







The English excerpt of the VP Bank (Schweiz) AG annual report was translated from the original German version. The latter is binding in case of any disparities.

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Report of the Chairman of the Board and CEO

Dear Clients, Business Associates and Employees

VP Bank Group strengthened – foundation laid for expansion of Zurich operations

2003 was a challenging and demanding year for the VP Bank Group. Although the international financial markets had started to show initial signs of improvement, unstable geopolitical conditions during the first quarter of 2003 put renewed pressure on securities prices. However, following the rapid conclusion to open hostilities in Iraq, a gradual recovery set in and, by late in the year, favorable indications of a strengthening global economy began to appear.

With its gratifying annual results for 2003 and continuing high level of shareholders' equity, the VP Bank Group recorded one of its more successful financial years. Hence the necessary financial means are also available for the continued expansion and reinforcement of the Bank's Zurich-based operations. As a result of the successful reorganization and restructuring measures carried out last year, VP Bank (Schweiz) AG now enjoys optimal conditions for achieving its ambitious goals within the framework of the Group's overall strategy. Thanks to its future-oriented business model, modern range of products and services, as well as highly qualified staff, the Zurich subsidiary is in an even better position to be the preferred partner of its existing and future private banking clients.

Promising circumstances for VP Bank Group shareholders

The extraordinary general shareholders meeting on May 15, 2003, approved the repurchase of the block of shares owned by BZ Group Holding AG as well as a related capital decrease. The placement of a portion of those shares with existing and new shareholders has solidified the Group's shareholder base and created a good point of departure for the future. As a wholly owned subsidiary of VP Bank Vaduz, VP Bank (Schweiz) AG – via VP Finanz Holding AG – will benefit from those favorable developments.

New Chairman of the Board of VP Bank (Schweiz) AG

Georg Wohlwend's term of office as Chairman of the Board ended as of the November 1, 2003, extraordinary general meeting of shareholders. We would like to thank Mr. Wohlwend for the decisive contribution he made in establishing and expanding the activities of VP Bank (Schweiz) AG, as well as for the tremendous commitment he demonstrated during his term of office. Fredy Vogt, CFO of the VP Bank Group, was elected by the general assembly as his successor. However, in his capacity as Vice Chairman, Mr. Wohlwend will continue to afford VP Bank (Schweiz) AG the benefit of his knowledge and experience.

Review of 2003 business results

2003 will go down in the annals of VP Bank (Schweiz) AG as having simultaneously been a difficult yet successful year. Difficult because, in spite of the rather unfavorable market conditions, we implemented the restructuring measures that were adopted and introduced the previous year. Successful, on the other hand, because we not only exceeded our objectives, but also managed to gain new clients thanks to the outstanding dedication of our employees.

In addition, VP Bank (Schweiz) AG administers via AMZ (Asset Management Zurich) a total of CHF 1,100 million in the form of equity, bond and strategy funds (excluding money market funds), a 6.4 percent increase in comparison to the previous year, as well as CHF 730 million on behalf of institutional investors. During the past year of transition, AMZ resolutely pursued its professionalization and specialization in the fixed income and equities markets. On balance, the entire fund department achieved above-average performance, a trend that should continue in the current year.

The previously mentioned measures aimed at providing clients with heightened quality and optimized added value understandably led to non-recurring special expenses. In combination with the lower level of assets under management, those influences left their mark on the income

statement. As a result, net income from commission, interest and trading activities declined by CHF 1.8 million (-11.3 percent) to a total of CHF 14.3 million, whereas the fee and commission income of CHF 11.5 million remains the key source of revenue. Net interest income amounted to CHF 1.9 million and net trading income stood at CHF 1 million. Following the successive elimination of proprietary securities holdings, our trading activities will be devoted solely to customer transactions.

Thanks to the timely introduction of cost-saving measures at all levels (operating expense fell 4.3 percent to CHF 13.7 million; other ordinary income +CHF 0.2 million versus -CHF 0.8 million), total operating income came in above budget however below prior-year levels (gross profit: CHF 0.8 million; previous year: CHF 1.0 million). With an after-tax net profit of CHF 1.5 million, we recorded a 9.8 percent increase in earnings in comparison to 2002.

Our balance sheet total rose by 20.9 percent, mainly due to a higher level of receivables from banks (+CHF 23.4 million, or +45 percent) and customer loans (+CHF 14.4 million, or +18 percent, of which CHF 2.4 million was attributable to new mortgage business). On the liabilities side, the amount due to banks (mainly the parent bank) increased to CHF 70.8 million (+CHF 21.2 million) and customer deposits to CHF 73.4 million (+ CHF 20.9 million). The Bank is exposed to no significant risk concentrations or unsecured loans.

In that our parent entity, as shareholder, waived the payment of a dividend, our shareholders' equity base has increased by CHF 2.0 million. Moreover, we were able to bolster our capital with a maximum CHF 21.0 million subordinated line of credit from the parent bank earmarked for the expansion of our business activities – clearly a visible sign of the confidence the VP Bank Group Board of Management and Board of Directors has in the further development of VP Bank (Schweiz) AG.

Outlook for 2004

VP Bank (Schweiz) AG is determined to stay its course in providing clients with first-rate private banking services which, within the context of holistic wealth management, also encompass services outside of and ancillary to the actual management of their assets. With several new, highly motivated employees now on board, we are tackling the challenges of the new financial year from a position of renewed confidence. Thanks to our improved, high-performance analytical and financial information tools, as well as our intensified and more client-oriented "Active Advisory" approach that also includes third-party products in keeping with the "best in class" principle, we have every reason to believe in our ability to offer clients an even better level of service. Given an organization such as ours – distinguished by its manageable size, short decision-making paths, dedicated and highly qualified employees, as well as the

backing of a strong and independent parent company – the chances for our success in achieving that goal are indeed good.



Fredy Vogt
Chairman of the Board

Dr. Stefan R. Gugger
Chief Executive Officer
VP Bank (Schweiz) AG

Pictured from left:
Fredy Vogt
Dr. Stefan R. Gugger



Governing bodies

Board of Directors

Fredy Vogt
Chairman, Balzers

Georg Wohlwend
Vice Chairman, Vaduz

Dr. Georg R. Lehner
Thalwil

Dr. Roger Schmid
Zurich

Alexander Vögele
Zurich

Board of Management

Dr. Stefan R. Gugger
Chairman

Urs Müller
as of January 24, 2003

Members of Senior Management

Wera Ammann

Klaus D. Burger

Lotti Eberle

Susanne Eichenberger

Bruno Huber

Alexander Klinkmann

Daniel Lacher

André Lüdi

Joachim Mercier

Stefan Meyer

Salvatore Montalto

Michel Oechslin

Diego Piccoli

René Rieder

Rolf Scherer

Dr. Zsuzsa Szabo

Thomas Wille

Rolf Zürcher

Management

Jürg Bamert

Eveline Bretscher

Markus Falk

Marcel Jehle

Roger Kronauer

Toni Piscitelli

Andreas Radtke

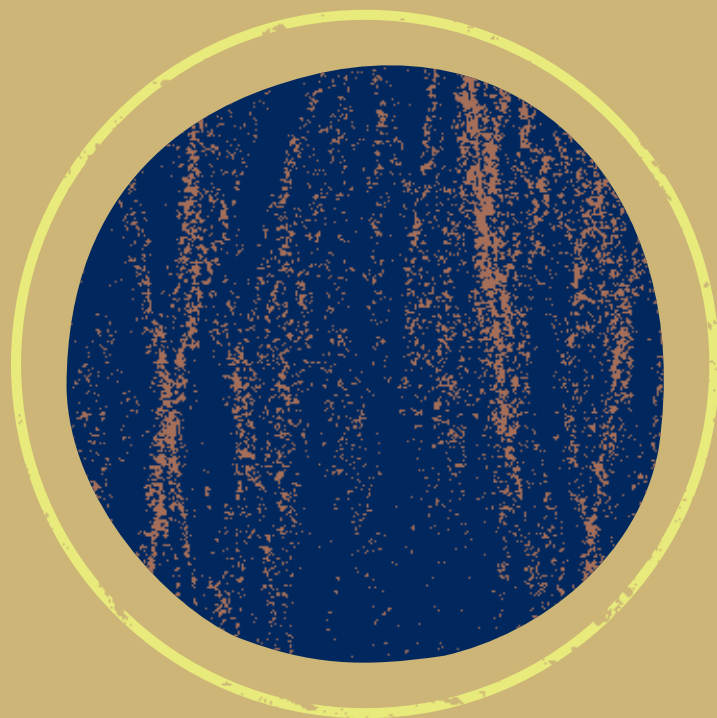
Patrick Schaufelberger

External Auditors

Statutory auditors:
Ernst & Young AG, Bern

Internal Auditors

Internal Audit Unit of
Verwaltungs- und Privat-Bank
Aktiengesellschaft, Vaduz



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Income statement 2003

Income and expense from ordinary banking activities

	2003 CHF	2002 CHF	Change in %
Interest income			
• Income from lending and discounting activities	3,016,466	3,942,164	-23.5
• Interest and dividend income from trading inventories			
• Interest and dividend income from financial investments	11,969	305,804	-96.1
• Interest expense	-1,157,781	-2,026,599	-42.9
Net interest income	1,870,654	2,221,369	-15.8
Fee and commission income			
• Commission income from lending activities	58,458	45,529	28.4
• Commission income from securities and investing activities	13,128,268	14,773,261	-11.1
• Fee income from other services	274,023	187,644	46.0
• Commission expense	-1,974,882	-1,957,784	0.9
Net fee and commission income	11,485,867	13,048,650	-12.0
Net trading income	987,193	906,122	8.9
Other ordinary income			
• Income from sale of financial investments	1,672	136,324	-98.8
• Other ordinary income	228,604		n. a.
• Other ordinary expense	-34,790	-907,388	-96.2
Net other ordinary income	195,486	-771,064	n. a.
Operating expense			
• Personnel expense	-10,252,263	-10,863,329	-5.6
• Materials expense	-3,497,735	-3,504,116	-0.2
Total operating expense	-13,749,998	-14,367,445	-4.3
Gross profit	789,202	1,037,632	-23.9
Depreciation of fixed assets	-1,449,091	-1,700,526	-14.8
Value adjustments, provisions and losses	-8,037	-75,498	-89.4
Subtotal	-667,926	-738,392	-9.5
Extraordinary income	2,608,014	3,313,581	-21.3
Tax expense	-439,000	-1,208,600	-63.7
Annual net profit	1,501,088	1,366,589	9.8

Balance sheet as at December 31, 2003

Assets

	31.12.2003 CHF	31.12.2002 CHF	Change in %
Cash and cash equivalents	2,679,929	1,904,291	40.7
Due from banks	75,153,758	51,831,283	45.0
Due from customers	67,069,527	54,993,737	22.0
Mortgage claims	27,489,500	25,124,000	9.4
Financial investments	229,500	2,790,288	-91.8
Fixed assets	27,346,708	28,711,570	-4.8
Accrued income and prepaid expense	2,018,570	2,643,939	-23.7
Other assets	1,946,302	739,068	163.3
Total assets	203,933,794	168,738,176	20.9

Total due from Group companies and qualified entities	50,795,044	40,257,648	26.2
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Liabilities and shareholders' equity

	31.12.2003 CHF	31.12.2002 CHF	Change in %
Due to banks	70,800,603	49,645,083	42.6
Due to customers in form of savings and investments		4,107,526	n. a.
Other liabilities vis-à-vis customers	73,382,815	52,532,691	39.7
Deferred liabilities	2,988,221	2,746,395	8.8
Other liabilities	2,054,510	2,108,924	-2.6
Value adjustments and provisions	9,965,565	12,356,565	-19.4
Share capital	20,000,000	20,000,000	0.0
General legal reserves	2,200,000	2,030,000	8.4
Other reserves	20,480,000	20,480,000	0.0
Retained earnings	560,992	1,364,403	-58.9
Annual net profit	1,501,088	1,366,589	9.8
Total liabilities and shareholders' equity	203,933,794	168,738,176	20.9

Total due to Group companies and qualified entities	71,036,753	49,977,344	42.1
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The VP Bank Group

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