



**First-half year result**  
2002



**VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT**

# VP Bank Group

## Key figures first-half year 2002

### Group profit and loss account first-half year 2002

Profit and loss items in CHF 1'000	30.6.2002	30.6.2001	Change in %
Gross interest income	114'247	226'897	
Income from bills and money market paper	292	454	
Less interest expenses	68'409	171'358	
<b>Net interest income</b>	<b>46'130</b>	<b>55'993</b>	<b>-18</b>
Commission income	76'540	87'015	
Less comission paid	12'233	12'346	
<b>Net commission income</b>	<b>64'307</b>	<b>74'669</b>	<b>-14</b>
<b>Income from foreign exchange and precious metals trading</b>	<b>8'213</b>	<b>9'986</b>	<b>-18</b>
<b>Income from securities</b>	<b>-25'383</b>	<b>8'055</b>	<b>n.a.</b>
<b>Income from non-consolidated participations</b>	<b>21</b>	<b>27</b>	<b>-22</b>
<b>Other income</b>	<b>4'968</b>	<b>6'849</b>	<b>-27</b>
<b>Net income</b>	<b>98'256</b>	<b>155'579</b>	<b>-37</b>
Salaries and directors' fees	39'399	40'664	-3
Staff welfare contributions	2'770	2'767	0
Operatating and office expenses	19'196	20'705	-7
<b>Total operating costs</b>	<b>61'365</b>	<b>64'136</b>	<b>-4</b>
Taxes	3'384	9'824	-66
Losses	320	621	-48
Depreciations	19'643	13'467	46
Provisions for operational purposes	3'532	644	n.a.
Group operating profit	10'012	66'887	-85
<b>Expenses from other periods and extraordinary expenses</b>	<b>1'837</b>	<b>78</b>	<b>n.a.</b>
<b>Income from other periods and extraordinary income</b>	<b>3'471</b>	<b>6'093</b>	<b>-43</b>
<b>Share in profit of minority interests</b>	<b>1'314</b>	<b>2'528</b>	<b>-48</b>
<b>Group profit</b>	<b>10'332</b>	<b>70'374</b>	<b>-85</b>

### Assets under management as of June 30, 2002 VP Bank Group

in billions CHF	30.6.2002	31.12.2001	Change in %
Customer custody accounts	17.9	19.1	-6.3
Fiduciary deposits	1.5	1.6	-6.3
On-balance-sheet customer deposits	7.7	8.9	-13.5
<b>Assets under management</b>	<b>27.1</b>	<b>29.6</b>	<b>-8.4</b>

### Group balance sheet as of June 30, 2002

Assets in CHF 1'000	30.6.2002	31.12.2001	Change in %
<b>Liquid funds</b>	<b>35'761</b>	<b>78'335</b>	<b>-54</b>
Due from banks on demand	485'211	627'975	
Due from banks on time	4'929'749	6'033'404	
<b>Due from banks</b>	<b>5'414'960</b>	<b>6'661'379</b>	<b>-19</b>
Bills and money market paper	25'370	25'451	
Arranged overdrafts, unsecured	60'813	110'002	
Arranged overdrafts, secured	191'850	161'004	
Fixed advances and loans, unsecured	49'707	74'055	
Fixed advances and loans, secured	833'518	680'620	
Arranged overdrafts and loans to public entities	229'614	253'909	
Mortgage loans	1'178'570	1'154'227	
<b>Loans to customers</b>	<b>2'569'442</b>	<b>2'460'168</b>	<b>4</b>
<b>Securities</b>	<b>880'118</b>	<b>977'889</b>	<b>-10</b>
<b>Non-consolidated participations</b>	<b>2'977</b>	<b>2'758</b>	<b>8</b>
<b>Intangible assets</b>	<b>32'336</b>	<b>38'448</b>	<b>-16</b>
<b>Real estate</b>	<b>129'677</b>	<b>129'127</b>	<b>0</b>
<b>Other fixed assets</b>	<b>24'019</b>	<b>26'440</b>	<b>-9</b>
<b>Other assets</b>	<b>112'546</b>	<b>65'435</b>	<b>72</b>
<b>Total assets</b>	<b>9'201'836</b>	<b>10'439'979</b>	<b>-12</b>
<b>Liabilities in CHF 1'000</b>	<b>30.6.2002</b>	<b>31.12.2001</b>	<b>Change in %</b>
Due to banks on deman	70'800	33'385	
Due to banks on time	156'070	219'120	
<b>Due to banks</b>	<b>226'870</b>	<b>252'505</b>	<b>-10</b>
Demand deposits	2'962'518	3'592'687	
Time deposits	3'638'328	4'280'119	
<b>Short-term customer deposits</b>	<b>6'600'846</b>	<b>7'872'806</b>	<b>-16</b>
Saving deposits	726'985	681'082	
Special deposit accounts	92'888	88'515	
VP Bank bonds	265'705	257'930	
<b>Long-term customer</b>	<b>1'085'578</b>	<b>1'027'527</b>	<b>6</b>
<b>Other liabilities</b>	<b>115'305</b>	<b>59'402</b>	<b>94</b>
<b>Value adjustments and provisions</b>	<b>149'179</b>	<b>145'874</b>	<b>2</b>
<b>Provisions for general banking risks</b>	<b>207'985</b>	<b>245'185</b>	<b>-15</b>
<b>Minority interests</b>	<b>11'297</b>	<b>11'938</b>	<b>-5</b>
Share capital	85'500	85'500	
Capital reserves	224'760	224'760	
Retained earnings	484'184	446'122	
Group profit	10'332	68'360	
<b>Capital funds</b>	<b>804'776</b>	<b>824'742</b>	<b>-2</b>
<b>Total liabilities</b>	<b>9'201'836</b>	<b>10'439'979</b>	<b>-12</b>

“The VP Bank Group is staying  
the course in seas of change”

**Assets under management remain stable – proprietary securities holdings weigh on profit**

The ongoing turbulence witnessed in the financial markets, as well as the persistently downbeat mood among investors and correspondingly low level of trading volume, again left a clear mark on the VP Bank Group's first-half year results. Net income fell by 37% to CHF 98.3 million (30.6.2001: CHF 155.6 million), primarily due to valuation adjustments for proprietary securities holdings. Assets under management eased by 8.4% to CHF 27.1 billion (31.12.2001: CHF 29.6 billion) mainly as the result of performance-related factors. As the result of cost-reduction measures aimed at ensuring sustainable growth and healthy profitability that were introduced already at the outset of the year, operating costs were maintained at a level below that of the previous year.

Once again, commission income represented the VP Bank Group's major source of revenues and amounted to CHF 64.3 million (30.6.2001: CHF 74.7 million). As a result of developments on the interest-rate front, revenues from interest-related business activities fell by 18% to CHF 46.1 million (30.6.2001: CHF 56 million). Consolidated Group profit stood at CHF 10.3 million, an 85% decline in comparison to the comparable prior-year period (30.6.2001: CHF 70.4 million). This reduction in net profit is primarily attributable to losses incurred on proprietary securities holdings.

Mainly performance-related factors caused an 8.4% decline in client assets under management to a level of CHF 27.1 billion (31.12.2001: CHF 29.6 billion). By way of contrast, loans to clients rose by 4% to CHF 2.6 billion. (31.12.2001: CHF 2.5 billion). At the 2002 half-year mark, the VP Bank Group had capital funds of CHF 804.8 million, 2% below the previous year-end level (31.12.2001: CHF 824.7 million). Foreign-exchange influences led to a 12% decrease in the balance sheet total to 9.2 billion (31.12.2001: CHF 10.4 billion).

**Strategic orientation**

Given the current market situation, the VP Bank Group aims to focus its attention more and more on strengthening its market position through strategic and operational orientation. Already in the initial months of this year, measures were introduced as a means of ensuring long-term growth and healthy profitability. The "Primo" initiative, an internal project for enhancing efficiency and effectiveness, is now in its implementation phase. Thus steps have been taken to reduce operating costs and optimize profits on an ongoing basis. In view of the possibility of further deterioration in the business climate, this initiative also involves examining more incisive measures with regard to assets and personnel. Decisions pertaining to proprietary securities holdings were implemented during the second quarter in order

to reduce the associated risks as well as the volatility of the returns.

Our business segments are also in the process of being repositioned, with the goal of expanding and strengthening our sectoral organization. The principal business sectors are: Wealth Management (private banking, personal banking); Trust Banking (financial intermediaries, corporate clients); Investment Management (client and bank capital) and Banking Services (IT, production). This portfolio approach focuses on consistent client and need orientation.

With our subsidiary, VP Bank Switzerland, the VP Bank Group is emphasizing the significance of the Swiss financial marketplace. The VP Bank Group was also able to strengthen further its position in Luxembourg and the British Virgin Islands.

**Course set for future growth**

Thus we may certainly speak of having a solid base for our future activities: the VP Bank Group can face the challenges of the new reporting period from a strong position, also on the basis of the experience it has gained from the negative and constantly changing circumstances. The Bank will redouble its strong commitment to earning the trust of its clients – through quality, flexibility, far-sightedness, creativity and even greater client orientation. This also applies in terms of our readiness to outsource to efficient external partners certain areas of the value-adding chain that do not belong to our core business activities or otherwise through cooperative ventures.

**Outlook**

With the cost-reduction, marketing and efficiency-enhancing measures that have been introduced, the VP Bank Group has set the course for the upcoming years. Increasingly decisive factors in its future success will be the ability to finance necessary investments from internally generated cash flow, as well as to continually adapt its strategy to extraneous developments in the marketplace. From today's vantage point, and going on the assumption that the financial markets will stabilize during the second half of 2002, the Bank reckons that the final six months of the year will show improved earnings in comparison to the first half and that it will achieve positive results for the entire 2002 financial year.



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