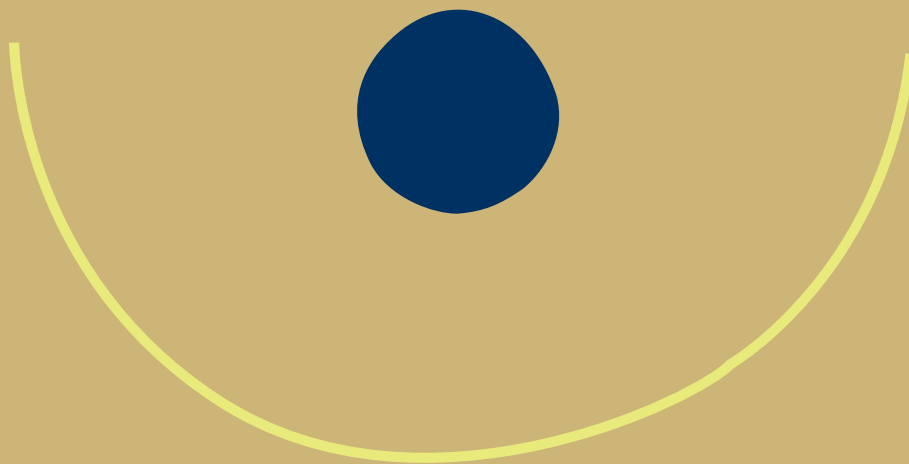


Consolidated semi-annual report 2003
VP Bank Group





Welcome

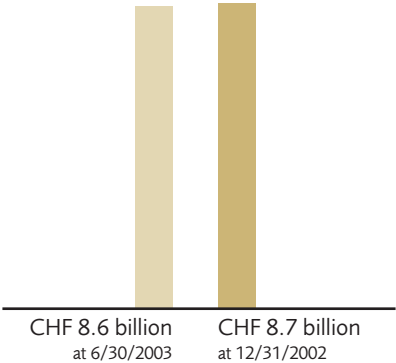
The English version of the VP Bank semi-annual report was translated from the German version which shall be binding in case of disparities.

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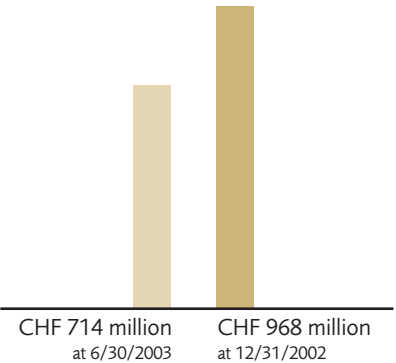
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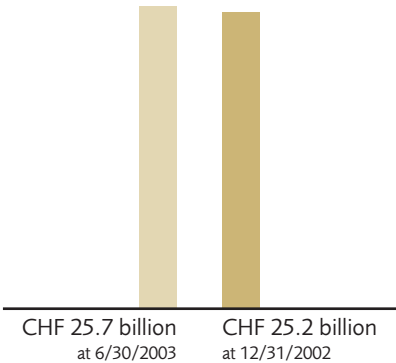
Balance sheet total



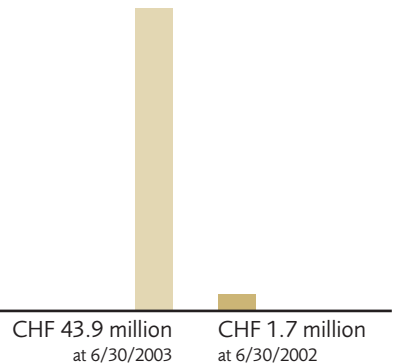
Shareholders' equity



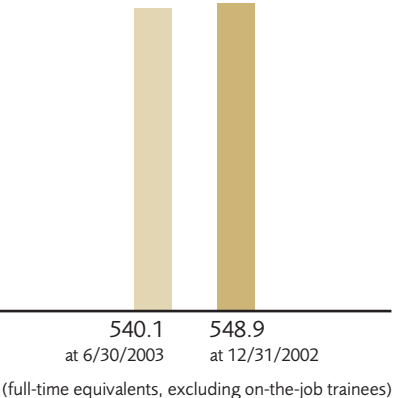
Assets under management



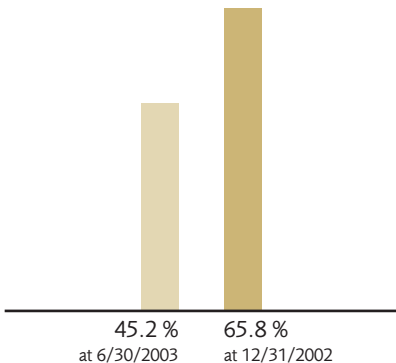
Group profit



Personnel headcounts



Cost-income ratio



	6/30/2003	12/31/2002	Change in %
Key consolidated figures			
Balance sheet total (in CHF billion)	8.6	8.7	-1.4
Shareholders' equity (in CHF million)	714	968	-26.2
Shareholders' equity ratio (in %)	8.3	11.1	-25.2
BIS tier 1 capital (in %)	14.6	20.9	-30.1
Return on equity (in %)	12.3	1.3	n. a.
Cost/income ratio (in %)	45.2	65.8	-31.3
Client assets under management (in CHF billion)	25.7	25.2	2.0
Workforce (full-time equivalents)	540.1	548.9	-1.6
Per-share figures¹			
Consolidated earnings per bearer share (in CHF)	7.42	1.49	n. a.
Shareholders' equity per bearer share (in CHF)	120.73	113.24	6.6
Price of bearer shares (in CHF)	140.00	150.50	-7.0
Total market capitalization (in CHF million)	828	1,287	-35.6

¹ Based on number of outstanding shares on balance sheet date (6/30/2003: 5,914,564; 12/31/2002: 8,550,000)

Introductory remarks by the Chairman of the Board of Directors and the Chief Executive Officer

Significantly improved six-month results

Dear Shareholders

Dear Clients

For the first time, the VP Bank Group is presenting its financial statements in accordance with International Financial Reporting Standards (IFRS). By doing so, we are on one hand complying with legal regulations that will become mandatory as of 2005 but, on the other, we also view this as an opportunity to provide enhanced transparency in terms of the activities and status of our Group. We trust that it will also lead to a more active dialogue with you as shareholders, as well as with financial analysts, the media and all parties who have an interest in our banking enterprise.

The first half of 2003, which on the whole produced gratifying results for the VP Bank Group, is comparable to the same period of 2002 only to a certain extent as the result of special factors. Nevertheless, the key figures reflected in our consolidated financial statements can be considered favourable indeed.

Solid balance and high level of shareholders' equity

Given our practically unchanged balance sheet total, the Group's gross profit of CHF 73.6 million (2002: CHF 27.4 million) joins the ranks of our most successful financial reporting periods. That also applies to our consolidated net profit of CHF 43.9 million (2002: CHF 1.7 million). Although net interest income gained slightly versus the comparable 2002 period, fee and commission income declined due to unfavourable trends in the global securities markets. Profits earned from our securities trading activities during the period under review contrast starkly with the losses incurred in the first half of 2002. We were able to reduce operating

expenditures by 3.5 per cent to CHF 60.7 million (2002: CHF 62.9 million), while value adjustments, provisions and losses remained at their usual low levels.

The 2003 first-half results of the VP Bank Group are marked by operative constancy and stability on the income and expense sides, and also provide clear evidence of our prudent risk policy. Targeted measures in the area of risk management, process-oriented cost discipline, as well as the systematic exploitation of Group-wide synergies and resources all contributed significantly to these gratifying results.

Favourable circumstances for shareholders

The most significant occurrence to take place during the period under review was the repurchase of the block of VP Bank shares owned by BZ Group Holding AG and subsequent capital decrease, as agreed upon at our May 15, 2003, extraordinary general meeting of shareholders. Even after this move, the VP Bank Group enjoys a high level of shareholders' equity that is almost twice the amount required by law.

The approach chosen by the Bank – i.e. the repurchase, followed by a capital decrease and a partial placement of shares among existing and new shareholders – was timed optimally from today's vantage point, and simultaneously created an improved set of circumstances for our current and future shareholder base. The commitment demonstrated by our existing major shareholders is a sign of the trust that has been placed in our Bank, and it has also had a generally positive influence on the price of VP Bank's shares. In solving this difficult problem, one that also placed a burden on our business activities, the Board of Directors and Executive Board have demonstrated that they act with determination and, in so doing, rise to the challenges at hand without losing sight of the long-term perspectives.

A solid foundation for the future

The Board of Directors and Executive Board have been deeply occupied with those perspectives. The related developments have brought about, or potentially will cause at some point in the future, sweeping changes in the prevailing conditions not only in Liechtenstein's financial-services industry per se, but also in other countries where the Group is present. We are convinced that the strategy formulated by VP Bank is a successful one – and our first-half results for 2003 support that conviction. The continuing implementation of our strategy represents one of this year's key tasks. Client responses, as well as discussions pertaining to the private banking services that constitute the core business of the VP Bank Group, point out the fact that a private bank such as ours – with its range of services aimed at providing clients with comprehensive assistance in their financial matters – corresponds to an increasing need among the public. Developments on the cost side of our activities also indicate that our ambitious business model can be applied successfully also under difficult conditions, as evidenced by the cost-income ratio of approximately 45 per cent (12/31/2002: 65.8 per cent) achieved during the first half of 2003.

Even though the global securities markets showed a certain degree of improvement in the first six months of 2003, our banking activities felt the impact of the generally unstable political and economic circumstances that in particular marked the first three months of the year. Although from an economic point of view there are signs of a gradual recovery, one that will of course experience the occasional setback, the political risks will nevertheless remain. However, given a favourable economic climate, those particular risks will tend to exert a lesser influence on our banking activities.

What applies to the VP Bank Group, namely that we can proceed into the future on a firm foundation, also applies

in a certain sense to Liechtenstein as a financial marketplace. In the various discussions pertaining to the exchange of information in tax-related matters, the shape of things to come is relatively clear and involves fewer uncertainties than the campaign that was mounted against Liechtenstein in connection with money-laundering issues.

With regard to the Group's development, it should be noted that VP Bank sold its 51 per cent equity interest in S.T.A. Salmann Trust AG (Vaduz and Zurich) to that company's minority shareholders. Die S.T.A. Salmann Trust AG will continue to maintain preferential business relationships with the VP Bank Group.

Outlook

Provided that financial markets and extraneous circumstances remain on a relatively even keel, we are going on the assumption that the second half of 2003 will produce results that are generally in line with those recorded during the first six months. VP Bank will continue to pursue the intensified marketing efforts that it initiated last year in conjunction with an entirely new brand appearance, as well as increasingly orient its organisation towards achieving that objective. We are convinced that not only the measures aimed at controlling costs, but even more so the processes that have been introduced to strengthen the Group's clout and optimise our customer service, will indeed bear fruit.

We would like to express our sincere thanks for the trust you have placed in us, and hope that we can continue to count you among our valued shareholders and clients.



HANS BRUNHART
Chairman of the Board

ADOLF E. REAL
Chief Executive Officer (CEO)

Commentary on business developments

Clearly improved six-month results for the VP Bank Group 2003

Challenging market conditions and other extraneous factors continued to characterize the first half of 2003. Thanks to our ongoing measures aimed at ensuring sustainable growth and a healthy profit situation, net profit for the first six months amounted to CHF 43.9 million, a clear improvement over the comparable prior-year period (2002: CHF 1.7 million¹). The 2003 first-half results of the VP Bank Group are marked by operative constancy and stability, and also provide clear evidence of our prudent risk policy. For effect 1/1/2003, the Group's 51 % equity interest in S.T.A. Salmann Trust AG (Vaduz and Zurich) was sold to that company's minority shareholders.

Despite the generally low level of interest rates and correspondingly narrow rate spread, net interest income rose versus the previous year by 3.1 per cent to CHF 58.1 million (2002 CHF 56.4 million). However, due to sluggish trading turnover particularly in the first three months of the year, net fee and commission income declined by 16.7 per cent to CHF 52.9 million (2002: CHF 63.5 million). Net income from the Group's proprietary trading activities declined by a modest 6.3 per cent to CHF 7.1 million (2002: 7.6 million). Other income rose in comparison to the prior-year period to reach CHF 16.1 million (2002: CHF -37.2 million), mainly due to gains achieved in financial investments. Total operating income therefore rose by 48.7 per cent to CHF 134.2 million (2002: CHF 90.3 million).

The Group managed to reduce total operating expenses by 3.5 per cent to a level of CHF 60.7 million (2002: CHF 62.9 million). The 7.3 per cent decrease in personnel expense to CHF 39.1 million (2002: CHF 42.2 million) is also a result of our cost-reduction measures. General and administrative expense, however, increased by 4.2 per cent to CHF 21.5 million (2002: CHF 20.7 million) mainly due to marketing and communication activities associated with the new VP Bank brand that was launched in March 2003.

Gross profit surged by 168.4 per cent to stand at CHF 73.6 million (2002: CHF 27.4 million), while value adjustments, provisions and losses remained at usual low levels. Our cost/income ratio for the period amounted to 45.2 per cent (12/31/2002: 65.8 per cent).

For the first half of 2003, client assets under management increased by 2 per cent to CHF 25.7 billion (12/31/2003: CHF 25.2 billion).

Solid balance sheet and high level of shareholders' equity

The Group's balance sheet total remained practically unchanged at CHF 8.6 billion (12/31/2002: CHF 8.7 billion). As at June 30, 2003, the VP Bank Group recorded shareholders' equity in the amount of CHF 714.1 million, corresponding to a decline of 26.2 per cent (12/31/2002: CHF 968.2 million). That reduction is primarily attributable to the capital decrease that was effected in conjunction with the repurchase of the block of VP Bank shares previously held by BZ Group Holding AG as at the end of July 2002. The Bank's BIS tier-1 ratio amounts to 14.6 per cent (12/31/2002: 20.9 per cent).

Share capital as at 6/30/2003

After the capital decrease, the voting percentages of the Group's two major shareholders – Stiftung Fürstlicher Kommerzienrat Guido Feger and Martin Hilti Familientreuhänderschaft – remain unchanged (48.4 and 11.4 per cent, respectively). The proportion of the Group's equity capital held by the «Stiftung» increased from 15.4 to 24.9 per cent, and that of the Hilti Familientreuhänderschaft from 6.5 to 12.0 per cent. As at June 30, 2003, VP Bank's share capital was represented by 5,314,347 bearer shares and 6,004,167 registered shares with a par value of CHF 10.– and CHF 1.–, respectively. Total share capital therefore stood at CHF 59,147,637.–.

¹ All indicated 2002 balance sheet and income statement figures have been adjusted to reflect IFRS principles.

Consolidated income statement

in CHF 1,000	Note	1st Sem. 2003	1st Sem. 2002	Change in %
Net interest income	1	58,138	56,378	3.1
Net fee and commission income	2	52,873	63,472	-16.7
Net trading income	3	7,141	7,624	-6.3
Other income	4	16,071	-37,213	n. a.
Total operating income		134,223	90,261	48.7
Personnel expense	5	39,120	42,184	-7.3
General and administrative expense	6	21,534	20,670	4.2
Total operating expenses		60,654	62,854	-3.5
Gross profit		73,569	27,407	168.4
Depreciation and amortization	7	14,086	16,207	-13.1
Value adjustments, provisions and losses	8	7,525	7,521	0.1
Operating profit before tax and minority interests		51,958	3,679	n. a.
Tax expense	9	6,098	602	n. a.
Net profit before minority interests		45,860	3,077	n. a.
Minority interests		1,996	1,359	46.9
Consolidated net profit		43,864	1,718	n. a.

Basic earnings per share

Net profit (in 1,000 CHF)	43,864	1,718
Weighted average number of shares	7,399,475	8,197,599
Earnings per bearer share (in CHF)	5.93	0.21
Earnings per registered share (in CHF)	0.59	0.02

Diluted earnings per share

Net profit (in 1,000 CHF)	43,864	1,718
Adjusted net profit (in 1,000 CHF)	43,864	1,718
Number of shares for calculation of diluted net profit	7,399,475	8,197,599
Diluted earnings per bearer share (in CHF)	5.93	0.21
Diluted earnings per registered share (in CHF)	0.59	0.02

No financial or equity-like instruments exist that could lead to a dilution of the earnings per bearer or registered share.

Consolidated balance sheet

Assets

in CHF 1,000	6/30/2003	12/31/2002	Change in %
Cash and cash equivalents	77,154	93,341	-17.3
Money-market claims	15,111	15,018	0.6
Due from banks	5,054,231	5,166,833	-2.2
Due from customers	2,589,441	2,466,360	5.0
Trading portfolio assets	176,322	141,902	24.3
Derivative financial instruments	32,708	23,762	37.6
Financial investments	449,102	603,457	-25.6
Fixed assets	154,563	146,857	5.2
Intangible assets	26,732	37,653	-29.0
Tax claims	713	0	n. a.
Accrued tax assets	1,491	1,379	8.1
Accrued income and prepaid expenses	32,648	38,516	-15.2
Other assets	14,192	14,589	-2.7
Total assets	8,624,408	8,749,667	-1.4

Liabilities and shareholders' equity

Due to banks	169,292	124,079	36.4
Due to customers in form of savings and deposits	983,349	926,247	6.2
Other liabilities vis-à-vis customers	6,416,555	6,352,563	1.0
Derivative financial instruments	45,675	38,161	19.7
Medium-term notes	192,288	213,896	-10.1
Tax liabilities	13,825	9,230	49.8
Deferred tax liabilities	18,659	18,551	0.6
Accrued expenses and deferred income	24,364	31,402	-22.4
Other liabilities	32,233	54,480	-40.8
Provisions	977	973	0.4
Total liabilities	7,897,217	7,769,582	1.6
Minority interests in shareholders' equity	13,078	11,892	10.0
Share capital	10	59,148	-30.8
less treasury shares	-1,440	-121,702	-98.8
Capital reserves	-6,072	-2,715	123.6
Retained earnings	620,999	996,383	-37.7
Currency translation differences	-2,386	-1,998	19.4
Consolidated net profit for period	43,864	12,725	244.7
Shareholders' equity	714,113	968,193	-26.2
Total liabilities and shareholders' equity	8,624,408	8,749,667	-1.4

Analysis of changes in shareholders' equity

in CHF 1,000	1st Sem. 2003	1st Sem. 2002
Share capital		
Balance at beginning of financial year	85,500	85,500
Capital increase/capital decrease	-26,352	0
Total end of period	59,148	85,500
Treasury shares		
Balance at beginning of financial year	-121,702	-112,228
Change in treasury shares	120,262	4,398
Total end of period	-1,440	-107,830
Capital reserves		
Balance at beginning of financial year	-2,715	0
Change in treasury shares	-3,357	-1,473
Total end of period	-6,072	-1,473
Retained earnings		
Balance at beginning of financial year	1,009,108	1,034,858
Dividend paid by VP Bank, Vaduz	-12,825	-38,475
Capital decrease	-375,284	0
Consolidated net profit	43,864	1,718
Total end of period	664,863	998,101
Currency translation differences		
Balance at beginning of financial year	-1,998	1,288
Change	-388	-2,295
Total end of period	-2,386	-1,007
Total shareholders' equity end of reporting period	714,113	973,291

Consolidated cash flow statement

in CHF 1,000	1st Sem. 2003	1st Sem. 2002
Cash and cash equivalents at beginning of financial year	758,788	844,912
Cash flow from operating activities, after tax	192,154	-121,902
Cash flow from investing activities	168,141	75,691
Cash flow from financing activities	-318,987	-27,775
Effects of foreign currency translation	-388	-2,294
Cash and cash equivalents at end of reporting period	799,708	768,632
Change in cash and cash equivalents	40,920	-76,280
Cash and cash equivalents comprise:		
Cash and cash equivalents	77,154	68,374
Money-market claims	15,111	25,230
Due from banks on demand	707,443	675,028
Total cash and cash equivalents	799,708	768,632

Accounting principles

1. Basis of presentation

Verwaltungs- und Privat-Bank Aktiengesellschaft, domiciled in Vaduz, was founded in 1956 and ranks among Liechtenstein's three largest banks. Today, it operates subsidiaries in Zurich, Luxembourg and the British Virgin Islands, as well as representative offices in Munich and Montevideo. As at June 30, 2003, the VP Bank Group employed a total of 540.1 individuals (adjusted to reflect full-time equivalents) versus the 2002 year-end reading of 548.9.

The core business activities of VP Bank focus on providing asset management and investment advisory services for private and institutional clients, as well as the granting of Lombard and mortgage loans.

Values included in the annual financial statements are reflected in thousands of Swiss francs. This semi-annual report has been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) and corresponds to the requirements of IFRS 1. To facilitate comparability, the 2002 balance sheet and income statement figures have been restated in keeping with IFRS guidelines. IFRS 1 will enter into force on 1/1/2004 and, as recommended, VP Bank has opted to apply this standard prior to that date.

IFRS contains guidelines that require VP Bank to make assumptions and estimates in the preparation of its consolidated financial statements. The most significant accounting principles are described in this section in effort to describe how their application influences the financial results and underlying information reported by VP Bank.

The Board of Directors reviewed and approved these consolidated financial statements at its meeting on August 27, 2003.

2. Scope of consolidation

Fully consolidated companies

The consolidated financial statements encompass the individual company accounts of VP Bank AG and its subsidiaries, all of which are reflected as a single commercial entity. All subsidiaries that are either directly or indirectly controlled by the Group have been included in the consolidation. Acquired subsidiaries are consolidated as of the date on which control transferred to the Group.

Changes in scope of consolidation

During the first half of 2003, the Group's equity interest in Salman Trust AG was sold. Also, VPB Inhouse Portfolio Ltd. and VPB Aktien Portfolio Ltd. were liquidated.

Method of capital consolidation

Capital has been consolidated in accordance with the Anglo-Saxon purchase method, by which the equity capital of the given consolidated company at the time of its acquisition or founding is reconciled at the parent-company level against the book value of the participation. Subsequent to the initial consolidation, changes from operating activities carried out during the given accounting period and included in the consolidated financial statements for such period are allocated to retained earnings. Minority interests in equity capital as well as in the Group financial results are reported separately in both the consolidated balance sheet and income statement.

Interests in affiliated companies

Financial interests of between 20 and 50 % in companies over which the Group can exert a material influence are accounted for in accordance with the equity method.

3. Capital cash

Trade date vs. settlement date

Upon the purchase or sale of financial assets and liabilities, the trade-date method of accounting is applied. This means that such transactions are already accounted for in the balance sheet on the date of the given transaction and not only as of the relevant settlement date.

Income accrual

Service-related income is recorded at the time the given service was rendered. Asset management fees, safekeeping fees and similar types of income are recorded on a pro rata basis over the period during which the given service is provided. Income from specific transactions is recorded at the time the given service has been concluded.

Interest income is accrued and recorded in a period-compliant manner, while dividends are recorded upon receipt of payment.

Foreign currency translation

The Group's accounting currency is the Swiss franc. Foreign currency translation is made in accordance with the trade-date method. All balance sheet items (excluding shareholders' equity) are converted to the Group's accounting currency at the relevant exchange rate valid on the balance sheet date. All individual income statement items are converted at the average exchange rate for the given accounting period.

Any differentials resulting from conversion of the financial statements that have been prepared in foreign currency are booked to shareholders' equity (retained earnings) with no impact on the income statement.

Segments

The Group is subdivided into three business divisions – Private Clients, Trust Banking and Investment Management – as well as the Corporate Center (including subsidiaries). This structure constitutes the basis for the Group's primary segment reporting.

Direct income and expenditures are attributed to the specific segments. Intercompany payments are recorded at market values that are the same as those invoiced to external clients for similar services. Income and expenditures of a superordinate nature that cannot be attributed directly to a given segment are booked at the Corporate Center. Consolidated items are also recorded at the Corporate Center level.

Cash, cash equivalents and readily realizable assets

Cash, cash equivalents and readily realizable assets consist of the items "Cash and cash equivalents", "Due from banks on sight" and "Money market instruments".

4. Financial investments

General

The Group subdivides the financial instruments it holds, among which are also conventional financial assets and liabilities as well as equity securities, into the following categories:

- Financial assets/liabilities held for trading purposes ("Trading portfolio assets")
- Financial assets available for sale
- Investments held to maturity ("Financial investments")
- Loans granted and not held for trading purposes or considered financial assets available for sale

Allocation of the specific financial instruments takes place at the time of their initial recording in compliance with the criteria of IAS 39.

Trading portfolio assets

Trading portfolio assets consist of shares, bonds and structured financial instruments. Financial assets held for trading purposes are recorded at fair market value. Short positions in securities are reported as trading portfolio liabilities.

Realised and unrealised gains and losses, subsequent to deduction of the related transaction costs, are recorded in net trading income. Trading-related interest and dividend income is recorded in net interest income.

Fair value is based on current market prices if an active market is available. In the absence of an active market, fair value is determined on the basis of pricing models or price quotations from securities dealers.

Financial assets available for sale

Financial assets available for sale are recorded on the balance sheet at fair value. Realised and unrealised gains or losses are reflected on the income statement under other income. Fair value is based on current market prices if an active market is available or, lacking such, on price models or quotes from securities dealers.

Interest and dividend income is recorded in net interest income. Interest income is accrued in a period-compliant manner.

Investments held to maturity

VP Bank does not utilise this category.

Loans granted

When initially recorded, loans granted to customers are valued at actual cost, which corresponds to the fair value of the specific loan at the time it was granted. Subsequent valuation reflects the amortised cost under application of the effective interest rate method.

A given loan is considered to be value-impaired if the probability exists that the entire amount owed as per the loan agreement is not recoverable. Causes for such value impairment are of a counterparty or country-specific nature. Interest income from non-distressed loans is accrued in a period-compliant manner. Increases in or eliminations of value adjustments are booked to the income statement.

A value adjustment for credit risks is reflected on the balance sheet by a reduction in the book value of a given loan receivable. As it pertains to off-balance-sheet items such as irrevocable commitments, provisions for credit risks are established and recorded under other liabilities.

At least once a year, a creditworthiness assessment is conducted on all distressed loan receivables. If changes versus the previous assessment are determined with regard to the

amount and time of anticipated future payment flows, the value adjustment for a given credit risk is adapted accordingly and booked under value adjustments for credit risks.

Derivative financial instruments and hedging transactions (hedge accounting)

Derivative financial instruments are valued at fair value and reflected on the balance sheet. The relevant fair value is determined on the basis of current market prices or options-pricing models. Realised and unrealised gains and losses are reflected on the income statement. VP Bank does not apply hedge accounting.

Medium-term notes

VP Bank's medium-term notes are recorded at issuance value and subsequently valued at ongoing cost of acquisition.

5. Other principles

Treasury shares

VP Bank shares held in the treasury are reported as "Treasury shares" in shareholders' equity and are booked at cost of acquisition. The difference between the sale proceeds and corresponding cost of acquisition of treasury shares is recorded under capital reserves.

Repurchase and reverse-repurchase agreement transactions

Repo or reverse-repo transactions serve as a means for refinancing or, respectively, financing or procuring securities of a specific type. Such transactions are booked as a prepayment versus coverage by securities or as a cash deposit versus a pledge of the Bank's own securities.

Securities lending and borrowing operations

The financial instruments lent or borrowed for which the Group acts in a principal capacity are valued at fair value and recorded on the balance sheet under due from banks/customers or, as the case may be, due to banks/customers.

Securities lending and borrowing transactions for which the Group acts in the capacity of an agent are recorded off-balance-sheet.

Fees received or paid in this connection are booked under net fee and commission income.

Provisions

Provisions are taken on the balance sheet only if VP Bank has a liability versus third parties that is attributable to a past event and if the amount of such liability can be reliably estimated. Potential losses from future events are not reflected in the balance sheet.

Value impairment of fixed assets

The ongoing value of fixed assets and other long-term assets, including goodwill and intangible assets, is always reassessed if, on the basis of specific events or changed circumstances, it appears possible that the relevant book value is inflated. If the book value of a given asset exceeds its realizable value, an extraordinary writedown is made.

Fixed assets

Included in fixed assets are bank buildings, other real property, furnishings, office machines and IT systems. Valuation is accounted for at cost of acquisition, less any operationally necessary depreciation.

Depreciation is conducted according to the straight-line method over the anticipated useful life of the asset as follows:

Real estate	25 years
Furnishings and machines	8 years
IT software	3 years

Miscellaneous purchases are charged directly to general and administrative expense.

As a general rule, maintenance and renovation expenditures are booked to general and administrative expense. If the related cost is substantial and results in a significant increase in value, such expenditures are capitalized and depreciated over their useful life. Profits from the sale of fixed assets are reflected as other income. Losses result in additional writedowns on fixed assets.

Leasing

Costs of operational leasing arrangements (in which all ownership rights and obligations associated with the object covered by the leasing agreement remain with the lessor) are charged to general and administrative expense.

At present, there exists no claims or liabilities attributable to lease financing.

Goodwill

If, upon the acquisition of a company, the purchase cost is higher than the acquired net assets valued in keeping with Group-wide valuation principles (including identifiable intangible assets that can be capitalized), the excess amount constitutes acquired goodwill. Goodwill is capitalized on the balance sheet and amortised on a straight-line basis over 5 years.

Intangible assets

Purchased software is capitalized and depreciated over a three-year period. Miscellaneous purchases are charged directly to general and administrative expenses.

Accrued/deferred tax assets/liabilities

Current income tax is calculated on the basis of the tax law applicable in the given country and recorded as expense for the accounting period in which the related profits were earned. The relevant amounts are reflected on the balance sheet as provisions for tax.

The tax impact from time differentials between the values of assets and liabilities shown on the Group balance sheet and their taxable value are recorded on the balance sheet as accrued tax assets or, as the case may be, deferred tax liabilities. Accrued tax assets attributable to time differentials or accountable loss carryforwards are capitalized if there is the probability that sufficient taxable profits will become available to offset such differentials or loss carryforwards.

Accrued/deferred tax assets/liabilities are calculated at the tax rates that are likely to be applicable for the accounting period in which the tax assets are realised or the tax liabilities paid.

Tax assets and tax liabilities are offset against each other if they pertain to the same taxable item, the same tax jurisdiction, and an enforceable right exists to effect such an offset.

Accrued/deferred taxes are credited or charged directly to shareholders' equity if the related tax pertains to items that have been credited or charged directly to shareholders' equity in the same or some other accounting period.

Occupational benefits plans

The VP Bank Group maintains a number of occupational benefits plans in Liechtenstein and abroad on behalf of its employees, including both defined-benefit and defined-contribution plans.

For defined-benefit plans, the given periodic costs are determined by opinions obtained from external experts.

For defined-benefits plans with segregated assets, the relevant funded status (surplus or deficit of the cash value of the claims in comparison to the related assets valued at current market value) is recorded on the balance sheet as an asset or liability in accordance with the projected unit credit method after taking into account any actuarial gains or losses and unpaid claims that have yet to be booked.

The VP Bank Group must record a portion of such actuarial gains/losses as income/expense if the balance of the cumulative, unbooked actuarial gains/losses at the end of the previous accounting period exceed prescribed threshold values.

Employee stock-ownership plans

The Group's employee stock-ownership plan enables employees to purchase annually a certain number of bearer shares of Verwaltungs- und Privat-Bank AG at a preferential price, however with a restriction as to sale for a specified period of time. The number of shares that can be acquired is dependent upon the given employee's years of service as well as rank or management level. The purchase price is determined annually by the board of directors and is based on the average market price of the bearer shares on the SWX Swiss Exchange. Shares issued in this manner originate either from treasury holdings of VP Bank or from purchases made in the open market for such purpose. The related expense is charged directly to personnel expense.

Earnings per share

Undiluted earnings per share is calculated by dividing the net profit or loss allocable to shareholders for the given accounting period by the weighted average number of bearer shares that were outstanding during the period. Fully diluted earnings per share is calculated by the same means, however the given amounts are adjusted to reflect the potential dilutive effect of the conversion or exercise of options, warrants, convertible bonds or other types of financial contract involving shares of the Group.

Comparability

For the first time as of June 30, 2003, VP Bank is preparing its financial statements in accordance with International Financial Reporting Standards (IFRS). To facilitate comparability, the 2002 balance sheet and income statement figures have been restated in keeping with IFRS guidelines. The differences resulting from this change are reflected in the section "Reconciliation to accommodate IFRS".

Reconciliation to accommodate IFRS

Reconciliation of shareholders' equity to accommodate IFRS

in 1,000 CHF	12/31/2001	6/30/2002	12/31/2002
Shareholders' equity as per Swiss GAAP FER¹	1,069,927	1,012,761	1,000,166
1) Provisions	59,169	64,252	44,550
2) Deferred tax	-10,724	-17,618	-9,468
3) Valuation of fixed assets	-5,499	-2,311	-1,148
4) Valuation of financial instruments	-3,961	10,683	9,968
5) Treasury shares and options on treasury shares	-86,489	-81,471	-63,727
6) Accrual of occupation benefit plan expense	-13,005	-13,005	-12,148
Total influence of IFRS reconciliation	-60,509	-39,470	-31,973
Total shareholders' equity as per IFRS	1,009,418	973,291	968,193

¹ Including provisions for general banking risks that are also allocable to shareholders' equity under Swiss GAAP FER

Commentary on differences in shareholders' equity

- 1) Pursuant to IFRS requirements, provisions no longer qualify as such and have been allocated to shareholders' equity.
- 2) In keeping with IFRS, we have established accruals/deferrals for tax assets/liabilities arising from temporary valuation differences between Group values and tax values
- 3) In compliance with IFRS, we no longer depreciate real property. Also, investments in fixed assets are depreciated according to their given useful life.
- 4) Under IFRS, we book all value fluctuations of financial instruments to the income statement.
- 5) IFRS requires that treasury shares be deducted from shareholders' equity at cost of acquisition, and that related profits and losses be booked with no impact on the income statement.
- 6) In accordance with IFRS 19, we record the over-/under-funded status of defined-benefit retirement plans as an asset/liability on the balance sheet.

Reconciliation of consolidated net profit to accommodate IFRS

in 1,000 CHF	1st Sem. 2002	2002
Consolidated net profit as per Swiss GAAP FER	10,332	38,690
1) Elimination of provisions for general banking risks		-40,000
2) Value adjustments, provisions, depreciation and amortization	-233	-11,946
3) Accrued/deferred tax assets/liabilities	1,331	1,765
4) Valuation of fixed assets	2,317	1,180
5) Treasury shares and options on treasury shares	2,093	34,951
6) Valuation of financial investments	-13,708	-11,994
Other influences	-414	79
Total influence of IFRS reconciliation	-8,614	-25,965
Consolidated net profit as per IFRS	1,718	12,725

Commentary on differences in consolidated net profit

- 1) In keeping with IFRS, we allocate the elimination of general banking risks to shareholders' equity.
- 2) Pursuant to IFRS requirements, individual provisions, value adjustments and writedowns no longer qualify as such.
- 3) In keeping with IFRS, we have established accruals/deferrals for tax assets/liabilities arising from temporary valuation differences between Group values and tax values
- 4) In compliance with IFRS, we no longer depreciate real property. Also, investments in fixed assets are depreciated according to their given useful life.
- 5) IFRS requires that profits and losses from treasury shares be booked with no impact on the income statement.
- 6) Under IFRS, we book all value fluctuations of financial instruments to the income statement.

Segment reporting by business division

1st Sem. 2003 in 1,000 CHF	Private Clients	Trust Banking	Investment Management	Corporate Center incl. subsidiaries	Consolidated total
Operating income	23,324	35,420	44,672	30,807	134,223
Operating expense	8,818	14,088	15,684	43,675	82,265
Segment operating profit before tax and minority interests	14,506	21,332	28,988	-12,868	51,958
Tax					6,098
Net profit before minority interests					45,860
Minority interests					1,996
Consolidated net profit					43,864

at 6/30/2003

Assets under management (in CHF billion)	7.7	9.0	3.5	5.5	25.7
Workforce (no. of employees)	74	93	130	290	587
Workforce (full-time equivalents)	71.3	90.9	118.0	259.9	540.1

1st Sem. 2002 in 1,000 CHF	Private Clients	Trust Banking	Investment Management	Corporate Center incl. subsidiaries	Consolidated total
Operating income	27,359	42,256	-7,538	28,184	90,261
Operating expense	10,002	13,408	15,987	47,185	86,582
Segment operating profit before tax and minority interests	17,357	28,848	-23,525	-19,001	3,679
Tax					602
Net profit before minority interests					3,077
Minority interests					1,359
Consolidated net profit					1,718

at 12/31/2002

Assets under management (in CHF billion)	7.5	8.9	3.3	5.5	25.2
Workforce (no. of employees)	73	93	133	300	599
Workforce (full-time equivalents)	70.6	91.4	120.3	266.6	548.9

Private Clients

The Private Clients division focuses its efforts on the individual customers of VP Bank and is subdivided into the Private Banking and Personal Banking business units. Client assets under management increased during the period under review by 2.7 per cent to CHF 7.7 billion (12/31/2002: CHF 7.5 billion).

Owing to the difficult market environment, the division's gross profit for the first half of 2003 experienced a 14.7 per cent decline to CHF 23.3 million (2002: CHF 27.4 million).

On the cost side, operating expense decreased in comparison to the prior-year period by roughly 12 per cent to CHF 8.8 million (2002: CHF 10.0 million). Pre-tax net income for the Private Clients division fell during the period by 16.4 per cent to stand at CHF 14.5 million

(2002: CHF 17.4 million). Based on fulltime equivalents, it currently employs 71.3 individuals (2002: 70.6 employees).

VP Bank offers its international clientele comprehensive advice and services, tailored to address all types of financial assets. In doing so, VP Bank meets the need of its clients by offering personalised advice that is marked by a holistic approach to investment. VP Bank will continue to expand the activities and services of the Private Clients division and strengthen its position in its targeted markets.

Segment results

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Operating income	23,324	27,359	-14.7
Operating expense	8,818	10,002	-11.8
Segment operating profit before tax and minority interests	14,506	17,357	-16.4

	6/30/2003	12/31/2002	Change in %
Assets under management (in CHF billion)	7.7	7.5	2.7
Workforce (full-time equivalents)	71.3	70.6	1.0

Trust Banking

The Trust Banking division comprises the Bank's Financial Intermediaries, Corporate Clients and IT business units. Client assets under management rose versus the comparable prior-year period by 1.1 per cent to CHF 9.0 billion (2002: CHF 8.9 billion).

During the first half, the division's gross profit declined by 16.2 per cent to CHF 35.4 million (2002: CHF 42.3 million). On the cost side, operating expense increased in comparison to the prior-year period by 5.1 per cent to CHF 14.1 million (2002: CHF 13.4 million). Pre-tax net income for the Trust Banking division fell during the first half of 2003 by 26.1 per cent to CHF 21.3 million (2002: CHF 28.8 million). Adjusted to reflect fulltime equivalents, this division employs 90.9 individuals (2002: 91.4).

The Trust Banking division offers client-specific services to fiduciaries and external asset managers. In effort to provide those clients with high-quality products and services that are both flexible and tailored to meet their needs, VP Bank will continue to enhance its customer-care activities and range of services. The electronic platform for use by financial intermediaries is to be modernised and developed further. Also in future, VP Bank will resolutely pursue the implementation of its strategy in this Trust Banking division.

Segment results

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Operating income	35,420	42,256	-16.2
Operating expense	14,088	13,408	5.1
Segment operating profit before tax and minority interests	21,332	28,848	-26.1

	6/30/2003	12/31/2002	Change in %
Assets under management (in CHF billion)	9.0	8.9	1.1
Workforce (full-time equivalents)	90.9	91.4	-0.5

Investment Management

The Investment Management division consists of the Client Investment Management, Bank Capital Management and Production business units. Client assets under management rose versus the comparable prior-year period by 6.1 per cent to CHF 3.5 billion (2002: CHF 3.3 billion). During the first half, the division's gross profit increased by CHF 44.7 million (2002: CHF -7.5 million). This marked improvement is primarily attributable to the fact that value adjustments on proprietary trading portfolio assets were eliminated, and the Bank's cash management activities were fundamentally revamped and optimised. In comparison to the previous year, operating expense declined by 1.9 per cent to CHF 15.7 million (2002: CHF 16.0 million). Pre-tax net income for the Investment Management

division improved during the first half of 2003 and amounted to CHF 29.0 million (2002: CHF -23.5 million). Based on fulltime equivalents, this division currently employs 118.0 individuals (2002: 120.3).

Clients and their investment needs take centre stage in the Investment Management division. Its activities focus mainly on managing the assets of individual and institutional customers. To that purpose, VP Bank offers a broad range of financial and fund-related services. In order to achieve optimal performance, the Bank Capital Management business unit has been responsible since last year for management of VP Bank's investment assets.

Segment results

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Operating income	44,672	-7,538	n. a.
Operating expense	15,684	15,987	-1.9
Segment operating profit before tax and minority interests	28,988	-23,525	n. a.

	6/30/2003	12/31/2002	Change in %
Assets under management (in CHF billion)	3.5	3.3	6.1
Workforce (full-time equivalents)	118.0	120.3	-1.9

Corporate Center

Income and expenditures that cannot be attributed directly to a given operating division are booked at the Corporate Center level, as are the results of the Bank's consolidated subsidiaries. They are primarily administered according to financial targets and management responsibility for the related activities is accorded to the CFO. The related income is mainly generated by the business activities of the subsidiaries.

During the first half of 2003, the Corporate Center's gross profit increased by 9.3 per cent to CHF 30.8 million (2002: CHF 28.2 million), even as its operating expenses declined in comparison to the previous year's first half by 7.4 per cent to CHF 43.7 million (2002: CHF 47.2 million).

Its pre-tax net loss was reduced by 32.3 per cent in comparison to the prior-year period and stood at CHF -12.9 million (2002: CHF -19.0 million).

Adjusted to reflect fulltime equivalents, the Corporate Center employs a total of 259.9 individuals (2002: 266.6).

At the subsidiaries, pre-tax net profit increased to CHF 11.4 million (2002: CHF 4.0 million), mainly due to realized synergy effects. Client assets under management eased by 5.3 per cent to CHF 5.4 billion (2002: 5.7 billion). Based on fulltime equivalents, the subsidiaries employ a total of 149.8 individuals (2002: 155.6).

Segment results

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Operating income	30,807	28,184	9.3
Operating expense	43,675	47,185	-7.4
Segment operating profit before tax and minority interests	-12,868	-19,001	-32.3

	6/30/2003	12/31/2002	Change in %
Assets under management (in CHF billion)	5.5	5.5	0.0
Workforce (full-time equivalents)	259.9	266.6	-2.5

of which, subsidiaries

	6/30/2003	12/31/2002	Change in %
Operating income	30,616	28,870	6.0
Operating expense	19,173	24,898	-23.0
Segment operating profit before tax and minority interests	11,443	3,972	188.1

	6/30/2003	12/31/2002	Change in %
Assets under management (in CHF billion)	5.4	5.7	-5.3
Workforce (full-time equivalents)	149.8	155.6	-3.7

Notes to the consolidated financial statements

1 Net interest income

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Interest and discounting income	85,087	111,772	-23.9
Interest income from trading portfolio assets	14	35	-60.0
Interest income from financial investments	11,889	8,576	38.6
Total interest income	96,990	120,383	-19.4
Dividend income from trading portfolio assets	184	215	-14.4
Dividend income from financial investments	1,610	4,189	-61.6
Total dividend income	1,794	4,404	-59.3
Interest expense from commitments	37,936	64,498	-41.2
Interest expense from medium-term notes	2,710	3,911	-30.7
Total interest expense	40,646	68,409	-40.6
Net interest income	58,138	56,378	3.1
of which, from derivative financial instruments	586	-4,541	

2 Net fee and commission income

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Commission income from lending operations	435	501	-13.2
Commission income from asset management and investments ¹	16,904	23,864	-29.2
Trading commissions	16,843	19,366	-13.0
Safekeeping fees	10,737	12,543	-14.4
Income from investment funds	13,476	14,542	-7.3
Commission income from other service-related activities	5,238	5,112	2.5
Total fee and commission income	63,633	75,928	-16.2
Commission expense	1,832	2,756	-33.5
Other service-related and commission expense	8,928	9,700	-8.0
Total expense for service-related and commission activities	10,760	12,456	-13.6
Net fee and commission income	52,873	63,472	-16.7

¹ corporate actions, asset management commissions, fiduciary commissions, investment advice, all-in fees, securities lending

3 Net trading income

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Securities	-892	-191	n.a.
Foreign exchange and precious metals	8,033	7,815	2.8
Net trading income	7,141	7,624	-6.3
of which, from derivative financial instruments	212	-775	

4 Other income

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Income from "financial assets available for sale"	10,184	-45,943	n. a.
Income from real property	194	131	48.1
Additional other income	6,451	13,012	-50.4
Additional other expense	-758	-4,413	-82.8
Net other income	16,071	-37,213	n. a.

Income from "financial assets available for sale"

Fixed-income securities	6,730	3,988	68.8
Equity securities	3,454	-49,931	n. a.
Total	10,184	-45,943	n. a.

5 Personnel expense

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Wages and salaries	30,823	32,674	-5.7
Statutory social security contributions	2,587	2,995	-13.6
Contributions to occupational benefits plans/defined contribution	1,919	2,041	-6.0
Contributions to occupational benefits plans/defined benefit	826	686	20.4
Other personnel expense	2,965	3,788	-21.7
Total personnel expense	39,120	42,184	-7.3

6 General and administrative expense

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Offices	2,176	2,275	-4.4
Insurance	653	714	-8.5
Professional fees	3,490	3,742	-6.7
Information procurement	3,069	2,901	5.8
Telecommunication and shipping	739	736	0.4
IT systems	4,188	3,353	24.9
Marketing and public relations	3,656	1,839	98.8
Capital tax	767	1,451	-47.1
Other G&A expense	2,796	3,659	-23.6
Total general and administrative expense	21,534	20,670	4.2

7 Depreciation and amortization

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Depreciation of fixed assets	5,193	5,981	-13.2
Amortization of intangible assets	8,893	10,226	-13.0
Total depreciation and amortization	14,086	16,207	-13.1

8 Value adjustments, provisions and losses

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Loan risks	6,980	6,882	1.4
Procedural risks	0	75	-100.0
Operating risks	545	564	-3.4
Total value adjustments, provisions and losses	7,525	7,521	0.1

9 Tax expense

in 1,000 CHF	1st Sem. 2003	1st Sem. 2002	Change in %
Current taxes	6,102	1,933	n. a.
Deferred taxes	-4	-1,331	-99.7
Total tax expense	6,098	602	n. a.

10 Share capital

	6/30/2003		12/31/2002	
	No. of shares	Par value in CHF	No. of shares	Par value in CHF
Bearer shares of CHF 10.– par value each	5,314,347	53,143,470	7,432,850	74,328,500
Registered shares of CHF 1.– par value each	6,004,167	6,004,167	11,171,500	11,171,500
Total share capital		59,147,637		85,500,000

All shares are fully paid-in.

The decrease in share capital by CHF 26.3 million by elimination of 2,118,503 bearer shares and 5,167,333 registered shares was approved at the May 15, 2003, extraordinary general meeting of shareholders. Entry in the trade register will be made in autumn.

Off-balance-sheet items

in 1,000 CHF	6/30/2003	12/31/2002	Change in %
Contingent liabilities			
Collateral guarantees and similar	7,919	8,316	-4.8
Performance guarantees and similar	95,408	93,247	2.3
Irrevocable commitments	0	0	n. a.
Other contingent liabilities	0	0	n. a.
Total contingent liabilities	103,327	101,563	1.7

Agenda

2004 annual media and analyst conference: March 16, 2004
Annual general meeting of shareholders: April 30, 2004

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