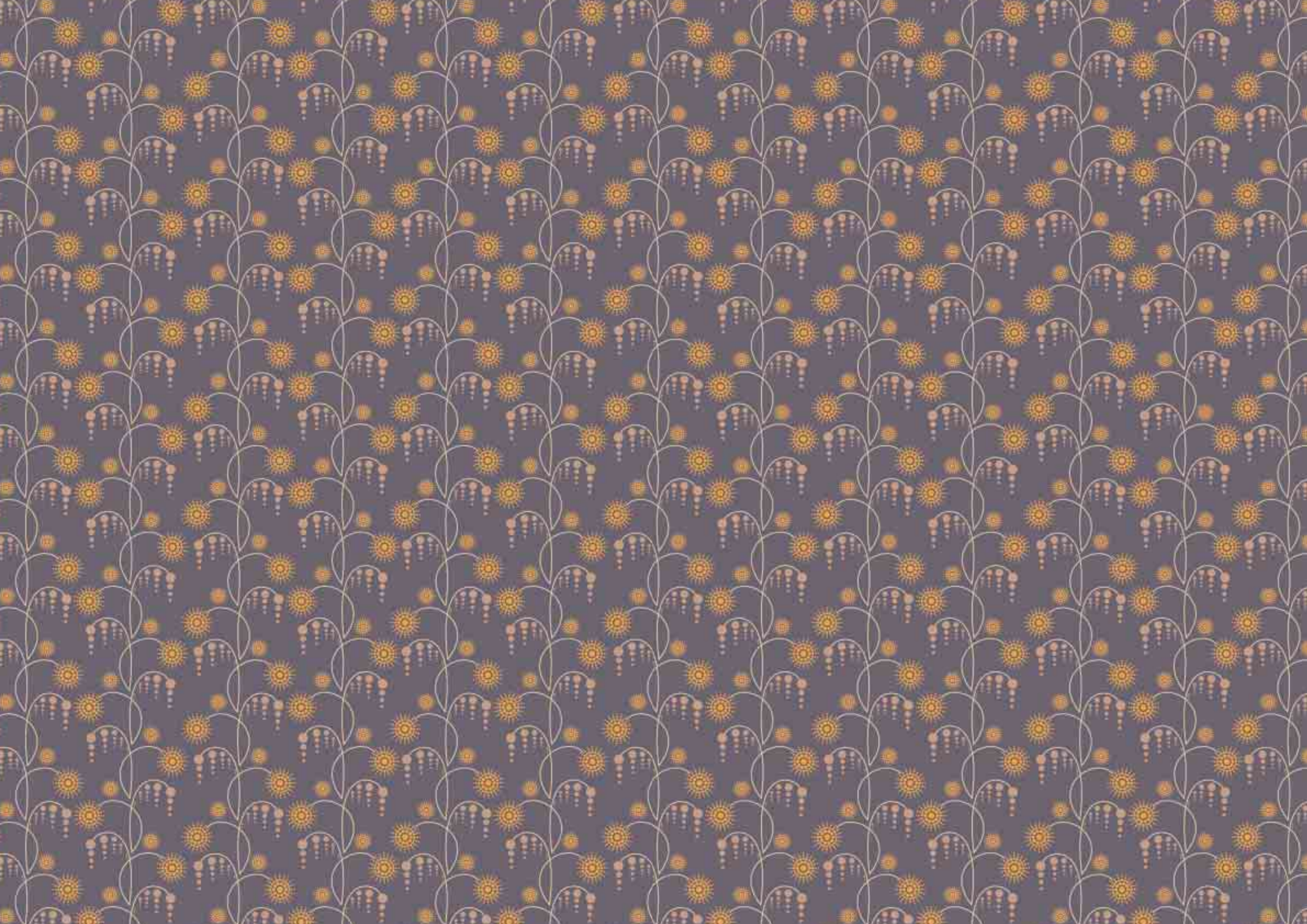


EXCERPT  
ANNUAL REPORT  
VP BANK (SCHWEIZ) AG  
2005





# CONTENTS

1. VP Bank (Schweiz) AG		
Financial year 2005	Seite	
Report of the Chairman and of the Executive Board	7	
Governing Bodies	10	
Income statement	12	
Balance sheet	15	
2. VP Bank Group		
Structure of the VP Bank Group	18	
Key figures	20	
3. Financial Report of the VP Bank Group (excerpt)		
Consolidated annual report of the VP Bank Group	23	
Consolidated income statement	28	
Consolidated balance sheet	30	
Consolidated statement of changes in shareholders' equity	32	
Consolidated cash flow statement	33	
Consolidated off-balance-sheet items	35	



FREDY VOGT  
CHAIRMAN OF THE BOARD

## REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

### 2005 in retrospect

2005 was a successful year. After a number of challenging years, VP Bank (Schweiz) AG has regained strength, and this is now reflected in a pleasing operating result and an impressive growth of client assets under management. In particular the generally satisfactory development of the financial markets and a successful product policy have made a vital contribution to that success. Highlight of the past year was the ceremonial opening of the Moscow representative office. The results for the first year are impressive proof that this choice of location was correct, and that VP Bank (Schweiz) AG is on the right path. In the reporting year, the business activities of VP Bank (Schweiz) AG remained primarily oriented to the requirements of private clients and intermediaries.

The income from fee and commission business, the most important income element, rose by 21 per cent on the previous year to CHF 11.4 million (2004: CHF 9.4 million). The income from trading business increased by 26 per cent to CHF 1.6 million (2004: CHF 1.3 million). Interest business rose by 12 per cent in the reporting year to CHF 2.2 million (2004: CHF 2.0 million). Operating expenses were up on the previous year by just 13 per cent to CHF 14.6 million (2004: CHF 13.0 million), and this is attributable to the increase in personnel expenses, principally providing client advice, of 16 per cent to CHF 10.8 million (2004: CHF 9.3 million). In the reporting year the head count, expressed in full-time equivalents, rose by 3.2 individuals to 48.1 (2004: 44.9 individuals).

Gross income more than doubled in comparison to the previous year to CHF 3.3 million (2004: CHF 1.4 million). Reported annual net income amounted to CHF 2.0 million, 27 per cent higher than the previous year (2004: CHF 1.6 million).

Total assets total rose by 36 per cent to CHF 288.3 million (2004: CHF 212.1 million), and this is attributable above all to increased lending to clients (plus 47.9 per cent) and banks (plus 52.9 per cent). This increase is offset on the liabilities side by the increased amount due to banks (plus 39.9 per cent) and clients (plus 56.4 per cent). Virtually all lending to clients takes the form of credits, secured under terms that are typical of the banking industry.

Private banking client assets under management rose by 31.1 per cent to CHF 1'798.7 million (2004: CHF 1'371.7 million). Of asset growth in the amount of CHF 427.0 million around CHF 141.4 million is attributable to new money.

Because our parent company waived the payment of a dividend, we were able to increase our shareholders' equity base by 4.3 per cent to CHF 48.3 million (2004: CHF 46.3 million). Moreover, last year's CHF 15.0 million subordinated line of credit from the parent bank remains available for financing further expansion of VP Bank (Schweiz) AG.

### Personnel changes

Daniel Hug (born 1966, Swiss citizen) joined VP Bank (Schweiz) AG on May 1, 2005 and took charge of the Banking Services business unit in his capacity as member of the Executive Board.

In February 2006 Dr. Stefan R. Gugger, Chairman of the Executive Board of VP Bank (Schweiz) AG, decided to take on a new challenge outside VP Bank (Schweiz) AG. Since April 2002, Dr. Stefan R. Gugger was responsible for the expansion of the business activities of VP Bank (Schweiz) AG as Chairman of the Executive Board of VP Bank (Schweiz) AG. VP Bank thanks Stefan Gugger for everything he did, and wishes him all the best for the future.



**DANIEL HUG**  
MEMBER OF THE EXECUTIVE BOARD

Daniel Hug, member of the Executive Board of VP Bank (Schweiz) AG, will, on an ad interim basis, head the Executive Board of VP Bank (Schweiz) AG.

#### Outlook for 2006

Since the summer of 2005, the VP Bank Group has had a new structure. Within the context of this new group structure VP Bank (Schweiz) AG has taken on the role of advisory entity, which will lead over the course of the year 2006, in production and in product development, to more intensive cooperation with the parent bank.

The quality of products and services is of vital importance to VP Bank (Schweiz) AG. For planning, production and monitoring of quality, a new quality management system will be implemented in 2006. In this connection the guideline procedures will also be revised in 2006.

VP Bank (Schweiz) AG lays great store by well-trained, motivated and reliable staff. So in 2006 training efforts will be increased and the system for target agreement and performance assessment will be reviewed.

VP Bank (Schweiz) AG thanks its clients for their trust. On behalf of the Board of Directors and the Executive Board, we would like to take this opportunity to thank all the employees of VP Bank (Schweiz) AG for their untiring effort and great commitment. We are confident that we can take the momentum and pace of a fine year 2005 into 2006 and achieve even greater success.

**Fredy Vogt**  
Chairman of the  
Board of Directors

**Daniel Hug**  
Member of the  
Executive Board

## GOVERNING BODIES

### Board of Directors

Adolf E. Real, Vaduz (Chairman)<sup>1</sup>  
 Fredy Vogt, Balzers (Vice Chairman)<sup>2</sup>  
 Dr. Georg R. Lehner, Thalwil  
 Dr. Roger Schmid, Zürich  
 Alexander Vögele, Zürich

### Executive Board

Dr. Stefan R. Gugger (Chairman)<sup>3</sup>  
 Daniel Hug

### Members of Senior Management

Wera Ammann  
 Klaus D. Burger  
 Lotti Eberle  
 Susanne Eichenberger  
 Renato Ghittini  
 Roger Hatzl  
 Bruno Huber  
 Markus Huber  
 Alexander Klinkmann  
 Daniel Lacher  
 Gerhard Lohmann  
 André Lüdi  
 Thomas Lusetti  
 Stefan Meyer  
 Salvatore Montalto  
 Diego Piccoli  
 René Rieder  
 Rolf Scherer  
 Zsuzsa Szabo  
 Ed Werner  
 Rolf Zürcher

### Management

Jürg Bamert  
 Dominik Brüsweiler  
 Oxana Epp  
 Marcel Jehle  
 Roger Kronauer  
 Toni Piscitelli  
 Andreas Radtke  
 Patrick Schaufelberger

### External and internal auditors

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

<sup>1</sup> as of April 12, 2006; follows Fredy Vogt, Balzers, as Chairman

<sup>2</sup> as of April 12, 2006; follows Georg Wohlwend, Vaduz, as Vice Chairman

<sup>3</sup> until January, 31 2006



## INCOME STATEMENT 2005

### Income and expense from ordinary banking activities

	2005 CHF	2004 CHF	Change in %
<b>Interest income</b>			
• Income from lending and discounting activities	4'634'009	3'879'453	19.5
• Interest and dividend income from financial investments			
• Interest expense	-2'386'674	-1'875'553	27.3
<b>Net interest income</b>	<b>2'247'335</b>	<b>2'003'900</b>	<b>12.1</b>
<b>Fee and commission income</b>			
• Commission income from lending activities	57'563	61'611	-6.6
• Commission income from securities and investing activities	13'761'965	11'115'996	23.8
• Fee income from other services	644'145	666'636	-3.4
• Commission expense	-3'103'697	-2'449'298	26.7
<b>Net fee and commission income</b>	<b>11'359'976</b>	<b>9'394'945</b>	<b>20.9</b>
<b>Net trading income</b>	<b>1'612'171</b>	<b>1'279'624</b>	<b>26.0</b>
<b>Other ordinary income</b>			
• Income from sale of financial investments		18'569	
• Other ordinary income	2'682'595	1'649'321	61.7
• Other ordinary expense			
<b>Net other ordinary income</b>	<b>2'682'595</b>	<b>1'667'890</b>	<b>60.8</b>
<b>Operating expenses</b>			
• Personnel expenses	-10'805'927	-9'330'467	15.8
• General and administrative expenses	-3'795'872	-3'640'241	4.3
<b>Total operating expenses</b>	<b>-14'601'799</b>	<b>-12'970'708</b>	<b>12.6</b>
<b>Gross income</b>	<b>3'300'278</b>	<b>1'375'651</b>	<b>139.9</b>
Depreciation and amortization	-1'151'210	-1'401'553	-17.9
Value adjustments, provisions and losses	-196'353	-22'794	n.a.
<b>Subtotal</b>	<b>1'952'715</b>	<b>-48'696</b>	<b>n.a.</b>
Extraordinary income	500'000	2'070'907	-75.9
Tax expense	-444'413	-441'449	0.7
<b>Net income</b>	<b>2'008'302</b>	<b>1'580'762</b>	<b>27.0</b>

### Profit appropriation

	2005 CHF	2004 CHF
Net income	2'008'302	1'580'762
Retained earnings	3'482'842	1'982'080
<b>Balance sheet net income</b>	<b>5'491'144</b>	<b>3'562'842</b>
Profit appropriation:		
Allocation to general legal reserves	-105'000.00	-80'000
Allocation to other reserves	-500'000.00	0
Distribution on share capital		
<b>Retained earnings</b>	<b>4'886'144</b>	<b>3'482'842</b>

## BALANCE SHEET AS AT DECEMBER 31, 2005



## Assets

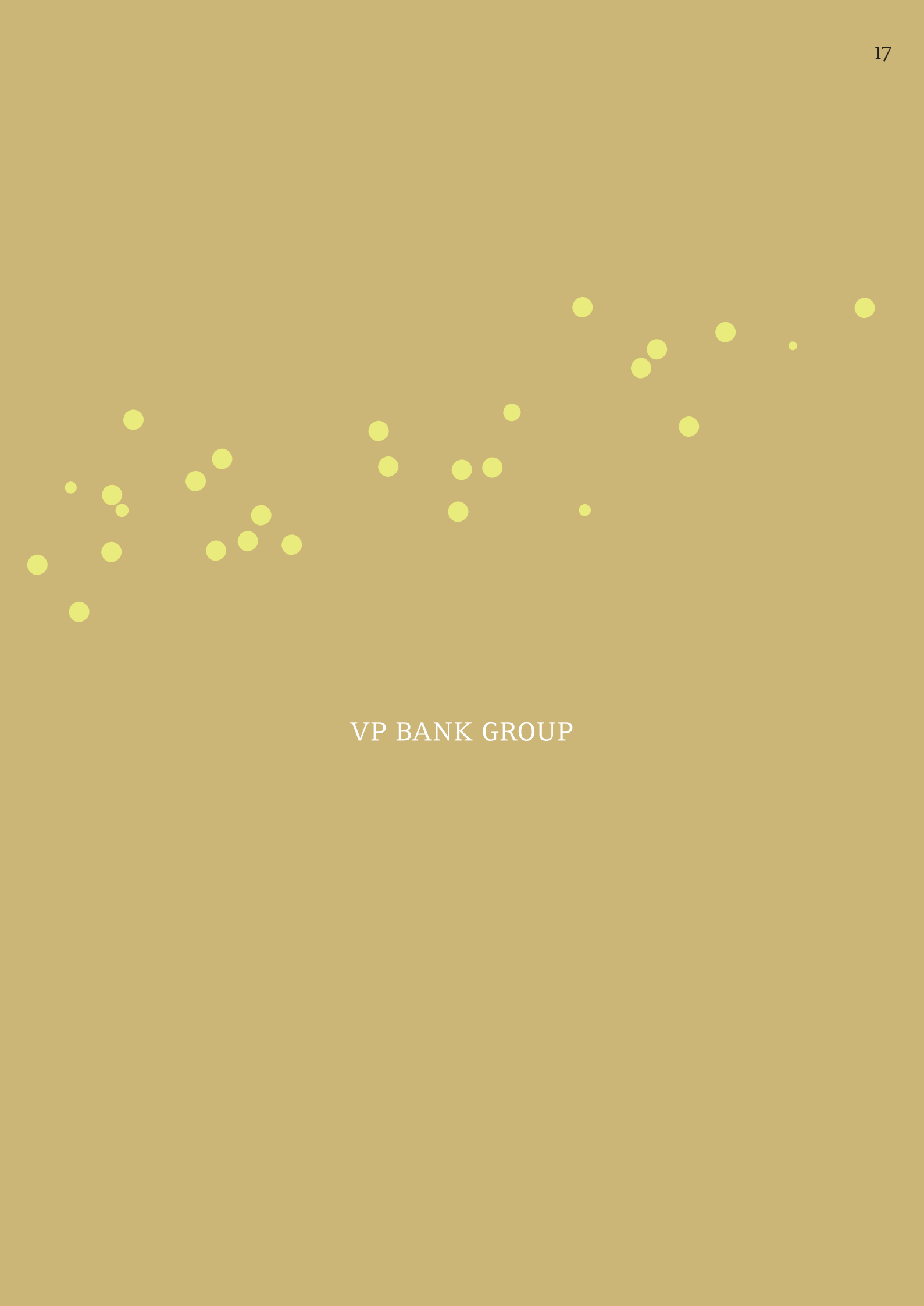
	31.12.2005 CHF	31.12.2004 CHF	Change in %
Cash and cash equivalents	4'086'453	3'612'488	13.1
Due from banks	108'402'430	70'885'408	52.9
Due from customers	118'113'877	79'854'072	47.9
Mortgage claims	27'709'500	27'657'100	0.2
Financial investments	229'500	229'500	0.0
Property and equipment	25'830'084	26'566'047	-2.8
Accrued income and prepaid expenses	3'285'455	2'630'494	24.9
Other assets	678'160	638'086	6.3
<b>Total assets</b>	<b>288'335'459</b>	<b>212'073'195</b>	<b>36.0</b>

Total due from Group companies and qualified participants	52'406'121	47'109'912	11.2
---	------------	------------	------

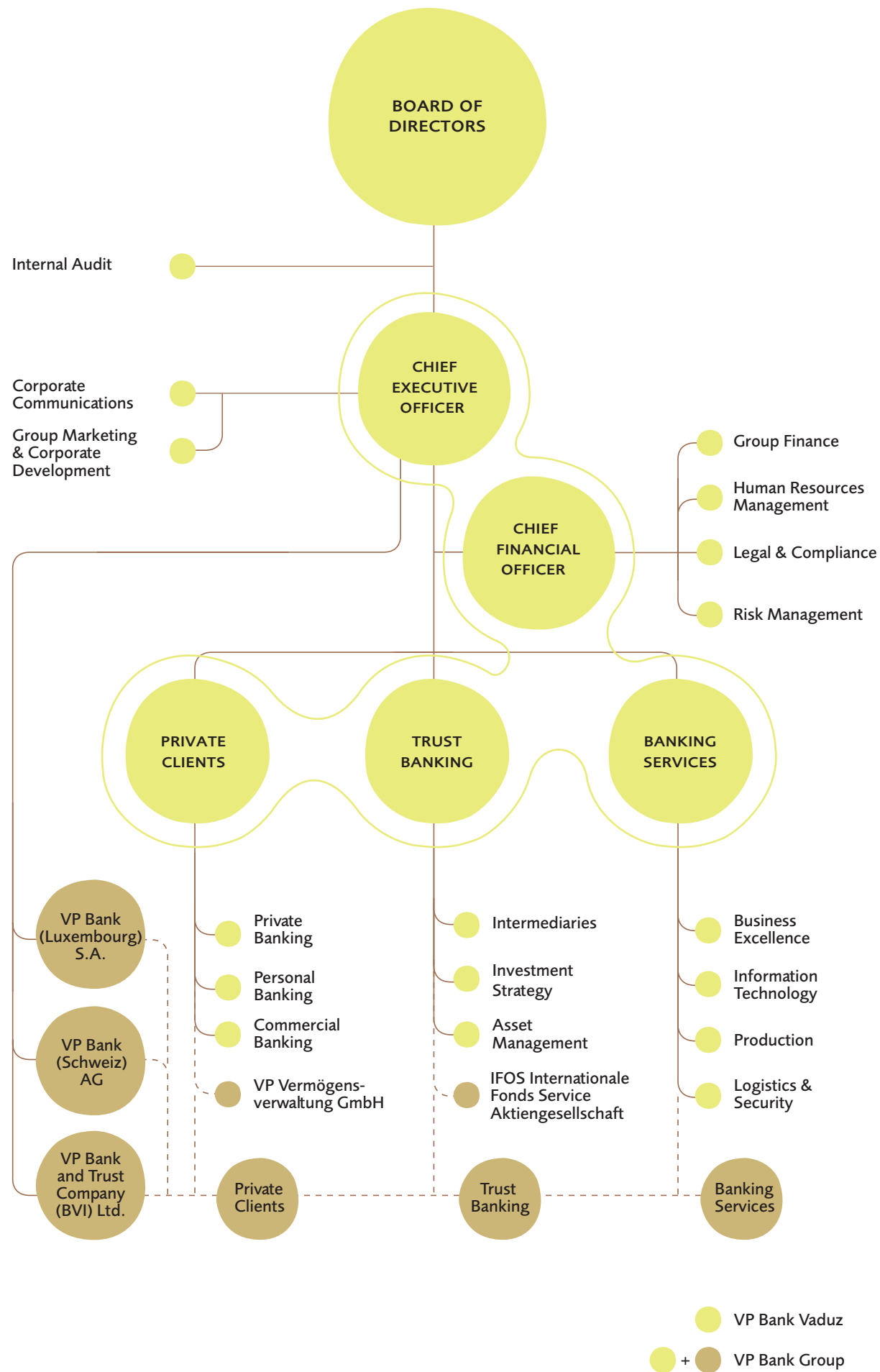
## Liabilities and shareholders' equity

	31.12.2005 CHF	31.12.2004 CHF	Change in %
Due to banks	112'859'643	80'678'533	39.9
Due to customers – savings and deposits			
Due to customers – other liabilities	114'921'621	73'492'062	56.4
Accrued expenses and deferred income	3'547'819	3'094'198	14.7
Other liabilities	1'130'575	590'903	91.3
Value adjustments and provisions	7'544'657	7'894'657	-4.4
Share capital	20'000'000	20'000'000	0.0
General legal reserves	2'360'000	2'280'000	3.5
Other reserves	20'480'000	20'480'000	0.0
Retained earnings	3'482'842	1'982'080	75.7
Net income	2'008'302	1'580'762	27.0
<b>Total liabilities and shareholders' equity</b>	<b>288'335'459</b>	<b>212'073'195</b>	<b>36.0</b>

Total subordinated amounts due	6'000'000	0	
Total due to Group companies and qualified participants	110'717'074	81'265'425	36.2



VP BANK GROUP

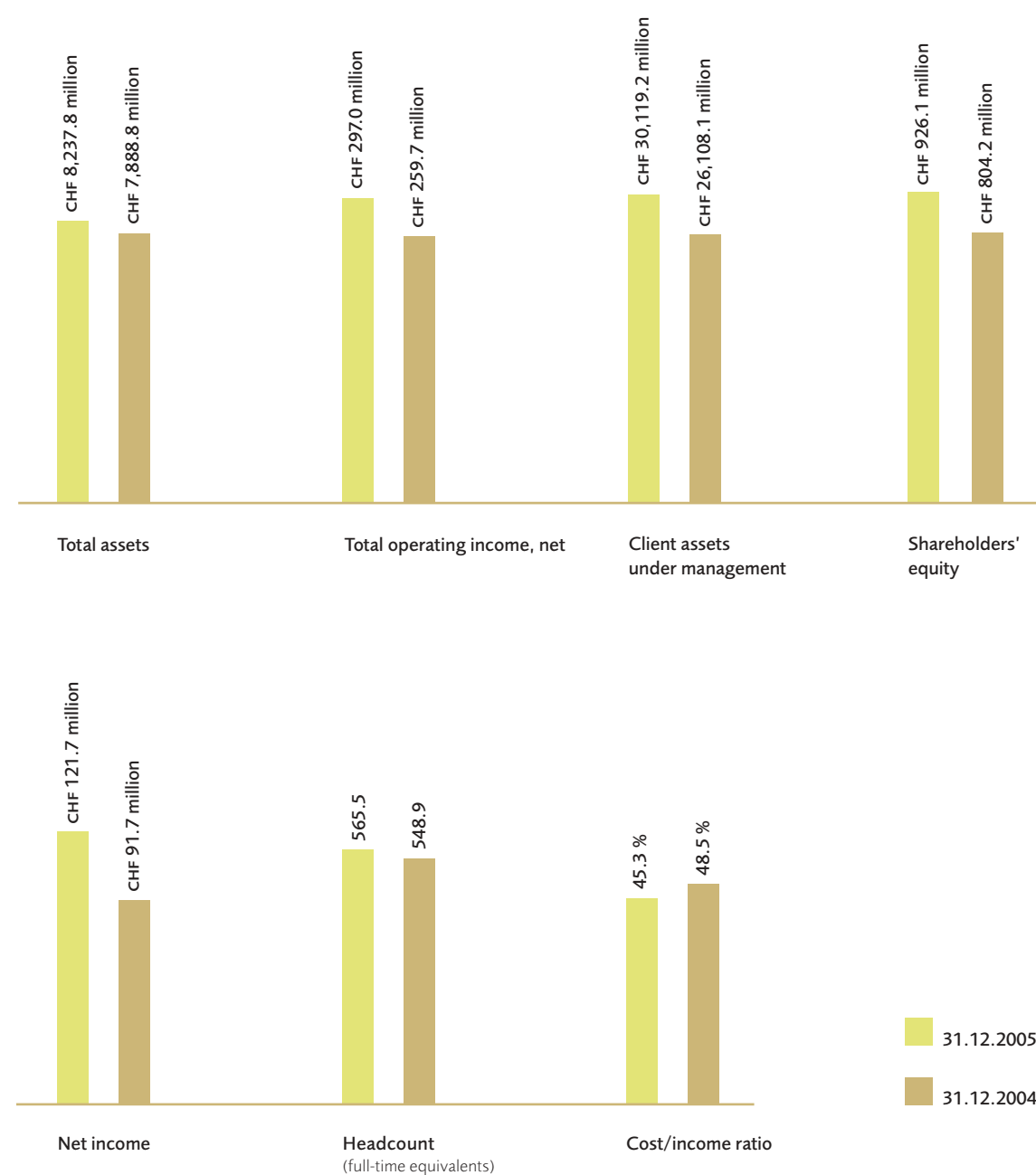


## STRUCTURE OF THE VP BANK GROUP

	Vaduz (FL)	Zurich (CH)	Luxembourg	Tortola (BVI) <sup>1</sup>	Others
Private Banking	●	●	●	●	●
Personal Banking	●				
Commercial Banking	●				
Intermediaries	●	●	●	●	

<sup>1</sup> British Virgin Islands

## KEY FIGURES OF VP BANK GROUP



### Key figures of VP Bank Group

	2005	2004	Variance in %
--	------	------	---------------

#### Key balance-sheet data in CHF million<sup>1</sup>

Total assets	8,237.8	7,888.8	4.4
Due from banks	4,147.4	3,986.7	4.0
Due from customers	2,805.0	2,725.7	2.9
Due to customers	6,907.0	6,684.9	3.3
Total shareholders' equity	926.1	804.2	15.2
Shareholder's equity attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	908.0	790.8	14.8
Equity ratio (in %)	11.0	10.0	10.0
BIS tier 1 capital ratio (in %, excl. net profit)	15.3	15.4	-0.9

#### Key income-statement data in CHF million<sup>1</sup>

Total operating income, net	297.0	259.7	14.4
Income from interest-differential business	114.6	97.3	17.9
Income from commission business and services	144.3	122.4	17.9
Income from trading activities	20.9	19.1	9.6
Operating expenses	134.5	125.9	6.8
Net income	121.7	91.7	32.7
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	119.3	89.8	32.9

#### Client assets under management in CHF million<sup>1</sup>

On-balance-sheet customer deposits	7,066.2	6,818.0	3.6
Fiduciary transactions	2,008.6	1,540.5	30.4
Client accounts	21,044.4	17,749.6	18.6

#### Rating Standard & Poor's

A/Stable/A-1

#### Key operating indicators

Ratio of foreign assets (in %)	58.3	57.1	2.2
Return on equity (in %) <sup>2</sup>	14.3	11.9	20.2
Cost/income ratio (in %) <sup>3</sup>	45.3	48.5	-6.6
Headcount (expressed as full-time equivalents) <sup>4</sup>	565.5	548.9	3.0
Total operating income, net per employee in 1,000 CHF	525.2	473.1	11.0
Total operating expense per employee in 1,000 CHF	237.8	229.4	3.7
Net income per employee in 1,000 CHF	211.0	163.7	29.0

#### Key indicators related to shares of VP Bank in CHF<sup>1,3</sup>

Net income per bearer share	20.18	15.19	32.9
Net income per registered share	2.02	1.52	32.9
Dividend per bearer share <sup>4</sup>	8.50 <sup>5</sup>	6.00	41.7
Dividend per registered share <sup>4</sup>	0.85 <sup>5</sup>	0.60	41.7
Dividend yield (in %)	3.9	3.2	20.5
Pay-out ratio (in %)	42.1	39.5	6.6
Total shareholder's return on bearer shares (in %)	20.8	-4.0	n.a.
Shareholders' equity per bearer share	153.52	133.70	14.8
Shareholders' equity per registered share	15.35	13.37	14.8
Quoted price per bearer share	219.90	187.00	17.6
Quoted price per registered share	21.00	18.00	16.7
Highest quoted price per bearer share	220.50	224.00	-1.6
Lowest quoted price per bearer share	177.80	159.50	11.5
Stock-exchange capitalization (in CHF million)	1,301	1,106	17.6
Price-earnings ratio per bearer share	10.90	12.31	-11.5
Price-earnings ratio per registered share	10.41	11.85	-12.2

<sup>1</sup> The reported key data and operating indicators are computed and reported on the basis of the share of the net profit and shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz

<sup>2</sup> Net profit / average shareholders' equity less dividend

<sup>3</sup> Total operating expense excl. depreciation and amortization, valuation allowances, provisions and losses / total operating income, net

<sup>4</sup> In accordance with legal requirements, trainees are to be included in headcount statistics as 50 percent of equivalent full-time employees

<sup>5</sup> On the basis of the shares in circulation as of the balance sheet date (5,914,764)

<sup>6</sup> Subject to approval by the Annual General Meeting

## CONSOLIDATED FINANCIAL STATEMENTS OF THE VP BANK GROUP

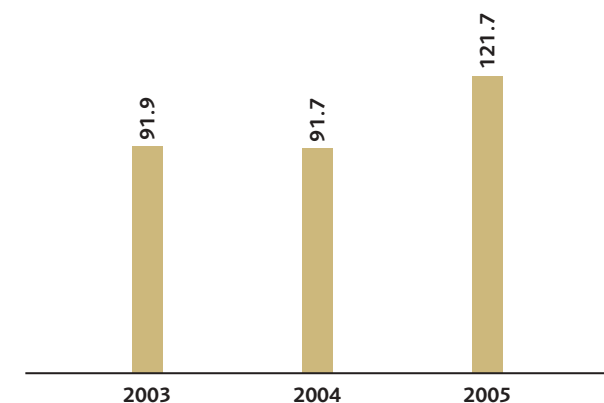


## CONSOLIDATED ANNUAL REPORT OF VP BANK GROUP

### Net income in excess of CHF 120 million, strong rise in dividend, pay-out ratio of 42 percent

The consolidated financial statements 2005 of VP Bank Group drawn up in accordance with International Financial Reporting Standards (IFRS) disclose a net income (including the share attributable to minority interests) of CHF 121.7 million. This result constitutes an increase of 33 percent over the comparable results of CHF 91.7 million for the prior year. In the first half year of 2005, the recording of unrealized revaluation gains and losses on available-for-sale financial investments was modified in accordance with IAS 39, whereby (such gains and losses on) financial investments are no longer to be taken to the income statement but are to be recorded directly under shareholders' equity without affecting operating income. Had the unrealized gains and losses been recorded in the statement of income (as was the previous practice), the net income would have reached CHF 147.9 million (December 31, 2004: CHF 89.7 million), which would have equated an increase of 65 percent. The

#### Consolidated net income (in million CHF)



consolidated statement of changes in shareholders' equity shows in detail the quantitative impact of this accounting change on shareholders' equity.

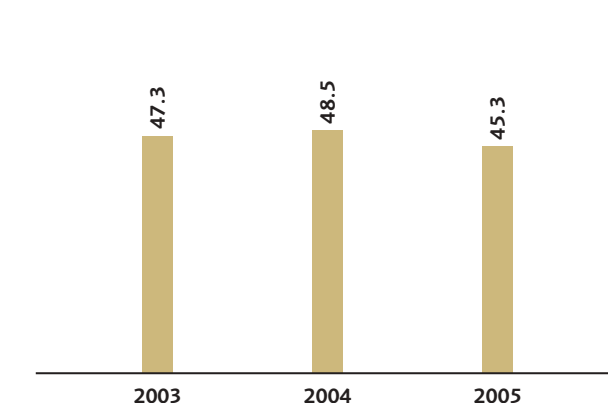
Within the framework of a long-term dividend policy, the Board of Directors proposes to the Annual General Meeting of Shareholders to be held on April 28, 2006 an increase in the dividend to CHF 7.50 per bearer share and CHF 0.75 per registered share (prior year: CHF 6.00 per bearer share and CHF 0.60 per registered share). In addition, the Board of Directors proposing a bonus

dividend of CHF 1.00 per bearer share and CHF 0.10 per registered share to mark the 50-years long existence of VP Bank.

### Confirmation of the target direction of VP Bank Group

VP Bank Group is set to reach a cost/income ratio of under 50 percent, a return on shareholders' equity of 12-15 percent and a BIS tier 1 capital ratio (defined as the core capital expressed as a percentage of risk-weighted assets) of 16 percent, as well as the attainment of client assets under management totaling CHF 30 billion by the end of 2006 as targets. VP Bank Group closed its financial year 2005 with a cost/income ratio of 45.3 percent (December 31, 2004: 48.5 percent), a return on shareholders' equity of 14.3 percent (December 31, 2004: 11.9 percent) and a BIS tier 1 capital ratio (after appropriation of income) of 16.6 percent (December 31, 2004: 16.6 percent); at the end of 2005, client assets under management aggregated CHF 30.1 billion (December 31, 2004: CHF 26.1 billion).

#### Cost/income ratio (in %)



### Dynamic environment on financial markets

In spite of stagnant economic growth and rising oil prices, the equity markets in 2005 performed spectacularly. Even bond markets in Europe achieved an entirely positive performance. US dollar rates moved markedly, above all the US dollar 3-month money-market rate increased by some 2 percentage points over a one-year period to reach 4.53 percent. This environment, the Group's own market successes – primarily with investment fund products – as well as the consistent implementation of the market-development concept

impacted the successful business trends of VP Bank Group in 2005. After a good start in the first quarter, transaction volumes cooled off somewhat in the second, but recovered markedly in the third and fourth quarters and influenced positively the development of revenues. In implementing its market-development concept, the latest expansion measures of VP Bank Group – the establishment of VP Vermögensverwaltung GmbH in Munich at the end of 2004 and of the Moscow representative office in 2005 – resulted in a scheduled further rise in personnel numbers; in this manner they scored the anticipated successes in gaining new client assets under management, particularly in the fourth quarter.

#### Business segments and their optimization

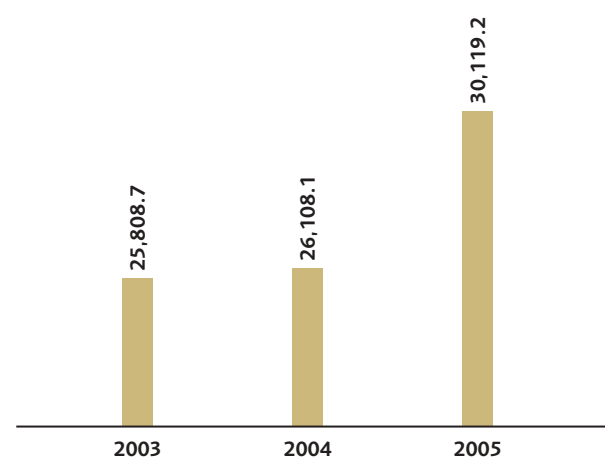
As of July 1, 2005, a new organizational structure was introduced on a Group-wide basis. This new structure coupled with the strengthening of general management at Group level and in various Group companies optimized the conditions for the development of the market and defined clearly the Group management functions. The business divisions Private Clients and Trust Banking generated a divisional income before tax of CHF 135.8 million (2004: CHF 100.5 million); Banking Services and central staff positions grouped within the Corporate Center are service or cost centers. The business division Private Clients was able to maintain its divisional income before tax. Thanks to transaction-related commissions but also to successful business with investment-fund products as well as the management of stockholders' equity (ALM), Trust Banking reported again an impressive development in profitability: divisional income before tax increased by 42 percent to CHF 127.3 million.

The Group companies (excl. parent company) in Liechtenstein, Luxembourg, Munich and on the British Virgin Islands contributed a divisional income before tax of CHF 20.7 million to the net income before income tax. In comparison to the prior year, this equated a rise of 21 percent (2004: CHF 17.1 million).

#### Client assets under management

Client assets under management rose by 15.4 percent over the prior year's level of CHF 26.1 billion to reach CHF 30.1 billion. The exposure to equity shares in client portfolios remained stable at 32 percent. The mix of foreign currencies therein was practically unchanged from the prior year.

#### Assets under Management (in million CHF)



#### Consolidated statement of income

Total operating income, net increased by 14 percent to reach CHF 297.0 million in comparison to the 2004 financial year. The ratio of gross income to total operating income, net in relation to the prior year improved from 52 percent to 55 percent. Revenues from the commission business and services of 48 percent forms the most significant component of total operating income, net (2004: 47 percent), followed by revenues from the interest-differential business with 39 percent (2004: 38 percent), revenues from trading activities with 7 percent (2004: 7 percent) and other ordinary revenues with 6 percent (2004: 8 percent).

Revenues from the interest-differential business increased by 18 percent to CHF 114.6 million (2004: CHF 97.3 million). This increase is principally attributable to higher interest rates in comparison to the prior year, especially in the Swiss and US dollar money markets. The increase also is to be ascribed to higher volumes of fixed-interest financial investments, to the increase of on-balance-sheet client deposits and the expansion of the mortgage-loan business. The credit-granting business of VP Bank encompasses principally the mortgage-loan, lombard and commercial-credit businesses and is regionally focused. VP Bank in principle concentrates, however, on services and portfolio-management activities. Revenues from the commission business and services increased by 18 percent compared to the

previous year to reach CHF 144.3 million (2004: CHF 122.4 million). Asset-related commissions contributed approximately half of the revenues from the commission business and services. In aggregate, 53 percent of commission revenues were achieved in the more active second half year. In the case of brokerage commissions, the relationship of the first to the second half of the year was 47 percent and 53 percent, respectively; even the revenues from asset management and safekeeping fees were able to increase in the second half year. The business with the bank's own investment funds in 2005 contributed CHF 41.3 million to the total operating income, net (+32 percent). The increase in commissions and service income could be achieved not only as a result of the favorable market environment but also as a result of the consistent implementation of the strategic direction of the Group as well as an increase in quality both in the servicing of clients and service offerings.

Also encouraging was the development of trading activities which in 2005 totaled CHF 20.9 million (+10 percent). This rise first and foremost resulted from client-related activities in the field of foreign currencies and thanks to higher volatilities on foreign-exchange markets.

Other income declined by CHF 3.8 million from the prior year's level to reach CHF 17.1 million (2004: CHF 21.0 million). This reduction is mainly the result of a smaller level of releases of valuation allowances no longer required.

The value-at-risk indicates the potential loss which will not be exceeded with a statistical probability of 99 percent. The average daily value-at-risk of VP Bank for market risks in 2005 amounted to CHF 4.5 million. The amount of this average value is to be seen in the context of the very good equity basis of VP Bank Group and corresponds to only 0.48 percent of stockholders' equity of the Group. VP Bank places great value on an adequate risk policy: the risks of VP Bank are actively managed whereby the establishment of an optimal relationship between risks and yields lie in the center of management decisions. The financial investments as of the end of 2005 totaling CHF 969 million and managed conservatively by the business division Asset Management were invested to the extent of some 80 percent in fixed-

interest papers: the share of equities in the bank's own portfolio of financial investments at the end of 2005 aggregated 20 percent. Prudent credit policies and loans with a low risk profile resulted in a low level of required valuation allowances and provisions, measured in terms of the volumes of loans. Accordingly, amounts charged to valuation allowances, provisions and losses in 2005 declined by 21 percent over the prior period at a level of CHF 8.1 million.

#### Expenditures and investments

Particular focus continues to be placed on cost control. The strategy of VP Bank foresees an independent future for the Group. The financial policies of the bank must also be in line with this objective: VP Bank must be capable to continue to make investments and expenditures required to cope with these challenges. Investments in 2005 totaled CHF 11.7 million (December 31, 2004: CHF 13.8 million). The investment category of other IT products experienced the most significant increase and encompassed investments in the fields of regulatory standards, e-banking, client reporting and asset management. CHF 4.1 million less were invested in the bank's own buildings than in the prior year (completion of construction of the new service and logistics center in Triesen in 2004).

Operating expenses increased by 7 percent over the prior year to reach CHF 134.5 million. Thanks to a strict cost control, the reinforced efforts made to develop front-office activities and to expand the market did not lead to an excessive rise in costs. The ratio of operating expenses to total operating income, net amounted to 45 percent (2004: 48 percent). The increase in employee headcount of 16.6 to reach 565.5 employees (expressed as full-time equivalents), qualitative improvements in client-related areas and higher accruals for bonus payments led to 8 percent higher personnel costs of CHF 92.2 million in comparison to the prior year. General and administrative expenses totaled CHF 42.3 million representing a 3 percent increase over the level of the preceding year. The largest expenditures – marketing and corporate communication – rose by 15 percent to CHF 7.9 million and were required for the accompanying measures necessary to support the growth strategy and for the consistent further development of the corporate brand and of corpora-

te reputation management. The costs of information technology (IT) remained stable. The remaining cost blocks were largely stable or slightly receding. Depreciation and amortization declined by 19 percent to CHF 18.6 million.

As a result of prudent credit-granting policies and loans with a low risk profile, charges to valuation allowances, provisions and losses in 2005 were reduced by 21 percent over the prior period at a level of CHF 8.1 million.

#### Balance sheet

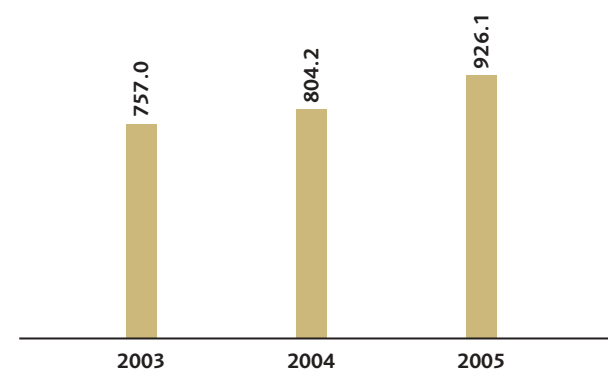
Total assets as of the end of 2005 grew by CHF 0.3 billion to reach CHF 8.2 billion (+4 percent in comparison to December 31, 2004). The increase resulted from the growth in amounts due from banks and customers (+ CHF 240 million to CHF 7.0 billion) and the increase of financial investments (+ CHF 160 million to CHF 968 million). On the other hand, other liabilities to customers increased by CHF 271 million to CHF 5.9 billion.

#### Shareholders' equity

Shareholders' equity registered a rise of 15 percent or CHF 122 million to reach CHF 926 million. In accordance with IFRS, bearer and registered shares of VP Bank as treasury shares are deducted from shareholders' equity. The stockholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz as at December 31, 2005 aggregated CHF 908.0 million (December 31, 2004: CHF 790.8 million). As of the balance sheet date, Verwaltungs- und Privat-Bank AG, Vaduz, or its subsidiary companies held in total 25,029 bearer shares as well as 4,150 registered shares (prior year: 73,612 bearer shares and 24,950 registered shares). This corresponds to a share of approximately 0.4 percent of shareholders' equity (prior year: 1.3 percent). Reference is made to note 28 (page 135) to the consolidated financial statements with regard to the holdings of treasury shares and the changes therein. The yield on shareholders' equity amounted to 14.3 percent (2004: 11.9 percent). The

equity ratio attained 11.9 percent (December 31, 2004: 10 percent). The BIS tier 1 capital ratio (excl. net profit), defined as core capital expressed as a percentage of risk-weighted assets, as of December 31, 2005, was 15.3 percent (December 31, 2004: 15.4 percent). In comparison to the industry, VP Bank possesses a comfortable equity base and at the same time presents a high degree of security for clients and business partners. Accordingly, VP Bank Group received a rating of A/Stable/A-1 from Standard & Poor's on August 30, 2005. This rating reflects the solid risk and financial profile of the Group which distinguished itself by a strong and sustainable capital structure and a high level of profitability.

Shareholders' equity (in million CHF)



## CONSOLIDATED STATEMENT OF INCOME

in 1,000 CHF	Note	2005	2004	Variance in %
Interest income		210,204	156,457	34.4
Interest expense		95,561	59,190	61.4
<b>Total income from interest-differential business</b>	1	<b>114,643</b>	<b>97,267</b>	<b>17.9</b>
Commission income		181,732	150,202	21.0
Commission expense		37,432	27,822	34.5
<b>Total income from commission business and services</b>	2	<b>144,300</b>	<b>122,380</b>	<b>17.9</b>
Income from trading activities	3	20,896	19,069	9.6
Other income	4	17,140	20,960	-18.2
<b>Total operating income, net</b>		<b>296,979</b>	<b>259,676</b>	<b>14.4</b>
Personnel expenses	5	92,158	84,918	8.5
General and administrative expenses	6	42,346	41,004	3.3
<b>Operating expenses</b>		<b>134,504</b>	<b>125,922</b>	<b>6.8</b>
<b>Gross income</b>		<b>162,475</b>	<b>133,754</b>	<b>21.5</b>
Depreciation and amortization	7	18,599	23,054	-19.3
Valuation allowances, provisions and losses	8	8,116	10,249	-20.8
<b>Income before income tax</b>		<b>135,760</b>	<b>100,451</b>	<b>35.2</b>
Taxes on income	9a	14,023	8,715	60.9
<b>Net income</b>		<b>121,737</b>	<b>91,736</b>	<b>32.7</b>
Net income attributable to minority interests		2,398	1,908	25.7
<b>Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz</b>		<b>119,339</b>	<b>89,828</b>	<b>32.9</b>

### Consolidated Statement of Income (continued)

in 1,000 CHF	2005	2004
<b>Consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz</b>		
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz (in 1,000 CHF)	119,339	89,828
Weighted average number of bearer shares	5,277,422	5,294,588
Weighted average number of registered shares	5,998,925	5,985,936
Total weighted average number of shares (bearer)	5,877,315	5,893,182
Net income per bearer share	20.31	15.24
Net income per registered share	2.03	1.52
<b>Fully-diluted consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz</b>		
Adjusted net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz (in 1,000 CHF)	119,339	89,828
Number of shares used to compute the fully-diluted consolidated income	5,877,315	5,893,182
Fully-diluted consolidated earnings per bearer share	20.31	15.24
Fully-diluted consolidated earnings per registered share	2.03	1.52

As per balance-sheet date, there were no financial or equity instruments which could result in a dilution of earnings per bearer or registered share.

## CONSOLIDATED BALANCE SHEET

### Assets

in 1,000 CHF	Note	31.12.2005	31.12.2004	Variance in %
Cash and cash equivalents	12	66,882	77,429	-13.6
Receivables arising from money-market paper	13	571	16,279	-96.5
Due from banks	14	4,147,413	3,986,703	4.0
Due from customers	14	2,804,975	2,725,651	2.9
Trading portfolios	16	437	1,540	-71.6
Derivative financial instruments	17	20,830	45,594	-54.3
Financial instruments at-fair-value	18	361,930	326,710	10.8
Financial instruments available-for-sale	19	606,443	481,339	26.0
Property and equipment	20	165,849	172,913	-4.1
Goodwill and other intangible assets	21	18,681	18,475	1.1
Taxes receivable	9c	568	827	-31.3
Deferred taxation assets	9b	1,991	1,562	27.5
Accrued receivables and prepaid expenses		27,843	22,509	23.7
Other assets	22	13,340	11,296	18.1
<b>Total assets</b>		<b>8,237,753</b>	<b>7,888,827</b>	<b>4.4</b>

### Consolidated Balance Sheet (continued)

#### Liabilities and shareholders' equity

in 1,000 CHF	Note	31.12.2005	31.12.2004	Variance in %
Due to banks		114,489	124,761	-8.2
Due to customers - savings and deposits		986,738	1,036,087	-4.8
Due to customers - other liabilities		5,920,285	5,648,860	4.8
Derivative financial instruments		30,555	56,002	-45.4
Medium-term notes	23	159,182	133,080	19.6
Tax liabilities	9c	15,935	10,923	45.9
Deferred tax liabilities	9b	16,329	13,724	19.0
Accrued liabilities and deferred items		33,583	24,042	39.7
Other liabilities	24	30,058	35,776	-16.0
Provisions	25	4,533	1,393	225.4
<b>Total liabilities</b>		<b>7,311,687</b>	<b>7,084,648</b>	<b>3.2</b>
Share capital	27	59,148	59,148	0.0
Less: treasury shares	28	-5,276	-14,774	64.3
Capital reserves		-10,845	-10,867	0.2
Income reserves		843,000	759,149	11.0
IAS 39 reserves		24,656	4,182	489.6
Foreign-currency translation differences		-2,646	-6,036	56.2
<b>Shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz</b>		<b>908,037</b>	<b>790,802</b>	<b>14.8</b>
<b>Minority interests</b>	26	<b>18,029</b>	<b>13,377</b>	<b>34.8</b>
<b>Total shareholders' equity</b>		<b>926,066</b>	<b>804,179</b>	<b>15.2</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,237,753</b>	<b>7,888,827</b>	<b>4.4</b>

## CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

in 1,000 CHF									
	Share capital	Treasury shares	Capital reserves	Income reserves	Reserves financial instruments IAS 39	Foreign-exchange translation differences	Equity of shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	Minority interests	Total shareholders' equity
<b>Total shareholders' equity 31.12.2003 prior to adjustment</b>	<b>59,148</b>	<b>-1,363</b>	<b>-11,244</b>	<b>701,680</b>		<b>-4,064</b>	<b>744,157</b>		<b>744,157</b>
<b>IFRS 32/39 adjustments</b>									
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to statement of income									
• change in unrealized gains and losses (net-of-tax)				-2,785	2,785				
Minority interests in shareholders' equity under IFRS, as restated								12,883	<b>12,883</b>
<b>Total shareholders' equity 31.12.2003 after adjustment</b>	<b>59,148</b>	<b>-1,363</b>	<b>-11,244</b>	<b>698,895</b>	<b>2,785</b>	<b>-4,064</b>	<b>744,157</b>	<b>12,883</b>	<b>757,040</b>
<b>Total shareholders' equity 1.1.2004</b>	<b>59,148</b>	<b>-1,363</b>	<b>-11,244</b>	<b>698,895</b>	<b>2,785</b>	<b>-4,064</b>	<b>744,157</b>	<b>12,883</b>	<b>757,040</b>
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to statement of income					1,248		<b>1,248</b>		<b>1,248</b>
• change in unrealized gains and losses (net-of-tax)					149		<b>149</b>		<b>149</b>
Foreign-currency translation differences						-1,972	<b>-1,972</b>	-1,414	<b>-3,386</b>
Consolidated net income				89,828			<b>89,828</b>	1,908	<b>91,736</b>
<b>Total reported result for 2004</b>				<b>89,828</b>	<b>1,397</b>	<b>-1,972</b>	<b>89,253</b>	<b>494</b>	<b>89,747</b>
Dividend 2003				-29,574			<b>-29,574</b>		<b>-29,574</b>
Change in treasury shares		-13,411	377				<b>-13,034</b>		<b>-13,034</b>
<b>Total shareholders' equity 31.12.2004</b>	<b>59,148</b>	<b>-14,774</b>	<b>-10,867</b>	<b>759,149</b>	<b>4,182</b>	<b>-6,036</b>	<b>790,802</b>	<b>13,377</b>	<b>804,179</b>
<b>Total shareholders' equity 1.1.2005</b>	<b>59,148</b>	<b>-14,774</b>	<b>-10,867</b>	<b>759,149</b>	<b>4,182</b>	<b>-6,036</b>	<b>790,802</b>	<b>13,377</b>	<b>804,179</b>
Unrealized gains and losses on available-for-sale financial instruments									
• gains/losses transferred to statement of income					-4,552		<b>-4,552</b>		<b>-4,552</b>
• change in unrealized gains and losses (net-of-tax)					25,026		<b>25,026</b>		<b>25,026</b>
Foreign-currency translation differences						3,390	<b>3,390</b>	2,254	<b>5,644</b>
Consolidated net income				119,339			<b>119,339</b>	2,398	<b>121,737</b>
<b>Total reported result 31.12.2005</b>				<b>119,339</b>	<b>20,474</b>	<b>3,390</b>	<b>143,203</b>	<b>4,652</b>	<b>147,855</b>
Dividend 2004				-35,488			<b>-35,488</b>		<b>-35,488</b>
Change in treasury shares		9,498	22				<b>9,520</b>		<b>9,520</b>
<b>Total shareholders' equity 31.12.2005</b>	<b>59,148</b>	<b>-5,276</b>	<b>-10,845</b>	<b>843,000</b>	<b>24,656</b>	<b>-2,646</b>	<b>908,037</b>	<b>18,029</b>	<b>926,066</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

in 1,000 CHF		
	2005	2004
<b>Cash flow from operating activities</b>		
Net result	119,339	89,828
Share of minority interests in consolidated net income	2,398	1,908
Depreciation and amortization	18,599	23,054
Write-off for value impairment on financial investments "available-for-sale"	70	721
Reduction in retirement pension provisions	-300	-730
Creation/release of provisions	5,601	885
Non-cash-related gains and losses on sale of investments	0	186
Unrealized gains and losses on trading portfolios	-46	-284
Unrealized gains and losses on financial investments "at-fair-value"	-3,413	-6,391
Unrealized gains and losses on financial investments "available-for-sale"	-2,692	707
Deferred income taxes	370	-1,662
Tax on income paid, interest received less interest paid and dividends received	-295,094	-212,986
<b>Sub-total</b>	<b>-155,168</b>	<b>-104,764</b>
Changes in assets and liabilities in connection with operating business activities, after adjustment for non-cash-related transactions:		
Due from/to banks, net	10,006	520,486
Trading portfolios, incl. replacement values, net	671	810
Interest received from interest-differential business	178,248	136,469
Interest received from trading portfolio interests	34	23
Dividends received from trading portfolio interests	10	0
Interest received on financial investments "at-fair-value"	12,515	8,795
Dividends received on financial investments "at-fair-value"	9	8
Interest received on financial investments "available-for-sale"	14,439	11,782
Dividends received on financial investments "available-for-sale"	1,345	892
Due from/to customers	156,672	-397,324
Foreign-exchange impact on intra-group payments	18,996	-13,329
Accrued receivables, prepaid expenses and other assets	-7,140	2,276
Accrued liabilities and other liabilities	9,192	-6,970
Interest paid in connection with interest-differential business	95,453	60,316
Taxes on income paid	-6,959	-5,298
<b>Net cash flow from operating activities</b>	<b>328,323</b>	<b>214,172</b>

**Consolidated Statement of Cash Flows (continued)**

in 1,000 CHF	2005	2004
<b>Cash flow from investing activities</b>		
Net increase / decrease in financial investments "at-fair-value"	-35,404	-36,315
Net increase / decrease in financial investments "available-for-sale"	-99,597	-83,029
Acquisition of property and equipment and intangible assets	-11,728	-13,837
Disposal of property and equipment and intangible assets	0	1,920
Acquisition of subsidiary companies	0	-1,617
Disposal of subsidiary companies	0	0
<b>Net cash flow from investing activities</b>	<b>-146,729</b>	<b>-132,878</b>
<b>Cash flow from financing activities</b>		
Net increase / decrease in treasury shares	9,520	-13,034
Dividends paid	-35,488	-29,574
Issuance / redemption of medium-term notes	26,102	-43,332
<b>Net cash flow from financing activities</b>	<b>134</b>	<b>-85,940</b>
Impact of foreign-currency translation (incl. minority interests)	-2,553	-10,703
<b>Net increase / decrease in cash and cash equivalents</b>	<b>179,175</b>	<b>-15,349</b>
Cash and cash equivalents at the beginning of the financial year	828,840	844,189
Cash and cash equivalents at the end of the financial year	1,008,015	828,840
<b>Net increase / decrease in cash and cash equivalents</b>	<b>179,175</b>	<b>-15,349</b>

**Cash and cash equivalents are represented by:**

	2005	2004
Cash	66,882	77,429
Receivables arising from money-market paper	571	16,279
Due from banks - sight balances	940,562	735,132
<b>Total cash and cash equivalents</b>	<b>1,008,015</b>	<b>828,840</b>

Sight balances due from banks bear interest at daily rates or are invested in interest-bearing short-term money-market deposits of 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 aggregates in 1,000 CHF CHF 1,008,015 (2004: CHF 828,840).

<sup>1</sup> Establishment of VP Vermögensverwaltung GmbH, Munich, CHF 1.467 million. Capital subscription; purchase of remaining 40 % of equity participation in Proventus Trust AG, Vaduz.

<sup>2</sup> Sale of shareholdings in Eurofiducia Management S.A., Montevideo, for CHF 0.32 million in exchange for offset against receivable. Cash exchanged in connection with the sale aggregated CHF 0.02 million.

**CONSOLIDATED OFF-BALANCE-SHEET AMOUNTS**

in 1,000 CHF	31.12.2005	31.12.2004
<b>Contingent liabilities</b>		
Credit guarantees and similar	13,023	18,076
Performance guarantees and similar	91,360	95,359
Irrevocable commitments	0	0
Other contingent liabilities	544	275
<b>Total contingent liabilities</b>	<b>104,927</b>	<b>113,710</b>
<b>Credit risks</b>		
Irrevocable facilities granted	40,033	29,020
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 repo transactions	0	0
<b>Total credit risks</b>	<b>40,033</b>	<b>29,020</b>
<b>Fiduciary transactions</b>		
Fiduciary deposits <sup>1</sup>	1,995,542	1,506,134
Fiduciary loans	13,054	16,151
Other fiduciary financial transactions	0	18,185
<b>Total fiduciary transactions</b>	<b>2,008,596</b>	<b>1,540,470</b>
<b>Securities lending and repurchase and reverse-repurchase transactions with securities</b>		
Receivables arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Obligations arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities as well as securities in own portfolio transferred within the framework of repurchase transactions	40,796	316,033
thereof securities where the unlimited right to sell on or pledge has been granted	40,796	150,565
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, in the case of which the unlimited right to sell on or further pledge has been granted	40,796	316,381
thereof securities which have been pledged on or sold on	40,796	147,666

<sup>1</sup> Placements with banks which Group companies made with non-consolidated group companies in their own name

# THE VP BANK GROUP

Verwaltungs- und Privat-Bank Aktiengesellschaft is a Liechtenstein-domiciled bank which is subject to supervision of the "Financial Market Authority Liechtenstein" (FMA), Heiligkreuz 8, Postfach 684, FL-9490 Vaduz, [www.fma.li](http://www.fma.li)

## Verwaltungs- und Privat-Bank Aktiengesellschaft

Aeulestrasse 6 - FL-9490 Vaduz - Liechtenstein

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

[info@vpbank.com](mailto:info@vpbank.com) - [www.vpbank.com](http://www.vpbank.com) - MwSt-Nr. 51.263-Ör-Nr. H. 44/73

### VP Bank (Schweiz) AG

Bleicherweg 50

CH-8002 Zürich

Schweiz

Tel +41 44 226 24 24

Fax +41 44 226 25 24

[info.ch@vpbank.com](mailto:info.ch@vpbank.com)

### VPB Finance S.A.

Avenue de la Liberté 26

L-1930 Luxembourg

Luxembourg

Tel +352 404 777 383

Fax +352 404 777 389

[info.lu@vpbank.com](mailto:info.lu@vpbank.com)

### IFOS Internationale Fonds Service Aktiengesellschaft

Aeulestrasse 6

FL-9490 Vaduz

Liechtenstein

Tel +423 235 67 67

Fax +423 235 67 77

[ifos@vpbank.com](mailto:ifos@vpbank.com)

### VP Bank (Luxembourg) S.A.

Avenue de la Liberté 26

L-1930 Luxembourg

Luxembourg

Tel +352 404 770-1

Fax +352 481 117

[info.lu@vpbank.com](mailto:info.lu@vpbank.com)

### VP Vermögensverwaltung GmbH

Theatinerstrasse 12

D-80333 München

Deutschland

Tel +49 89 21 11 38-0

Fax +49 89 21 11 38-99

[info@vpvv.de](mailto:info@vpvv.de), [www.vpvv.de](http://www.vpvv.de)

### IGT Intergestions Trust reg.

Aeulestrasse 6

FL-9490 Vaduz

Liechtenstein

Tel +423 233 11 51

Fax +423 233 22 24

[igt@vpbank.com](mailto:igt@vpbank.com)

### VP Bank and Trust Company (BVI) Limited

3076 Sir Francis Drakes Highway

Road Town, Tortola

British Virgin Islands

Tel +1 284 494 11 00

Fax +1 284 494 11 99

[info.bvi@vpbank.com](mailto:info.bvi@vpbank.com)

### VP Bank (Switzerland) Limited Moscow Representative Office

Office Building 2, Entrance 7,

5th floor, office 511

12 Krasnopresnenskaya Emb.

123610 Moscow

Russian Federation

Tel +7 495 967 00 95

Fax +7 495 967 00 98

[info.ru@vpbank.com](mailto:info.ru@vpbank.com)

## Impressum

Media und Investor Relations

Verwaltungs- und Privat-Bank Aktiengesellschaft

Kim-My Schefer

Head Corporate Communications

Aeulestrasse 6

FL-9490 Vaduz

Tel +423 235 66 33

Fax +423 235 76 38

[corporate.communications@vpbank.com](mailto:corporate.communications@vpbank.com)

## Design

Desgrippes Gobé Group, paris, [www.dga.com](http://www.dga.com)

## Realization

Tangram, Vaduz, [www.tangram.li](http://www.tangram.li)

## Photos

Marc Wetli, Zürich

Tangram, Vaduz, [www.tangram.li](http://www.tangram.li)

Desgrippes Gobé Group, paris, [www.dga.com](http://www.dga.com)

## Printer

Lampert Druckzentrum AG, Vaduz

