Semi-annual report 2012

VP BANK

Media & Investor Relations
Verwaltungs- und Privat-Bank Aktiengesellschaft
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Illustrations
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Realisation
VP Bank, Vaduz

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VP Bank boosts net income

Dear Shareholders,
Ladies and Gentlemen

In accordance with International Financial Reporting Standards (IFRS), VP Bank Group recorded group net income of CHF 24.7 million for the first half of 2012. Compared to the prior-year period, in which the Group earned a profit of CHF 19.4 million, this represents an increase of 27.6 per cent.
As was the case in the previous half-year periods, the first half of 2012 was marked by the continuing uncertainties surrounding the European debt crisis and deteriorating global economic outlook. The Swiss National Bank was able to defend the price floor of CHF 1.20 versus the euro, but the latter declined in value against most other currencies, such as the US dollar, and interest rates remained mired at historically low levels. These factors also had an impact on the course of business at VP Bank, as mainly reflected by the decrease in transaction-dependent client activities. Market development efforts achieved positive results. In the first semester of 2012, a modest CHF 38.0 million outflow of client funds was recorded. In addition, the VP Bank bond issue placed in 2007 was fully redeemed in the amount of CHF 126.6 million. As a result, there was a CHF 164.6 million (0.6 per cent) net new money outflow during the first half of 2012. With a tier 1 ratio of 19.2 per cent as at 30 June 2012, VP Bank Group is well capitalised. As was the case in previous periods, our medium-term minimum target of 16 per cent was clearly exceeded. VP Bank Group, which already has a solid base of core capital, will continue – even after the introduction of Basel III – to have a tier 1 ratio that, compared to the banking industry as a whole, vouches for a high degree of stability and security.
In the first half of 2012, the cost/income ratio fell below our medium-term maximum target of 65 per cent to stand at 59 per cent. This was mainly due to essentially unchanged net operating income of CHF 125.7 million and a simultaneous decline in personnel costs and general and administrative expenses. The lower personnel costs were largely attributable to a one-time CHF 13.3 million reduction of expenses resulting from the conversion of the employee pension fund from a defined-benefit to a defined-contribution plan.

Unfavourable economic conditions
The calm that revisited the financial markets at the turn of the year failed to last very long. A renewed intensification of the European debt crisis dominated market happenings in the first half of 2012. However, the general economic developments cannot be disregarded in this context either. Europe remains in the clutches of the debt crisis. Growth in the Eurozone will suffer temporarily from the necessary budget cuts. To date, the Principality of Liechtenstein and Switzerland have successfully managed to brave the stormy weather that prevails elsewhere on the Continent. But in light of the close economic ties the two countries have with the Eurozone, it is unlikely that they will be able to maintain their relatively buoyant pace of economic growth. The previous confidence companies have had in the future course of business has waned noticeably. Any escalation in the debt crisis also harbours sizeable risks for the economies of Liechtenstein and Switzerland.
Until now, the US economy has hardly batted an eye about the weak growth in the Eurozone. However, the labour market data have failed to impress for quite some time now. The significant drop in the June Purchasing Managers' Index – especially the deterioration in terms of anticipated new factory orders – is disconcerting and has given rise to initial serious concerns about the economy in America. Should the marked increase in private and corporate lending persist, however, the positive underlying dynamic could remain in gear. It may not be forgotten, though, that the USA carries a government debt burden that exceeds 100 per cent of its gross domestic product and, sooner or later, a path towards consolidation will have to be taken there as well – along with the negative consequences for growth.
The hoped-for growth turnaround in the emerging nations has yet to materialise. GDP growth in China – albeit still at a lofty level – is below general expectations. On the South American continent, the weak pace of growth that has already marked the past two years is still intact, and Eastern Europe is suffering under a particularly strong impact from the Eurozone debt crisis. Among the emerging nations, the Asian economies should remain the growth engines, while conditions in South America and Eastern Europe are unlikely to improve in the second half.

The search for safety, combined with the central banks' open-market operations, will keep interest rates at historically low levels. And because they are already so low, there is practically no room for further cuts.
Current prices in the financial markets reflect a high degree of uncertainty. The risky asset classes, in particular, are feeling the brunt of investors' distaste for risk. Interestingly, precisely that inclination has made stocks, for example, more fundamentally attractive; but even they will not be able to reach their full potential over the short term.

Regulatory conditions

With Foreign Account Tax Compliance Act (FATCA), the USA has created a law that will contractually oblige all foreign financial institutions (FFIs) to identify their US clients and disclose the assets and investment income of those individuals to the US Internal Revenue Service (IRS). Financial institutions that have no desire to become subject to FATCA will be charged a penalty tax of 30 per cent on all transactions in US securities. FATCA has already been approved and is to be implemented by all agreeing FFIs as of 1 July 2013. The related law enters into force on 1 January 2013. VP Bank has decided to sign the FATCA agreement. On 8 February 2012, the FATCA Draft Regulations were published. Simultaneously, information was provided on bilateral FATCA treaties – known as "joint statements" – between the USA and Germany, France, Italy, Great Britain and Spain. Meanwhile, more than 40 countries througout the world have expressed interest in this joint statement variation, among them, Switzerland. The US tax authorities will announce the Final Regulations this coming autumn.
Various tax information exchange agreements (TIEAs) negotiated by the government of the Principality of Liechtenstein entered into force in the first half of 2012, with the objective of paving the way for a comprehensive double taxation agreement (DTA) with the given countries whenever possible.
By the end of March 2012, all UK clients deemed to be "relevant persons" under the Liechtenstein Disclosure Facility (LDF) had to be notified by letter that they have 18 months' time to confirm their UK tax compliance, or that they have no UK tax obligation, or have decided to take advantage of the UK LDF.

Events during the first half of 2012

Since 1 January 2012, the banking operations of VP Bank (Luxembourg) S.A. and VPB Finance S.A. have been running fully via the Avaloq platform and related subsystems. The Board of Directors approved the new risk policy of VP Bank Group, which entered into force on 1 January 2012. This new policy takes into account the structural adjustments within VP Bank, as well as the changing regulatory and business environment. As a result of this expanded management instrument, which involves Board-specified limits and targets, the tasks of the Board of Directors will be broadened in the years ahead.
The conversion of the employee pension fund from a defined-benefit to a defined-contribution plan was concluded by 1 January 2012.
With its membership in SEPA since the first quarter of the year, VP Bank has decided to join the European payments system and thereby ensure the optimal processing of client payment transactions.
More and more clients are demanding mobile solutions for transacting their banking business. At VP Bank, intense efforts are being made to develop a Group-wide solution for the Bank's locations in Liechtenstein, Switzerland, Luxembourg, the British Virgin Islands and Singapore. The initial version of VP Bank e-anking mobile solution will be introduced before the end of the year.

Staff changes

At the annual general meeting of shareholders in April, Hans Brunhart stepped down as Chairman of the Board of Directors and passed the torch to Fredy Vogt. Hans Brunhart had been a member of the Board for 18 years, 16 of which as its Chairman. From his many earlier years as Head of Government of the Principality of Liechtenstein, he was able to build bridges between the political and business realms. The Board of Directors and Group Executive Management thank him sincerely for the outstanding service he rendered to VP Bank and wish him the very best in his "golden years". At the same general assembly, Max E. Katz was elected to the Board of Directors.
On 1 April 2012, VP Bank's Head of Group Finance & Risk, Siegbert Näscher, was named successor to Fredy Vogt as Chief Financial Officer and a member of Group Executive Management.
In mid-July, Chief Executive Officer Roger H. Hartmann tendered his resignation after two years of heading the Bank. VP Bank is in the midst of a transformation process that was initiated by Roger H. Hartmann. The Board of Directors would like to thank Roger H. Hartmann for his valuable commitment. He played a key role in positioning VP Bank Group in the changing environment within the financial services industry.
Two members of Group Executive Management, Siegbert Näscher, Chief Financial Officer, and Juerg W. Sturzenegger, Chief Operating Officer, have been jointly heading VP Bank Group on an ad interim basis since mid-July 2012.

Cost reduction continues

In the autumn of 2011, various measures were introduced in an effort to heighten the operating efficiency and lower the overall costs of VP Bank Group. At the forefront of these steps was the "Fit for Future" project, which was concluded in early March 2012 upon presentation of the analytical findings and related decisions. The cost-saving potential includes, among other things, a Group-wide reduction in headcount.
An initial round of measures was introduced and implemented during the first half of 2012. To the greatest extent, these took the form of organisational adjustments such as the reorganisation of Banking Liechtenstein, changes to the investment organisation, a discontinuation of business activities in Munich,

savings on general and administrative expenses, as well as a freeze on new personnel recruiting and a reduction of staff.
To address the social dimension of the latter situation, VP Bank has developed a package of measures that offers the affected individuals longer termination periods and financial assistance in gaining professional reorientation. The medium-term budget prescribes a cap of CHF 160 million on the consolidated cost basis for the 2013 financial year.
This represents a reduction by 10 per cent or, as it were, CHF 17.7 million compared to the 2011 financial year.
At present, VP Bank is reassessing its strategic orientation. This involves an examination of existing business models as well as investments in new revenue sources and business segments.

Strategic orientation of VP Bank

The difficult global economic circumstances as well as the uncertainties in the financial markets will remain a given in the months ahead. The regulatory requirements will increase throughout the world and have an influence on the business model of VP Bank.
Strategically, VP Bank focuses on the mid-range private banking segment and the intermediaries business. Market cultivation efforts are centred on a select number of target markets, which are serviced transnationally from the Bank's existing local offices and segmented in a clearly structured manner. The entirety of VP Bank's operations and supporting units concentrate on these target groups.
Apart from those particular prospective clients and markets, however, existing clients continue to be serviced within revamped, streamlined structures. The current range of products and services is becoming leaner while also being enhanced with new innovations. Through this resolute focusing of energies, additional efficiency gains will arise.
For a private bank the size of VP Bank to remain successful in an international environment, it is vital to have a business model that is based on cooperative ventures and strategic partnerships. In this regard, VP Bank intends to establish an independent IT competence centre in collaboration with a specialised partner and to obtain IT services from that entity in the future.

Outlook

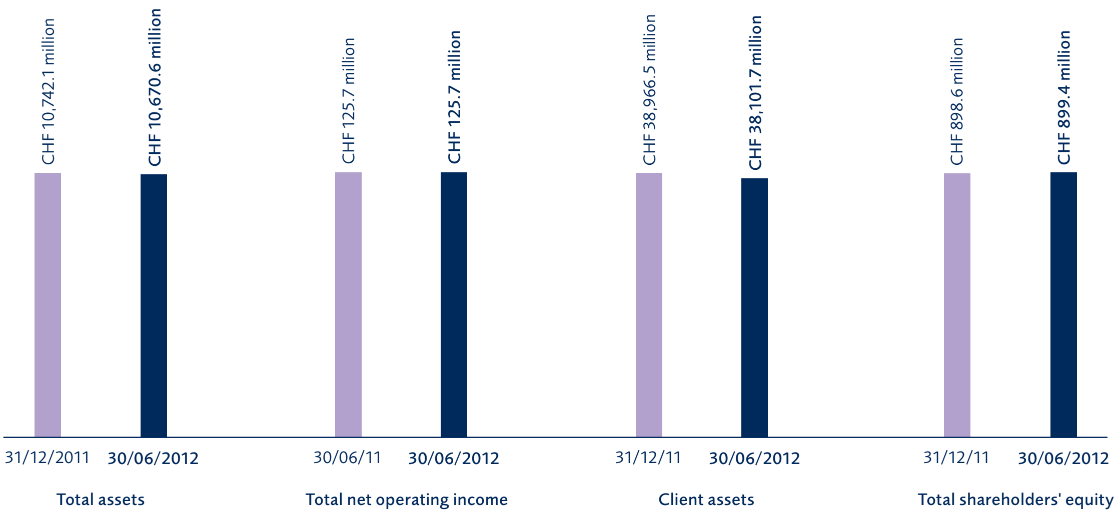
We are convinced that, with the findings from our ongoing strategic analyses, the adjustments to business models, investments in future revenue sources and our comprehensive cost-management efforts, we are cementing a sustainable base for the future success of VP Bank Group. The persisting mistrust that pervades the financial markets, as well as the uncertainties surrounding the further course of the European debt crisis, will most likely also have an influence on VP Bank's results for the second half of 2012.
We would like to express our sincere thanks for the trust you have placed in VP Bank Group and hope that we can continue to count you among our valued shareholders and clients in the years to come. Our thanks also go to our employees for their devoted efforts in all functions and at all VP Bank locations.

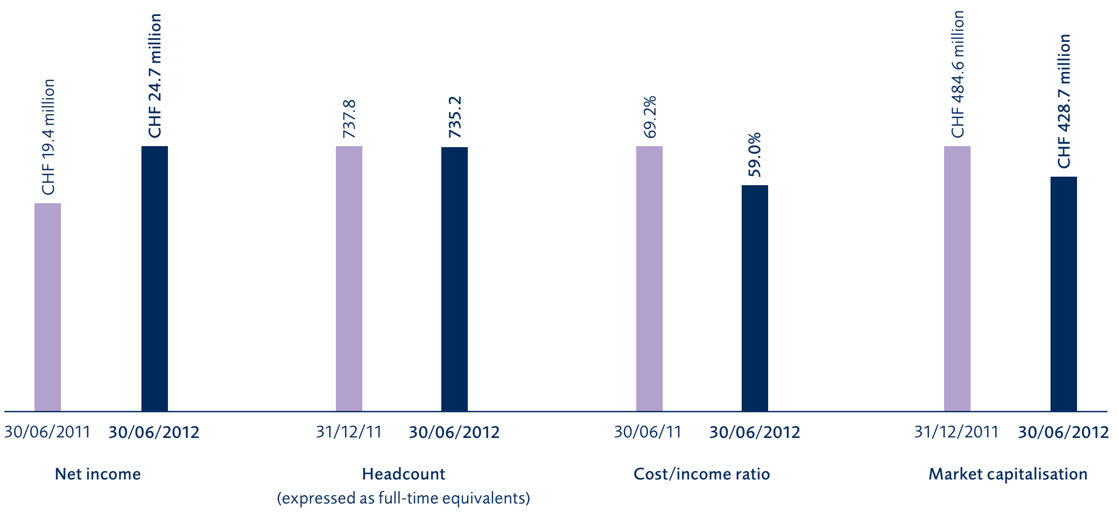
Fredy Vogt
Chairman of the Board of Directors

Siegbert Näscher
Chief Financial Officer

Juerg W. Sturzenegger
Chief Operating Officer

Key figures of VP Bank Group





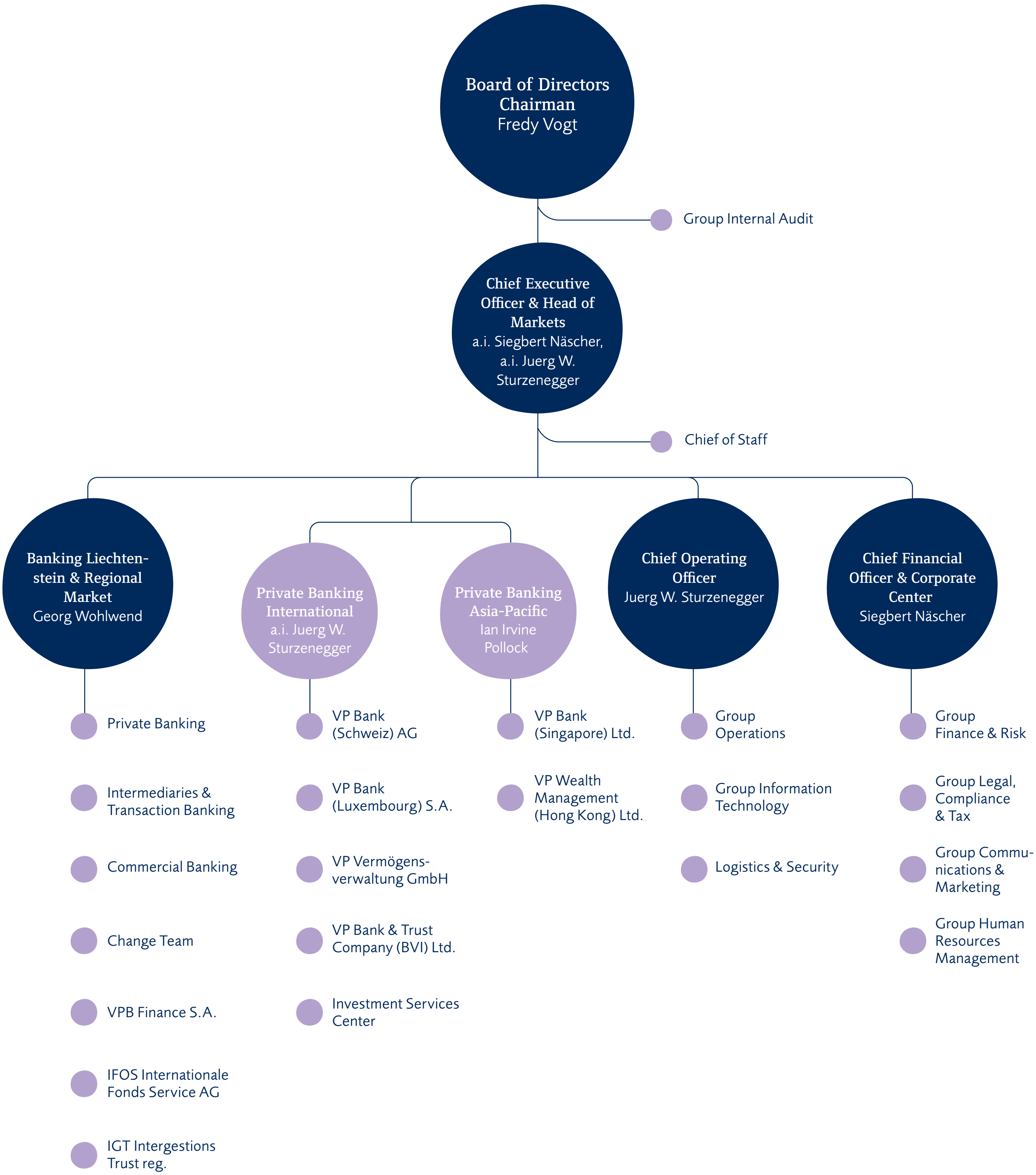
Key figures of VP Bank Group

	30/06/2012	30/06/2011	31/12/2011	Variance to 30/06/2011 in %
Key income statement data in CHF million				
Total net operating income	125.7	125.7	224.5	0.0
Net interest income	43.1	37.4	66.6	15.2
Net income from commission business and services	59.0	65.8	121.9	–10.4
Net income from trading activities	11.2	16.6	29.4	–32.6
Operating expenses	74.2	87.0	177.7	–14.7
Net income	24.7	19.4	6.4	27.6
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	25.7	18.1	4.3	42.1

	30/06/2012	30/06/2011	31/12/2011	Variance to 31/12/2011 in %
Key balance sheet data in CHF million[1]				
Total assets	10,670.6	10,671.9	10,742.1	–0.7
Due from banks	4,954.2	5,275.7	5,143.9	–3.7
Due from customers	3,953.7	3,557.2	3,851.1	2.7
Due to customers	8,685.4	8,396.1	8,692.5	–0.1
Total shareholders' equity	899.4	901.2	898.6	0.1
Shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	880.9	885.0	879.6	0.2
Equity ratio (in %)	8.3	8.3	8.2	0.8
Tier 1 ratio (in %)	19.2	18.1	18.2	5.5
Client assets in CHF million[2]	**38,101.7**	**39,194.4**	**38,966.5**	**–2.2**
On-balance-sheet customer deposits (excluding custody assets)	8,982.8	8,807.8	9,028.4	–0.5
Fiduciary deposits (excluding custody assets)	635.1	699.3	696.6	–8.8
Client securities accounts	17,946.8	17,732.1	17,703.8	1.4
Custody assets	10,537.1	11,955.2	11,537.7	–8.7
Net new money	–164.6	287.4	994.5	n.a.
Key operating indicators[1]				
Return on equity (in %)[3]	5.9	4.1	0.5	
Cost/income ratio (in %)[4]	59.0	69.2	79.2	
Headcount (expressed as full-time equivalents, excluding student apprentices)[5]	735.2	717.5	737.8	
Total net operating income per employee (in CHF 1,000)	171.0	175.2	304.2	
Total operating expenses per employee (in CHF 1,000)	101.0	121.2	240.9	
Net income per employee (in CHF 1,000)	35.0	25.2	5.9	
Key indicators related to shares of VP Bank in CHF[1]				
Net income per bearer share[6]	4.46	3.14	0.75	
Net income per registered share[6]	0.45	0.31	0.08	
Shareholders' equity per bearer share on the balance sheet date	152.89	154.08	153.06	
Shareholders' equity per registered share on the balance sheet date	14.99	15.07	14.97	
Quoted price per bearer share	73.60	110.40	83.00	
Quoted price per registered share	6.25	10.00	7.25	
Market capitalisation (in CHF million)[7]	429	647	485	
Price-earnings ratio per bearer share	8.25	17.58	110.36	
Price-earnings ratio per registered share	7.01	15.93	96.40	
Rating Standard & Poor's	**A–/Stable/A–2**	**A–/Stable/A–2**	**A–/Stable/A–2**	

1 The reported key data and operating indicators are computed and reported on the basis of the share of the net income and shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz.
2 Details in the notes to the consolidated income statement and consolidated balance sheet.
3 Annualised net income / average shareholders' equity less dividend.
4 Total operating expenses / total net operating income.
5 In accordance with legal requirements, trainees are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
6 Based on the weighted average number of shares (bearer) (note 11, see page 31).
7 Including registered shares.

Structure of VP Bank Group



Segment reporting (unaudited)

01/01–30/06/2012

in CHF 1,000	Banking Liechtenstein & Regional Market	Private Banking International	Chief Operating Officer	CFO & Corporate Center	Total Group
Net interest income	15,611	10,536	0	16,943	43,090
Net income from commission business and services	41,201	18,030	–1,607	1,349	58,973
Net income from trading activities	5,385	4,311	1,473	1	11,170
Income from financial instruments	149	1,372	0	10,417	11,938
Other income	5	219	0	323	547
Total net operating income	**62,351**	**34,468**	**–134**	**29,033**	**125,718**
Personnel expenses	13,601	22,695	14,126	143	50,565
General and administrative expenses	1,802	8,695	6,007	7,166	23,670
Services to/from other segments	20,555	8,001	–29,161	605	0
Operating expenses	**35,958**	**39,391**	**–9,028**	**7,914**	**74,235**
Gross income	**26,393**	**–4,923**	**8,894**	**21,119**	**51,483**
Depreciation and amortisation	32	1,278	9,987	3,117	14,414
Valuation allowances, provisions and losses	3,453	5,760	0	–410	8,803
Income before income tax	**22,908**	**–11,961**	**–1,093**	**18,412**	**28,266**
Taxes on income					3,535
Net income					**24,731**
Net income attributable to minority interests					–965
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz					**25,696**
Segment assets (in CHF million)	3,214	2,955	72	4,429	10,670
Segment liabilities (in CHF million)	6,117	2,920	7	727	9,771
Investments in property and equipment (in CHF 1,000)	1	450	1,797	27	2,275
Depreciation and amortisation (in CHF 1,000)	32	1,278	9,987	3,117	14,414
Creation of valuation allowances for credit risks (in CHF 1,000)	3,239	3,750	0	0	6,989
Release of valuation allowances for credit risks (in CHF 1,000)	317	2,246	0	429	2,992
Client assets under management (in CHF billion)[1]	17.7	9.7	0.0	0.2	27.6
Net new money (in CHF billion)	0.0	–0.1	0.0	–0.1	–0.2
Headcount (number of employees)	170	280	215	127	792
Headcount (expressed as full-time equivalents)	163.6	269.3	197.1	105.2	735.2
as of 31/12/2011					
Segment assets (in CHF million)	3,235	2,972	93	4,442	10,742
Segment liabilities (in CHF million)	6,593	2,812	159	279	9,843
Client assets under management (in CHF billion)[1]	17.3	9.8	0.0	0.3	27.4
Net new money (in CHF billion)	–0.3	1.5	–0.1	–0.1	1.0
Headcount (number of employees)	171	265	225	132	793
Headcount (expressed as full-time equivalents)	165.3	255.5	207.8	109.2	737.8

[1] Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).

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

As of 1 January 2012, the internal structure of VP Bank Group was reorganised and designed to strengthen the focus on market needs. As previously, VP Bank Group is subdivided into the four business segments Banking Liechtenstein & Regional Market, Private Banking International, Chief Financial Officer & Corporate Center and Chief Operating Officer. The prior-year comparative figures for segment reporting were restated retroactively.

01/01–30/06/2011

in CHF 1,000	Banking Liechtenstein & Regional Market	Private Banking International	Chief Operating Officer	CFO & Corporate Center	Total Group
Net interest income	17,875	10,324	0	9,208	37,407
Net income from commission business and services	46,023	20,584	–2,017	1,193	65,783
Net income from trading activities	6,350	4,441	714	5,076	16,581
Income from financial instruments	–11	1,525	0	4,280	5,794
Other income	112	660	0	–660	112
Total net operating income	**70,349**	**37,534**	**–1,303**	**19,097**	**125,677**
Personnel expenses	12,868	22,264	14,781	11,523	61,436
General and administrative expenses	1,565	8,272	7,439	8,284	25,560
Services to/from other segments	23,747	6,552	–32,712	2,413	0
Operating expenses	**38,180**	**37,088**	**–10,492**	**22,220**	**86,996**
Gross income	**32,169**	**446**	**9,189**	**–3,123**	**38,681**
Depreciation and amortisation	145	1,596	11,990	3,163	16,894
Valuation allowances, provisions and losses	2,153	1,527	0	–3,238	442
Income before income tax	**29,871**	**–2,677**	**–2,801**	**–3,048**	**21,345**
Taxes on income					1,959
Net income					**19,386**
Net income attributable to minority interests					1,300
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz					**18,086**
Segment assets (in CHF million)	3,165	2,702	83	4,722	10,672
Segment liabilities (in CHF million)	6,480	2,577	140	574	9,771
Investments in property and equipment (in CHF 1,000)	65	243	2,920	43	3,271
Depreciation and amortisation (in CHF 1,000)	145	1,596	11,990	3,163	16,894
Creation of valuation allowances for credit risks (in CHF 1,000)	2,098	2,486	0	0	4,584
Release of valuation allowances for credit risks (in CHF 1,000)	2,224	1,679	0	0	3,903
Client assets under management (in CHF billion)[1]	18.0	8.8	0.0	0.5	27.2
Net new money (in CHF billion)	–0.1	0.4	0.0	0.0	0.3
Headcount (number of employees)	168	260	224	121	773
Headcount (expressed as full-time equivalents)	160.3	249.2	207.1	100.9	717.5

[1] Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).

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

Banking Liechtenstein & Regional Market

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Net interest income	15,611	17,875	–2,264	–12.7
Net income from commission business and services	41,201	46,023	–4,822	–10.5
Net income from trading activities	5,385	6,350	–965	–15.2
Income from financial instruments	149	–11	160	n.a.
Other income	5	112	–107	–95.5
Total net operating income	**62,351**	**70,349**	**–7,998**	**–11.4**
Personnel expenses	13,601	12,868	733	5.7
General and administrative expenses	1,802	1,565	237	15.1
Services to/from other segments	20,555	23,747	–3,192	–13.4
Operating expenses	**35,958**	**38,180**	**–2,222**	**–5.8**
Gross income	**26,393**	**32,169**	**–5,776**	**–18.0**
Depreciation and amortisation	32	145	–113	–77.9
Valuation allowances, provisions and losses	3,453	2,153	1,300	60.4
Segment income before income tax	**22,908**	**29,871**	**–6,963**	**–23.3**

Additional information				
Operating expenses excluding depreciation and amortisation / total operating income (in %)	57.7	54.3		
Operating expenses including depreciation and amortisation / total operating income (in %)	57.7	54.5		
Client assets under management (in CHF billion)	17.7	18.0		
Change in client assets under management compared to 31/12/ prior year (in %)	2.0	–4.1		
Net new money (in CHF billion)	0.0	–0.1		
Gross income / average client assets under management (bp)[1]	71.2	76.4		
Segment result / average client assets under management (bp)[1]	26.2	32.4		
Cost/income ratio operating income (in %)[2]	57.8	54.4	3.5	6.4
Headcount (number of employees)	170	168	2	1.2
Headcount (expressed as full-time equivalents)	163.6	160.3	3.3	2.1

1 Annualised, average values.
2 Operating expenses / gross income less other income and income from financial instruments.

Structure

The Banking Liechtenstein & Regional Market business segment encompasses the universal-banking business in Liechtenstein, the home market, and in Switzerland as well as the international private banking, intermediaries and fund-solutions businesses conducted in Liechtenstein. Those entities of Verwaltungs- und Privat-Bank Aktiengesellschaft having direct contact with clients, IFOS Internationale Fonds Service Aktiengesellschaft and VPB Finance S.A. are allocated to this business segment.

Segment income

The first half of 2012 was marked by difficult challenges. The strong Swiss franc, uncertainties on the markets and the low level of interest rates adversely impacted the business of this segment. Interest margins were under pressure due to interest rates, which continued to decline. The lower level of client activities, primarily in the second quarter of 2012, reflected in the trade-related fee levels. Pre-tax segment results in the first half of 2012 fell, period-on-period, by CHF 7.0 million to CHF 22.9 million (30 June 2011: CHF 29.9 million). The gross margin amounted to 71.2 basis points (prior-year period: 76.4 basis points). The cost/income ratio increased from 54.4 to 57.8 per cent. As a result of the declining commission business and services, total operating income retreated 11.4 per cent from CHF 70.3 million to CHF 62.4 million. Operating expenses fell by 5.8 per cent to CHF 36.0 million (prior-year period: CHF 38.2 million). This reduction is a result of lower levels of recharges from other segments. In the first half of 2012, the charges for valuation allowances, provisions and losses increased by CHF 1.3 million to CHF 3.5 million in comparison with the prior-year period.
The inflow of net new money in the first half of 2012 was slightly positive, amounting to CHF 33 million. Client assets under management as of 30 June 2012 aggregated CHF 17.7 billion (30 June 2011: CHF 18.0 billion). The employee headcount increased marginally from 160.3 (30 June 2011) to 163.6 positions.

Private Banking International

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Net interest income	10,536	10,324	212	2.1
Net income from commission business and services	18,030	20,584	–2,554	–12.4
Net income from trading activities	4,311	4,441	–130	–2.9
Income from financial instruments	1,372	1,525	–153	–10.0
Other income	219	660	–441	–66.8
Total net operating income	**34,468**	**37,534**	**–3,066**	**–8.2**
Personnel expenses	22,695	22,264	431	1.9
General and administrative expenses	8,695	8,272	423	5.1
Services to/from other segments	8,001	6,552	1,449	22.1
Operating expenses	**39,391**	**37,088**	**2,303**	**6.2**
Gross income	**–4,923**	**446**	**–5,369**	**n.a.**
Depreciation and amortisation	1,278	1,596	–318	–19.9
Valuation allowances, provisions and losses	5,760	1,527	4,233	277.2
Segment income before income tax	**–11,961**	**–2,677**	**–9,284**	**–346.8**
Additional information				
Operating expenses excluding depreciation and amortisation / total operating income (in %)	114.3	98.8		
Operating expenses including depreciation and amortisation / total operating income (in %)	118.0	103.1		
Client assets under management (in CHF billion)	9.7	8.8		
Change in assets under management compared to 31/12/ prior year (in %)	–0.9	–2.5		
Net new money (in CHF billion)	–0.1	0.4		
Gross income / average client assets under management (bp)[1]	70.9	84.7		
Segment result / average client assets under management (bp)[1]	–24.6	–6.0		
Cost/income ratio operating income (in %)[2]	119.8	104.9	14.9	14.2
Headcount (number of employees)	280	260	20	7.7
Headcount (expressed as full-time equivalents)	269.3	249.2	20.1	8.1

[1] Annualised, average values.
[2] Operating expenses / gross income less other income and income from financial instruments.

Structure

The Private Banking International business segment comprises the private banking business in international locations.
VP Bank (Schweiz) AG, VP Bank (Luxembourg) S.A., VP Bank and Trust Company (BVI) Ltd., VP Bank (Singapore) Ltd., VP Vermögensverwaltung GmbH (Munich) and VP Wealth Management (Hong Kong) Ltd. are allocated to this segment. In addition, the Investment Service Center is allocated to Private Banking International.

Segment income

A strong Swiss franc, uncertainties on the markets and the economic outlook impacted international private-banking business.
On the other hand, the development of markets was positive. Pre-tax segment income in the first half of 2012 registered a decline of CHF 9.3 million from minus CHF 2.7 million to minus CHF 12.0 million.
The gross margin fell to 70.9 basis points (prior-year period: 84.7 basis points). The cost/income ratio improved from 104.9 to 119.8 per cent. Lower levels of client activities as a result of the economic uncertainties adversely impacted the commission business and services. This led to a decline in total operating income of 8.2 per cent to CHF 34.5 million (prior-year period: CHF 37.5 million).
Operating expenses increased in the same period by 6.2 per cent from CHF 37.1 million to CHF 39.4 million as a result of increased market development activities, primarily in Asia. The charges for valuation allowances, provisions and losses increased on aggregate by CHF 4.2 million to CHF 5.8 million. Despite increased market development activities, this segment recorded a minor net outflow of client assets of CHF 74 million. Client assets as of 30 June 2012 stood at CHF 9.7 billion (30 June 2011: CHF 8.8 billion). The employee headcount increased from 249.2 (30 June 2011) to 269.3 positions.

Chief Operating Officer

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Net interest income	0	0	0	n.a.
Net income from commission business and services	–1,607	–2,017	410	20.3
Net income from trading activities	1,473	714	759	106.3
Income from financial instruments	0	0	0	n.a.
Other income	0	0	0	n.a.
Total net operating income	**–134**	**–1,303**	**1,169**	**89.7**
Personnel expenses	14,126	14,781	–655	–4.4
General and administrative expenses	6,007	7,439	–1,432	–19.2
Services to/from other segments	–29,161	–32,712	3,551	10.9
Operating expenses	**–9,028**	**–10,492**	**1,464**	**14.0**
Gross income	**8,894**	**9,189**	**–295**	**–3.2**
Depreciation and amortisation	9,987	11,990	–2,003	–16.7
Valuation allowances, provisions and losses	0	0	0	n.a.
Segment income before income tax	**–1,093**	**–2,801**	**1,708**	**61.0**
Additional information				
Headcount (number of employees)	215	224	–9	–4.0
Headcount (expressed as full-time equivalents)	197.1	207.1	–10.0	–4.8

Structure

The Chief Operating Officer business segment is responsible for banking operations. It encompasses the units Group Operations, Group Information Technology and Logistics & Security for the entire VP Bank Group. In addition, Group Trading and the unit Group Business Advancement are allocated to the COO.

The Avaloq banking application was successfully implemented and launched at VP Bank in Luxembourg. Since 1 January 2012, all Group companies having banking status have thus been using the joint IT platform.

Segment results

Pre-tax results for the first half of the year amounted to minus CHF 1.1 million, as opposed to minus CHF 2.8 million in the prior-year period. The employee headcount fell by 10.0 positions to 197.1 (30 June 2011: 207.1 positions). Accordingly, personnel expenses were reduced by 4.4 per cent to CHF 14.1 million. In addition, general and administrative expenses declined by CHF 7.4 million to CHF 6.0 million (minus 19.2 per cent).

As a result of the lower trading volumes, there were with CHF 29.2 million less in internal recharges for services in the COO segment than in the comparative prior-year period of 2011 (prior period: CHF 32.7 million).

Depreciation and amortisation fell by CHF 2.0 million to CHF 10.0 million.

CFO & Corporate Center

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Net interest income	16,943	9,208	7,735	84.0
Net income from commission business and services	1,349	1,193	156	13.1
Net income from trading activities	1	5,076	–5,075	–100.0
Income from financial instruments	10,417	4,280	6,137	143.4
Other income	323	–660	983	n.a.
Total net operating income	**29,033**	**19,097**	**9,936**	**52.0**
Personnel expenses	143	11,523	–11,380	–98.8
General and administrative expenses	7,166	8,284	–1,118	–13.5
Services to/from other segments	605	2,413	–1,808	–74.9
Operating expenses	**7,914**	**22,220**	**–14,306**	**–64.4**
Gross income	**21,119**	**–3,123**	**24,242**	**n.a.**
Depreciation and amortisation	3,117	3,163	–46	–1.5
Valuation allowances, provisions and losses	–410	–3,238	2,828	87.3
Segment income before income tax	**18,412**	**–3,048**	**21,460**	**n.a.**
Additional information				
Client assets under management (in CHF billion)	0.2	0.5		
Headcount (number of employees)	127	121	6	5.0
Headcount (expressed as full-time equivalents)	105.2	100.9	4.3	4.3

Structure

CFO & Corporate Center encompasses the areas Group Finance & Risk, Group Legal, Compliance & Tax, Group Human Resources Management and Group Communications & Marketing. Those revenues and expenses having no direct relationship to the operating segments, as well as consolidation adjustments, are reported under the Corporate Center.

Segment results

Pre-tax results for the first half of 2012 amounted to CHF 18.4 million, as opposed to a negative value in the comparative prior-year period of minus CHF 3.0 million.
Interest income improved as a result of the lower interest expense for the matured debenture bond issue, higher interest income on financial investments as well as higher income arising from maturity transformation. Income from financial investments showed a welcome increase over the prior-year period of CHF 6.1 million to CHF 10.4 million. On the other hand, trading income fell over the comparative prior-year period, as a result of lower income from hedging transactions. Total operating income increased by 52 per cent to CHF 29.0 million (prior-year period: CHF 19.1 million).
Operating expenses fell by CHF 14.3 million (minus 64.4 per cent) from CHF 22.0 million to CHF 7.9 million, primarily as a result of a one-time credit of CHF 13.3 million, resulting from a change in our pension plan, which was reorganised from a defined-benefit into a defined-contribution scheme. Depreciation and amortisation changed only marginally in comparison with the prior-year period, but the charge for valuation allowances, provisions and losses recorded a lower net credit of CHF 0.4 million in comparison with the one of the prior-year period of CHF 3.2 million. The employee headcount as at 30 June 2012 was 105.2, expressed as full-time equivalents, as opposed to 100.9 as at 30 Juni 2011 (minus 4 per cent).

Consolidated semi-annual report of VP Bank Group

Group results

In accordance with International Financial Reporting Standards (IFRS), VP Bank Group recorded group net income of CHF 24.7 million for the first half of 2012. Compared to the prior-year period, in which the Group earned a profit of CHF 19.4 million, this represents an increase of 27.6 per cent.
As was the case in the previous half-year periods, the first half of 2012 was marked by the continuing uncertainties surrounding the European debt crisis and deteriorating global economic outlook. The Swiss National Bank was able to defend the price floor of CHF 1.20 versus the euro, but the latter declined in value against most other currencies, such as the US dollar, and interest rates remained mired at historically low levels.
These factors also had an impact on the course of business at VP Bank, as mainly reflected by the decrease in transaction-dependent client activities. Market development efforts achieved positive results. In the first semester of 2012, a modest CHF 38.0 million outflow of client funds was recorded. In addition, the VP Bank bond issue placed in 2007 was fully redeemed in the amount of CHF 126.6 million. As a result, there was a CHF 164.6 million (0.6 per cent) net new money outflow during the first half of 2012.

Medium-term goals

For the medium term, VP Bank Group has set itself the following goals:

- net new money inflow of an average of 5 per cent per annum
- cost/income ratio of 65 per cent
- tier 1 ratio of 16 per cent

After three half-year periods with positive net new money inflow, the first half of 2012 registered a net outflow of client assets of CHF 164.6 million, or 0.6 per cent, of which CHF 126.6 million represented the redemption in full of the Group's own debentures issued in 2007.
The cost/income ratio fell to 59.0 per cent in the first half of 2012 (prior-year period: 69.2 per cent). With stable total operating income, personnel expenses declined by CHF 10.9 million period-on-period, primarily as a result of a one-time credit of CHF 13.3 million, resulting from a change in our pension plan, which was reorganised from a defined-benefit into a defined-contribution scheme. At the same time, general and administrative expenses were reduced by CHF 1.9 million (minus 7.4 per cent) to CHF 23.7 million (first half of 2011: CHF 25.6 million).
With a tier 1 ratio of 19.2 per cent as at 30 June 2012, VP Bank Group is well capitalised. As was the case in previous periods, our medium-term minimum target of 16 per cent was clearly exceeded. VP Bank Group, which already has a solid base of core capital, will continue – even after the introduction of Basel III – to have a tier 1 ratio that, compared to the banking industry as a whole, vouches for a high degree of stability and security.
With a tier 1 ratio of 19.2 per cent as of 30 June 2012, VP Bank Group is well capitalised and which improved by 1.0 percentage point in comparison with 31 December 2011.
The medium-term target of 16 per cent which is far higher than the level required by law was thus clearly exceeded as at the end of June 2012, as in past half-years. The future regulatory framework Basle III will impose stricter capital-adequacy and liquidity requirements on credit institutions. Possessing a robust core capital (tier 1), VP Bank Group, even after the introduction of Basle III, will continue to have a tier 1 ratio expressing a high measure of stability and security in comparison with other institutions in the branch.

Client assets

As of 30 June 2012, client assets under management by VP Bank Group totalled CHF 27.6 billion. In comparison with the level as of 31 December 2011 of CHF 27.4 billion, this represents an increase of 0.5 per cent.
A minor outflow of net client assets of some CHF 38.0 million clouds the encouraging growth in new client assets of the preceding half-years. In addition, the redemption in full of the debentures of CHF 126.6 million issued in June 2007 weighed on the development of net new money. The performance-related increase in portfolios aggregated CHF 0.3 billion.
Custody assets fell by 8.7 per cent to CHF 10.5 billion (31 December 2011: CHF 11.5 billion). Client assets including custody assets as of 30 June 2012 totalled CHF 38.1 billion (31 December 2011: CHF 39.0 billion).

Income statement

Total net operating income

Period-on-period, total operating income remained unchanged at CHF 125.7 million. Interest income increased by 15.2 per cent to CHF 43.1 million.
As a result of the volatile market environment marked by uncertainties – stock-exchange trading for Swiss equities on SIX declined by almost 30 per cent in the first half of 2012 – the level of customer activities in VP Bank declined. This resulted in a drop in income from commission business and services by 10.4 per cent to CHF 59.0 million.

In line with this, brokerage income declined by 24.9 per cent, securities account commissions by 5.1 per cent and other commission receipts by 5.6 per cent.
Compared to the first half of 2011, both fund management fees and income from asset management and investment activities declined, by minus CHF 1.2 million and minus CHF 1.3 million, respectively.
Income from trading activities declined by 32.6 per cent to CHF 11.2 million. Trading on behalf of clients fell by 12.5 per cent to CHF 10.2 million. Period-on-period, securities trading in the first half of 2012 of CHF 0.9 million represented a decline of CHF 3.9 million as a result of lower gains from hedging transactions.
Income from financial instruments of CHF 11.9 million was generated in the first half of 2012.
This had amounted to CHF 5.8 million in the comparative prior-year period.

Operating expenses

Period-on-period, operating expenses fell by 14.7 per cent to CHF 74.2 million.
At the end of June 2012, VP Bank Group had 735.2 employees, expressed as full-time equivalents, which equates to a minor decrease of 0.4 per cent against the headcount as at 31 December 2011. Personnel expenses fell by 17.7 per cent to CHF 50.6 million, which is to be ascribed mainly to a non-recurring credit of CHF 13.3 million, resulting from a change in our pension plan, which was redefined from a defined-benefit to a defined-contribution scheme.
General and administrative expenses fell by 7.4 per cent to CHF 23.7 million. Thanks to rigorous cost discipline, savings were achieved in practically all areas.

Depreciation and amortisation, valuation allowances, provisions and losses

The charge for depreciation and amortisation was 14.7 per cent lower than that of the prior-year period and amounted to CHF 14.4 million. The charges for valuation allowances, provisions and losses for the first half of 2012 aggregated CHF 8.8 million (prior-year: CHF 0.4 million).

Group net income attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft

After deducting the shares of minority shareholders, there remained a group net income of CHF 25.7 million attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft (prior-year: CHF 18.1 million). Group net income per bearer share was CHF 4.46 (30 June 2011: CHF 3.14).

Balance sheet

Total assets decreased marginally by 0.7 per cent to CHF 10.7 billion in comparison with 31 December 2011. On the assets' side, cash and cash equivalents have grown by 109.3 per cent since 1 January 2012 to CHF 513.5 million (31 December 2011: CHF 245.4 million) as a result of the repayment of money-market book claims, on the one hand, and the reduction of amounts due from banks, on the other. In view of the current situation on the real-estate market, a high degree of discipline and control continues to pervade the credit-granting activities of VP Bank. Since the beginning of the year, client loans have grown by a welcome CHF 102.7 million (2.7 per cent) to CHF 4.0 billion as of 30 June 2012.
On the liabilities' side, since 1 January 2012, client deposits and medium-term bonds have increased from CHF 8.9 billion to CHF 9.0 billion as at 30 June 2012. The caption debenture bonds decreased from CHF 324.7 million as of 31 December 2011 to CHF 198.3 million with the redemption of the Group's own debentures.
The equity capital of VP Bank Group at the end of June 2012 aggregated CHF 889.4 million, corresponding to an increase of CHF 0.8 million. The shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft stood at CHF 880.9 million, corresponding to a slight increase of 0.2 per cent since the beginning of the year. As of 30 June 2012, the tier 1 ratio was 19.2 per cent (31 December 2011: 18.2 per cent).

Outlook

Low interest-rate levels, developments in the economy and cautious client activities will impact results. Uncertainties will persist with a global economic downturn, which continues to take shape, and a possible aggravation of the debt crisis. No significant increase in interest rates is expected in the second half of the year.

Consolidated income statement

(unaudited)

in CHF 1,000	Note	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Interest income		62,657	62,041	616	1.0
Interest expense		19,567	24,634	–5,067	–20.6
Net interest income	**1**	**43,090**	**37,407**	**5,683**	**15.2**
Commission income		79,198	87,697	–8,499	–9.7
Commission expense		20,225	21,914	–1,689	–7.7
Net income from commission business and services	**2**	**58,973**	**65,783**	**–6,810**	**–10.4**
Net income from trading activities	3	11,170	16,581	–5,411	–32.6
Income from financial instruments	4	11,938	5,794	6,144	106.0
Other income	5	547	112	435	388.4
Total net operating income		**125,718**	**125,677**	**41**	**0.0**
Personnel expenses	6	50,565	61,436	–10,871	–17.7
General and administrative expenses	7	23,670	25,560	–1,890	–7.4
Operating expenses		**74,235**	**86,996**	**–12,761**	**–14.7**
Gross income		**51,483**	**38,681**	**12,802**	**33.1**
Depreciation and amortisation	8	14,414	16,894	–2,480	–14.7
Valuation allowances, provisions and losses	9	8,803	442	8,361	1,891.6
Income before income tax		**28,266**	**21,345**	**6,921**	**32.4**
Taxes on income	10	3,535	1,959	1,576	80.4
Net income		**24,731**	**19,386**	**5,345**	**27.6**
Net income attributable to minority interests		–965	1,300	–2,265	n.a.
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz		**25,696**	**18,086**	**7,610**	**42.1**

Share information[1]			
Undiluted net income per bearer share	11	4.46	3.14
Undiluted net income per registered share	11	0.45	0.31
Fully-diluted net income per bearer share	11	4.46	3.14
Fully-diluted net income per registered share	11	0.45	0.31

[1] Basis: weighted average number of shares, calculated for 6 months.

Consolidated statement of comprehensive income (unaudited)

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Net income	**24,731**	**19,386**	**5,345**	**27.6**
Financial instruments				
Reclassification adjustments recorded in income statement			0	n.a.
Changes in value transferred to profit reserves			0	n.a.
Changes in value of FVTOCI financial instruments	–910	1,839	–2,749	n.a.
Total financial instruments	**–910**	**1,839**	**–2,749**	**n.a.**
Foreign-currency translation differences	964	–7,066	8,030	n.a.
Other comprehensive income recognised directly in equity	**54**	**–5,227**	**5,281**	**n.a.**
Total comprehensive income	**24,785**	**14,159**	**10,626**	**75.0**
Attributable to minority interests	–564	–764	200	26.2
Attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	25,349	14,923	10,426	69.9

Consolidated balance sheet (unaudited)

Assets

in CHF 1,000	Note	30/06/2012	31/12/2011	Variance absolute	Variance in %
Cash and cash equivalents		513,520	245,381	268,139	109.3
Receivables arising from money-market papers		0	124,938	–124,938	–100.0
Due from banks		4,954,190	5,143,910	–189,720	–3.7
Due from customers		3,953,735	3,851,050	102,685	2.7
Trading portfolios		–6	–44	38	86.4
Derivative financial instruments		30,693	103,690	–72,997	–70.4
Financial instruments at fair value		438,700	461,325	–22,625	–4.9
Financial instruments measured at amortised cost		534,169	558,297	–24,128	–4.3
Associated companies		29	25	4	16.0
Property and equipment		124,734	129,157	–4,423	–3.4
Goodwill and other intangible assets		63,091	70,812	–7,721	–10.9
Tax receivables		378	368	10	2.7
Deferred tax receivables		8,870	7,698	1,172	15.2
Accrued receivables and prepaid expenses		28,411	31,374	–2,963	–9.4
Other assets		20,038	14,084	5,954	42.3
Total assets		**10,670,552**	**10,742,065**	**–71,513**	**–0.7**

Liabilities and shareholders' equity

in CHF 1,000	Note	30/06/2012	31/12/2011	Variance absolute	Variance in %
Due to banks		408,623	352,481	56,142	15.9
Due to customers – savings and deposits		952,407	931,733	20,674	2.2
Due to customers – other liabilities		7,732,977	7,760,773	–27,796	–0.4
Derivative financial instruments		57,932	129,443	–71,511	–55.2
Medium-term notes		315,509	251,713	63,796	25.3
Debentures issued	12	198,304	324,664	–126,360	–38.9
Tax liabilities		5,141	3,230	1,911	59.2
Deferred tax liabilities		10,741	9,217	1,524	16.5
Accrued liabilities and deferred items		26,506	25,791	715	2.8
Other liabilities		50,575	48,069	2,506	5.2
Provisions		12,477	6,362	6,115	96.1
Total liabilities		**9,771,192**	**9,843,476**	**–72,284**	**–0.7**
Share capital	13	59,148	59,148	0	0.0
Less: treasury shares	14	–33,985	–38,632	4,647	12.0
Capital reserves		–9,638	–3,882	–5,756	–148.3
Income reserves		883,165	880,374	2,791	0.3
Unrealised gains/losses on FVTOCI financial instruments		–3,676	–2,766	–910	–32.9
Foreign-currency translation differences		–14,076	–14,639	563	3.8
Shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz		**880,938**	**879,603**	**1,335**	**0.2**
Minority interests		18,422	18,986	–564	–3.0
Total shareholders' equity		**899,360**	**898,589**	**771**	**0.1**
Total liabilities and shareholders' equity		**10,670,552**	**10,742,065**	**–71,513**	**–0.7**

Consolidated changes in shareholders' equity (unaudited)

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Unrealized gains/losses on financial instruments FVTOCI	Foreign-currency translation differences	Equity of shareholders' of Verwaltungs- und Privat-Bank AG, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 01/01/2012	**59,148**	**–38,632**	**–3,882**	**880,374**	**–2,766**	**–14,639**	**879,603**	**18,986**	**898,589**
Profits on financial instruments transferred to income reserves									
Changes in unrealized gains/losses on financial instruments FVTOCI					–910		–910		–910
Foreign currency translation differences						563	563	401	964
Net income				25,696			25,696	–965	24,731
Total reported result 30/06/2012				**25,696**	**–910**	**563**	**25,349**	**–564**	**24,785**
Dividend 2011				–8,872			–8,872		–8,872
Coupon tax on old reserves[1]				–14,033			–14,033		–14,033
Management equity participation plan (LTI)			–2,216				–2,216		–2,216
Change in treasury shares		4,647	–3,540				1,107		1,107
Total shareholders' equity 30/06/2012	**59,148**	**–33,985**	**–9,638**	**883,165**	**–3,676**	**–14,076**	**880,938**	**18,422**	**899,360**

[1] Taxation of reserves of Verwaltungs- und Privat-Bank AG, Vaduz, from previous year, liable to coupon tax, as resolved at the 2012 AGM.

Total shareholders' equity 01/01/2011	**59,148**	**–38,465**	**–5,323**	**902,648**		**–14,382**	**897,785**	**17,843**	**915,628**
Adoption of IFRS 9				–6,429	–8,195		–8,783		–8,783
Total shareholders' equity 01/01/2011 adjusted	**59,148**	**–38,465**	**–5,323**	**896,219**	**–8,195**	**–14,382**	**889,002**	**17,843**	**906,845**
Profits on financial instruments transferred to income reserves									
Changes in unrealized gains/losses on financial instruments FVTOCI					1,839		1,839		1,839
Foreign-currency translation differences						–5,002	–5,002	–2,064	–7,066
Net income				18,086			18,086	1,300	19,386
Total reported result 30/06/2011				**18,086**	**1,839**	**–5,002**	**14,923**	**–764**	**14,159**
Dividend 2010				–20,177			–20,177	–884	–21,061
Management equity participation plan (LTI)			899				899		899
Change in treasury shares		–465	857				392		392
Total shareholders' equity 30/06/2011	**59,148**	**–38,930**	**–3,567**	**894,128**	**–6,356**	**–19,384**	**885,039**	**16,195**	**901,234**

Consolidated statement of cash flow (unaudited)

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011
Cash and cash equivalents at the beginning of the financial year	**1,168,151**	**1,584,825**
Net cash flow from operating activities	225,779	–259,919
Net cash flow from investment activities	56,006	–146,193
Net cash flow from financing activities	–84,505	5,785
Impact of foreign-currency translation	5,260	2,600
Cash and cash equivalents at the end of the period	**1,370,691**	**1,187,098**
Change in cash and cash equivalents	202,540	–397,727
Cash and cash equivalents are represented by		
Cash	513,520	166,290
Receivables arising from money-market papers	0	369,549
Due from banks – at-sight balances	857,171	651,259
Total cash and cash equivalents	**1,370,691**	**1,187,098**

Principles underlying financial statement reporting

The unaudited interim consolidated financial statements were prepared in compliance with International Financial Reporting Standards (IAS 34). The semi-annual financial statements were drawn up on the basis of financial-statement reporting standards applied in the 2011 annual consolidated financial statements. These are to be found in the 2011 annual report, page 88ff.

Since 1 January 2012, the following new and revised standards and interpretations have been in force:

- IFRS 7: Financial instruments – disclosures: improvement of disclosures on the transfer of financial assets
- IAS 12: Income taxes (amendment) – deferred taxes: recovery of underlying assets

The application of these standards had no impact on interim financial-statement reporting.
VP Bank Group is currently considering an early introduction of IAS 19 Revised as of 31 December 2012.

Post-balance-sheet-date events

There were no post-balance-sheet-date events that materially affected the balance sheet and income statement for the 2012 half-year period.
The Board of Directors reviewed and approved the consolidated semi-annual report in its meeting of 23 August, 2012.

The following exchange rates apply in respect of the most important Group currencies:

							Variance			
	Balance-sheet-date rates			Average rates			Balance-sheet-date rates		Average rates	
	30/06/2012	30/06/2011	31/12/2011	1st HY 2012	1st HY 2011	2011	actual year	previous year	actual year	previous year
USD/CHF	0.9465	0.8340	0.9351	0.92912	0.90486	0.88617	1%	13%	5%	3%
EUR/CHF	1.2012	1.2082	1.2139	1.20473	1.26963	1.23246	–1%	–1%	–2%	–5%
SGD/CHF	0.7472	0.6795	0.7212	0.73487	0.71892	0.70446	4%	10%	4%	2%
HKD/CHF	0.1220	0.1072	0.1204	0.11971	0.11626	0.11384	1%	14%	5%	3%

Notes to the consolidated income statement and consolidated balance sheet (unaudited)

1 Income from interest-differential business

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Interest and discount income	62	446	–384	–86.1
Interest income from banks	20,742	22,955	–2,213	–9.6
Interest income from customers	37,463	37,007	456	1.2
Interest income from financial instruments measured at amortised cost	7,016	4,432	2,584	58.3
Interest-rate instruments	–3,103	–3,122	19	0.6
Loan commissions with the character of interest	477	323	154	47.7
Total interest income	**62,657**	**62,041**	**616**	**1.0**
Interest expenses on amounts due to banks	4,574	5,685	–1,111	–19.5
Interest expenses on amounts due to customers	9,075	10,855	–1,780	–16.4
Interest expenses on medium-term notes	1,806	1,449	357	24.6
Interest expenses on debentures issued	4,112	6,645	–2,533	–38.1
Total interest expenses	**19,567**	**24,634**	**–5,067**	**–20.6**
Net interest income	**43,090**	**37,407**	**5,683**	**15.2**

2 Income from commission business and services

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Commission income from credit business	379	362	17	4.7
Asset management and investment business[1]	18,518	19,840	–1,322	–6.7
Brokerage fees	14,823	19,744	–4,921	–24.9
Securities account fees	7,809	8,229	–420	–5.1
Fund management fees	26,711	27,890	–1,179	–4.2
Fiduciary commissions	670	737	–67	–9.1
Commission income from other services	10,288	10,895	–607	–5.6
Total income from commission business and services	**79,198**	**87,697**	**–8,499**	**–9.7**
Brokerage expenses	2,091	3,524	–1,433	–40.7
Other commission- and service-related expenses	18,134	18,390	–256	–1.4
Total expenses from commission business and services	**20,225**	**21,914**	**–1,689**	**–7.7**
Net income from commission business and services	**58,973**	**65,783**	**–6,810**	**–10.4**

[1] Income securities processing, asset management commissions, investment advisory, all-in fees, securities lending and borrowing, retrocessions.

3 Income from trading activities

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Securities trading[1]	936	4,857	–3,921	–80.7
Interest income from trading portfolios	0	32	–32	–100.0
Dividend income from trading portfolios	0	1	–1	–100.0
Foreign currency	9,317	11,097	–1,780	–16.0
Banknotes, precious metals and other	917	594	323	54.4
Net income from trading activities	**11,170**	**16,581**	**–5,411**	**–32.6**

[1] The result from trading derivatives is included in this caption.

4 Income from financial instruments

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Income from financial instruments at fair value	12,396	17,988	–5,592	–31.1
Income from financial instruments measured at amortised cost	–458	–12,194	11,736	96.2
Total income from financial instruments	**11,938**	**5,794**	**6,144**	**106.0**
Income from financial instruments at fair value				
Income from financial instruments at fair value	8,377	12,704	–4,327	–34.1
Interest income from financial instruments at fair value	3,362	4,447	–1,085	–24.4
Dividend income from financial instruments at fair value	152	309	–157	–50.8
Dividend income from FVTOCI financial instruments	505	528	–23	–4.4
thereof from derecognised FVTOCI financial instruments	0	0	0	n.a.
Income from liabilities designated at fair value	0	0	0	n.a.
Total	**12,396**	**17,988**	**–5,592**	**–31.1**
Income from financial instruments measured at amortised cost				
Income from financial instruments measured at amortised cost	–975	–12,113	11,138	92.0
Realised gains/losses on financial instruments measured at amortised cost	517	–81	598	n.a.
Total	**–458**	**–12,194**	**11,736**	**96.2**

5 Other income

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Income from real estate	152	206	–54	–26.2
Gains of associated companies	4	0	4	n.a.
Miscellaneous other income	391	–94	485	n.a.
Total other income	**547**	**112**	**435**	**388.4**

6 Personnel expenses

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Salaries and wages	49,844	50,166	–322	–0.6
Social contributions required by law	4,217	4,340	–123	–2.8
Contributions to pension plans / defined-benefit plans[1]	–6,912	3,364	–10,276	n.a.
Contributions to pension plans / defined-contribution plans	434	628	–194	–30.9
Other personnel expenses	2,982	2,938	44	1.5
Total personnel expenses	**50,565**	**61,436**	**–10,871**	**–17.7**

[1] Including a one-time decrease due to a change in the employee pension fund from a defined-benefit to a defined-contribution plan in Liechtenstein totalling CHF 13.3 million.

7 General and administrative expenses

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Occupancy expenses	3,960	4,216	–256	–6.1
Insurance	591	668	–77	–11.5
Professional fees	3,193	1,806	1,387	76.8
Financial information procurement	3,111	2,938	173	5.9
Telecommunication and postage	624	682	–58	–8.5
IT systems	7,068	9,728	–2,660	–27.3
Marketing and public relations	1,755	2,154	–399	–18.5
Capital taxes	56	162	–106	–65.4
Other general and administrative expenses	3,312	3,206	106	3.3
Total general and administrative expenses	**23,670**	**25,560**	**–1,890**	**–7.4**

8 Depreciation and amortisation

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	5,054	5,495	–441	–8.0
Amortisation of intangible assets	9,360	11,399	–2,039	–17.9
Total depreciation and amortisation	**14,414**	**16,894**	**–2,480**	**–14.7**

9 Valuation allowances, provisions and losses

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Credit risks	6,989	4,584	2,405	52.5
Other	4,806	3,024	1,782	58.9
Release of valuation allowances and provisions no longer required	–2,992	–7,166	4,174	58.2
Total valuation allowances, provisions and losses	**8,803**	**442**	**8,361**	**1,891.6**

10 Taxes on income

in CHF 1,000	01/01–30/06/2012	01/01–30/06/2011	Variance absolute	Variance in %
Total current taxes	2,702	1,991	711	35.7
Total deferred taxes	833	–32	865	n.a.
Total taxes on income	**3,535**	**1,959**	**1,576**	**80.4**

11 Earnings per share

	30/06/2012	30/06/2011
Consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz		
Net income (in CHF 1,000)[1]	25,696	18,086
Weighted average of bearer shares	5,167,258	5,163,310
Weighted average of registered shares	5,964,505	5,971,881
Total weighted average number of bearer shares	5,763,709	5,760,498
Undiluted consolidated earnings per bearer share	4.46	3.14
Undiluted consolidated earnings per registered share	0.45	0.31
Fully diluted consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz		
Net income (in CHF 1,000)[1]	25,696	18,086
Adjusted consolidated net income (in CHF 1,000)	25,696	18,086
Number of shares used to compute the fully-diluted consolidated net income	5,763,709	5,760,498
Fully diluted consolidated earnings per bearer share	4.46	3.14
Fully diluted consolidated earnings per registered share	0.45	0.31

[1] On the basis of the net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz.

12 Debentures

Year of issue in CHF 1,000	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	Total 30/06/2012	Total 31/12/2011
2007	CH0030896697	2.875	CHF	04/06/12		0	126,562
2010	CH0112734469	2.5	CHF	27/05/16	200,000	198,304	198,102
Total						**198,304**	**324,664**

At the time of their initial recording, debt securities are accounted for at their fair value plus transaction costs. The fair value equals the consideration received. Subsequently, they are valued for balance sheet purposes at their amortised cost, using the effective interest method (debenture 2012: 3.14 per cent; debenture 2016: 2.73 per cent) in order to amortise the difference between issuance price and redemption value over the duration of the debt securities.

13 Share capital

	30/06/2012		31/12/2011	
	No. of shares	Nominal CHF	No. of shares	Nominal CHF
Registered shares of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares 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.

14 Treasury shares

	30/06/2012		31/12/2011	
	No. of shares	in CHF 1,000	No. of shares	in CHF 1,000
Registered shares at the beginning of the financial year	**40,748**	**587**	**28,515**	**459**
Purchases	2,850	19	12,233	128
Sales	–5,000	–71	0	0
Balance of registered shares as of balance-sheet date	**38,598**	**535**	**40,748**	**587**
Bearer shares at the beginning of the financial year	**150,970**	**38,045**	**150,538**	**38,006**
Purchases	36,866	2,795	25,815	2,643
Sales	–50,371	–7,390	–25,383	–2,604
Balance of bearer shares as of balance-sheet date	**137,465**	**33,450**	**150,970**	**38,045**

Consolidated off-balance-sheet positions

in CHF 1,000	30/06/2012	31/12/2011
Total contingent liabilities	96,162	98,372
Irrevocable facilities granted	26,119	34,204
Total fiduciary transactions	1,689,995	1,456,992
Contract volumes of derivative financial instruments	4,073,983	4,695,030

Securities lending and repurchase and reverse-repurchase transactions with securities

Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	629,270	203,900
Amounts payable 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	484,018	605,897
of which securities where the unlimited right to sell on or pledge has been granted	353,350	433,801
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 sell on or further pledge has been granted	1,198,896	895,076
of which securities which have been resold or repledged	174,048	243,272

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

Client assets

in CHF million	30/06/2012	31/12/2011	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	2,904.4	2,916.4	–12.0	–0.4
Assets in discretionary asset-management accounts	2,658.6	2,512.6	146.0	5.8
Other client assets under management	22,001.7	21,999.8	1.9	0.0
Total client assets under management (including amounts counted twice)	**27,564.7**	**27,428.8**	**135.9**	**0.5**
of which: amounts counted twice	2,693.8	2,487.5	206.3	8.3
Net new money	**–164.6**	**994.5**	**–1,159.0**	**n.a.**
Custody assets	**10,537.1**	**11,537.7**	**–1,000.6**	**–8.7**
Total client assets				
Total client assets under management (including amounts counted twice)	27,564.7	27,428.8	135.9	0.5
Custody assets	10,537.1	11,537.7	–1,000.6	–8.7
Total client assets	**38,101.7**	**38,966.5**	**–864.8**	**–2.2**

VP Bank Group

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

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