# 2010

## Semi-annual report

VP BANK

# Contents



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

# Introductory Statement of the Chairman of the Board and the Chief Executive Officer (CEO)

**Dear Shareholders**

For the first six months of 2010, VP Bank Group recorded a consolidated net income of CHF 16.1 million. This decline in profit versus the first half of 2009 is a reflection of the persistently difficult market environment, which in the second quarter was characterized in particular by uncertainties relating to the foreign exchange markets. Despite generally improving trends in the various world economies, those circumstances weighed on investors' activities.

An especially strong impact was exerted by what today are still historically low interest rates, a situation that led to a 44 percent drop in income from VP Bank Group's interest-differential business. However, income from commission business and services increased by 6 percent versus the corresponding prior-year period. Net operating income for the first half of 2010 declined by 14 percent compared to last year's first semester.

Operating expenses decreased by another 3 percent versus the comparison period. Although one-time costs were charged to general and administrative expenses due to a reduction of peripheral systems in conjunction with the implementation of the Avaloq banking software system, expenses remain generally in line with the previously communicated targets.

At June 30, 2010, client assets under management amounted to CHF 28.4 billion, while client assets (including assets held in custody) stood at CHF 40.5 billion. Although the latter figure remained essentially unchanged, there was a net outflow of CHF 0.3 billion in client assets under management – nonetheless, a clear improvement over the prior-year period. Total assets on June 30, 2010, amounted to CHF 11.4 billion, practically the same level as at year-end 2009.

Shareholders' equity of CHF 930 million was unchanged versus the level on December 31, 2009. Our tier 1 ratio of 18.7 percent is now significantly higher than at the end of 2009 (17.1 percent), thereby demonstrating that VP Bank Group continues to have a solid equity base. That fact also gained expression in the public offering of a CHF 200 million debenture issue, which was very favorably received by the market.

In summary, it can be stated that VP Bank Group's consolidated net income reflects above all a decline in income from the interest-differential business. Measures aimed at reducing costs in both the personnel and general and administrative expenses areas are gaining sustainable traction.

Last summer, VP Bank Group streamlined its structure and increased the subsidiary offices' responsibility for their own markets. These steps have had an impact, for example the new manner in which the Near & Middle East markets are being cultivated without the local presence of a branch office in Dubai. Those measures have been embraced and further refined by VP Bank Group's new CEO Roger H. Hartmann, who took over that function on April 1, 2010; they focus squarely on client advice as well as the lean and efficient structure of the Group. These objectives remain in force and they will be decisive in the future performance of VP Bank Group.

The radical regulatory changes underway in the cross-border asset management business are having a global impact. Thus they affect the activities of all financial centers engaged in that business field. Regulatory changes of this nature call for new skill sets and services. And VP Bank Group is accepting this challenge with resolute determination.

Apart from the goal of generating sustained growth at all of the Bank's locations, ensuring efficiency throughout the organization also remains a central task. Among other things, this is being accomplished through our collaboration with Liechtensteinische Landesbank AG in the areas of logistics and informatics technology.

Owing to its current locations around the world, VP Bank Group is in a position to offer its clients individualized services that fulfill their specific needs. At the same time, the Group is characterized by a degree of flexibility that represents one of the key elements of a good banking relationship. And another quality of VP Bank Group is its staunch protection of one's private sphere – even under the changed regulatory circumstances.

Each six-month period for which a financial report is drawn up sets the course for the future. And also in the previous semester, further important steps toward the favorable development of VP Bank Group have been introduced or concluded through the aforementioned initiatives.

We greatly appreciate the trust you have placed in VP Bank and hope that we can continue to have the privilege of counting you among our valued shareholders and clients. And not least of all, our thanks go to our employees for their tireless commitment.

**Hans Brunhart**
Chairman of the Board of Directors

**Roger H. Hartmann**
Chief Executive Officer

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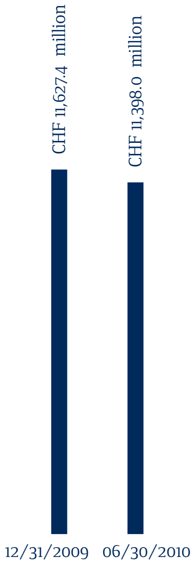
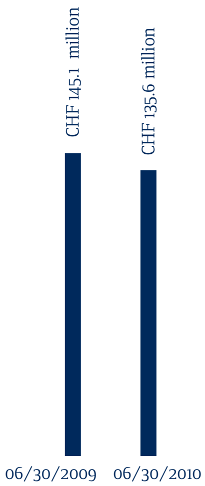
# Key Figures for VP Bank Group



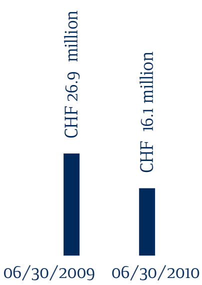
**Total assets**



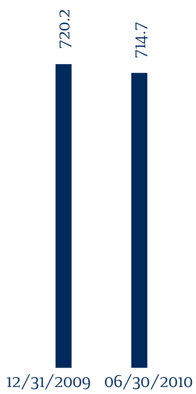
**Total operating income**

**Client assets**

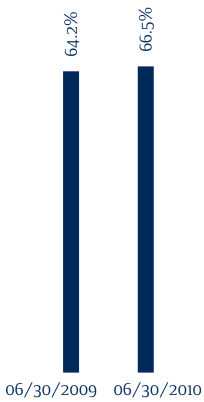
**Shareholders' equity**



**Consolidated net income**



**Headcount**
(expressed as full-time equivalents)



**Cost/income ratio**

**SX capitalization**

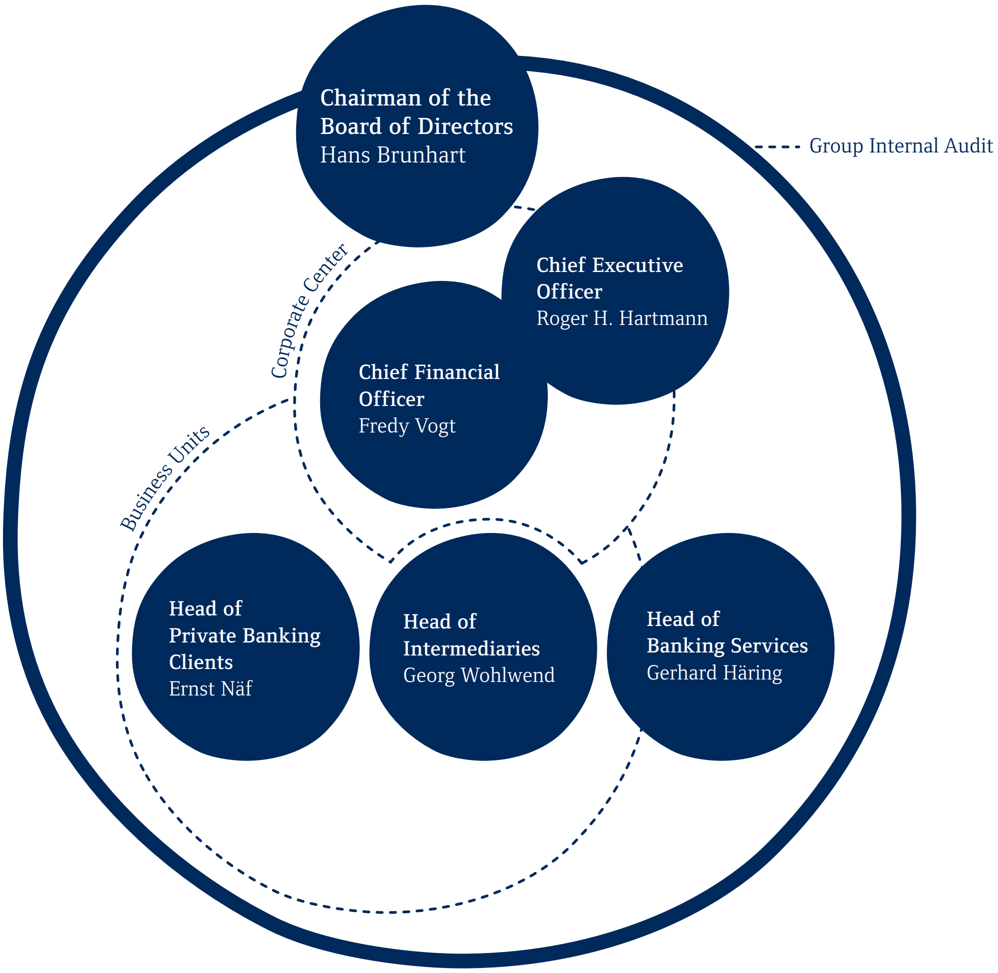
## Key figures for VP Bank Group

| | 06/30/2010 | 06/30/2009 | 12/31/2009 | Variance to 06/30/2009 in % |
|---|---|---|---|---|
| **Key income statement figures in CHF millions** | | | | |
| Total net operating income | 135.6 | 145.1 | 313.8 | –6.5 |
| Income from interest-differential business | 37.3 | 66.8 | 121.0 | –44.2 |
| Income from commission business and services | 63.9 | 60.4 | 123.5 | 5.8 |
| Income from trading activities | 25.8 | 6.5 | 17.6 | 296.1 |
| Operating expenses | 90.2 | 93.2 | 185.1 | –3.2 |
| Net income | 16.1 | 26.9 | 59.8 | –40.0 |
| Net income attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz | 14.5 | 25.0 | 57.4 | –41.9 |

| | 06/30/2010 | 06/30/2009 | 12/31/2009 | Variance to 12/31/2009 in % |
|---|---|---|---|---|
| **Key balance sheet figures in CHF millions[1]** | | | | |
| Total assets | 11,398.0 | 12,016.8 | 11,627.4 | –2.0 |
| Due from banks | 6,067.0 | 7,192.0 | 6,319.8 | –4.0 |
| Due from customers | 3,135.7 | 3,158.1 | 3,026.6 | 3.6 |
| Due to customers | 9,403.8 | 10,098.9 | 9,993.7 | –5.9 |
| Total shareholders' equity | 930.0 | 879.2 | 931.9 | –0.2 |
| Shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz | 910.1 | 860.5 | 913.4 | –0.4 |
| Equity ratio (in %) | 8.0 | 7.2 | 7.9 | 1.6 |
| Tier 1 ratio (in %) | 18.7 | 14.7 | 17.1 | 9.4 |
| | | | | |
| **Client assets in CHF millions[2]** | **40,535.1** | **39,898.6** | **41,824.6** | **–3.1** |
| On-balance-sheet customer deposits (excluding custody assets) | 9,862.7 | 10,495.2 | 10,370.8 | –4.9 |
| Fiduciary deposits (excluding custody assets) | 659.2 | 1,389.7 | 856.6 | –23.0 |
| Fiduciary transactions | 17,853.6 | 17,026.1 | 18,317.1 | –2.5 |
| Custody assets | 12,159.6 | 10,987.6 | 12,280.1 | –1.0 |
| Net new money | –346.2 | –1,048.1 | –1,125.6 | –69.2 |
| | | | | |
| **Standard & Poor's rating** | **A–/Stable/A–2** | **A–/Stable/A–2** | **A-/Stable/A–2** | |
| | | | | |
| **Key operating indicators[1]** | | | | |
| Return on equity (in %)[3] | 3.2 | 6.2 | 6.6 | |
| Cost/income ratio (in %)[4] | 66.5 | 64.2 | 59.0 | |
| Headcount (expressed as full-time equivalents, excluding trainees)[5] | 714.7 | 769.7 | 720.2 | |
| Total operating income per employee (in CHF 1,000) | 189.8 | 188.5 | 435.8 | |
| Total operating expenses per employee (in CHF 1,000) | 126.2 | 121.1 | 257.0 | |
| Net income per employee (in CHF 1,000) | 20.3 | 32.5 | 79.7 | |
| | | | | |
| **Performance indicators related to shares of VP Bank in CHF[1]** | | | | |
| Group net income per bearer share[6] | 2.52 | 4.35 | 9.97 | |
| Group net income per registered share[6] | 0.25 | 0.43 | 1.00 | |
| Shareholders' equity per outstanding bearer share as of balance sheet date | 158.38 | 149.81 | 158.93 | |
| Shareholders' equity per outstanding registered share as of balance sheet date | 15.43 | 14.58 | 15.48 | |
| Share price per bearer share | 127.20 | 106.50 | 100.70 | |
| Share price per registered share | 11.50 | 10.00 | 9.50 | |
| Capitalization (in CHF millions)[7] | 752.4 | 629.9 | 595.6 | |
| Price-earnings ratio per bearer share | 25.23 | 12.26 | 10.10 | |
| Price-earnings ratio per registered share | 22.81 | 11.51 | 9.53 | |

[1] The key figures and indicators are computed and reported on the basis of the consolidated net income and shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz.
[2] Details in the notes to the consolidated income statement and the consolidated balance sheet.
[3] Annualized consolidated net income / average shareholders' equity less dividend.
[4] Operating expenses / total operating income.
[5] In accordance with legal provisions pertaining to the disclosure of trainees, these are to be reported as 50% of full-time equivalents.
[6] On the basis of the weighted average number of shares (bearer) (note 10, see page 20).
[7] Including registered shares.

# Structure of VP Bank Group



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# Consolidated semi-annual report of VP Bank Group

**Cost reductions on course, increase in commission income despite difficult market environment, net outflows of client assets under management contained, marked reduction in interest income**

During the first half year of 2010, VP Bank Group generated consolidated net income (including minority interests) of CHF 16.1 million in accordance with International Financial Reporting Standards (IFRS). In comparison with the half-year's results of 2009 of CHF 26.9 million, consolidated net income fell by 40 percent or CHF 10.8 million. This decline in net income is the consequence of the very difficult market environment, generally. Operating revenues in the first six months of 2010 declined on a net basis by 14 percent over the comparable period – with interest income declining by 44 percent but commission and service income, on the other hand, increasing by 6 percent. As of June 30, 2010, equity markets, on average, were at a slightly lower level than at December 31, 2009. During the semester, heavy movements in prices impacted financial and currency markets, which led to increased client activities. There was no requirement to raise valuation allowances for financial investments.

In the first half year of 2010, VP Bank Group net client assets fell by a total amount of CHF 0.3 billion (1.2 percent of total client assets under management), representing a clear improvement over the prior-year comparable period (as of June 30, 2009, net outflow of client assets of CHF 1.0 billion or 3.6 percent of client assets under management).

With the "FOCUS" banking project initiated at the end of 2008, VP Bank Group has pursued a consistent policy of cost reduction. On a period-on-period basis, operating expenses fell by a further 3 percent from CHF 93.2 million to CHF 90.2 million.

The cost/income ratio amounted to 66.5 percent in comparison to that of the prior-year period of 64.2 percent.

**Events during the half year**

Lean and efficient market-development concepts are key for a company of the size of VP Bank Group. For this reason, VP Bank Group has therefore sought to strengthen its existing five locations, and has concentrated its support functions for the Near & Middle East market into existing Group banking locations. For this reason, VP Bank Group dispensed with a permanent presence in Dubai and closed the existing asset management company there during the first quarter of 2010.

VP Bank and Liechtensteinische Landesbank (LLB) have agreed to cooperate in matters of logistics and IT as costs could be reduced through the benefit of synergies and economies of scale in the areas of "printing and shipment" as well as "data-processing centers". Sub-projects were started. On May 27, 2010, Verwaltungs- und Privat-Bank AG issued a debenture bond in the amount of CHF 200 million, with a coupon rate of 2.5 percent maturing in 2016. This issue was attributed an "A–" rating by Standard & Poor's.

**Financial markets – a turbulent first half year 2010 without the prospect of stability in the short term**

Financial markets during the first half year of 2010 showed a disparate picture: During the first quarter, many equity markets could still pursue their upward trend and even currency markets were relatively stable. The second quarter was then overshadowed by the European debt crisis. This led to heavy price movements, not only on equity markets. Currency markets also appeared to be extremely nervous. The euro devalued significantly against numerous currencies. The SNB initially attempted to stem the negative consequences of a revaluation of the Swiss franc through intervention on currency markets. The upheaval on the financial markets impacted primarily on the otherwise stable bond market. The fear of a national bankruptcy of Greece and of a domino effect within the Eurozone led to a flight from bonds of European peripheral states into those of the core countries. The announcement of a rescue parachute for the Euro states and of the bond-purchase program of the ECB was indeed able to prevent a further escalation of the crisis but did not lead to a rapid restoration of investor confidence. The violent unsettling of investors resulted in renewed fears of an impending relapse into recession.

**Business segments**

In this difficult first half year of 2010, the business units Private Banking Clients and Intermediaries generated a pre-tax income of CHF 52.0 million (first half year of 2009: CHF 55.0 million). Banking Services and the staff functions regrouped within the Corporate Center – with the exception of the staff function Group Treasury responsible for the management of risk – are service or cost centers.

The business unit Private Banking Clients was able to improve its pre-tax segment income by 18 percent or CHF 3.7 million over that of the comparable half-year period of 2009.

The business unit Intermediaries was unable to hold the good results of the prior-year comparable period and reported a decline of CHF 6.7 million or 19 percent.

For Banking Services, the negative pre-tax segment income grew by 50 percent to CHF 27.9 million. After taking account of internal recharges, the net increase in the negative contribution of Banking Services of CHF 9.3 million arose, on the one hand, from amortization of intangible assets, particularly the new banking software and, on the other, from a reduction in interest income because of lower interest margins in the inter-bank business of one Group company which allocates its trading results to Banking Services.

In the Corporate Center are reported those revenues and costs having no direct connection to the operating business units as well as staff functions and consolidation adjustments. The management of own equity resources by the central staff function Group Risk Management and the results of Asset & Liability Management are component parts of the Corporate Center.

Thus, the Corporate Center ended its first six months of 2010 with a negative segment result of CHF 6.2 million (negative segment result of the Corporate Center in the prior-year period of CHF 7.5 million).

**Client assets – outflow of client assets under management, stable development of custody assets**

Client assets under management decreased from CHF 29.5 billion as of December 31, 2009 to CHF 28.4 billion as of June 30, 2010. Negative changes in market values aggregated CHF 0.8 billion and the cumulative net outflows of client assets, including amounts counted twice, at the end of June 2010 aggregated CHF 0.3 billion with a net inflow of new client assets of CHF 0.1 billion in the business segment Private Banking Clients, an outflow in the business segment Intermediaries of CHF 0.6 billion and a positive effect of CHF 0.2 billion in the Corporate Center. The net outflows of client assets thus aggregated 1.2 percent of client assets under management. At CHF 12.2 billion, custody assets remained at almost the same level as at December 31, 2009.

Client assets including custody assets thus aggregated CHF 40.5 billion. This is CHF 1.3 billion or 3.1 percent less than at December 31, 2009 (CHF 41.8 billion).

**Income statement**

**Income from interest-differential business (period-on-period decline of 44 percent or CHF 29.5 million)**

With CHF 37.3 million, the results of the interest-differential business of VP Bank Group was 44 percent lower than the result of the comparable prior-year period (half year 2009: CHF 66.8 million). Reflected therein, on the one hand, are revenues and expenses from the operational account maintenance business and, on the other, from transactions relating to balance sheet management. The focus of risk management on assuring liquidity restricted investment possibilities significantly which, when coupled with the on-going low level of interest rates, weighed on interest margins. In addition, the costs of hedging the balance sheet against interest sensitivity risks turned out to be higher than in the comparable prior-year period. Conditioned by the massively lower interest rates on money markets than in the first half year of 2009, together with a balance sheet structure which is highly geared to money markets, interest income from the account maintenance business fell CHF 24.2 million. Furthermore, the shift of clients from variable- to fixed-rate mortgages also intensified the pressure on margins. The low interest rate also impacted interest-rate derivatives.

**Income from commission business and services (period-on-period increase of 6 percent or CHF 3.5 million)**

The following factors heavily impacted on the commission business and services, whereby differences between the first and second quarters are visible: very different trading activity patterns of clients (sharp decline at the end of the second quarter resulting from uncertainties on financial markets), an on-going propensity to hold high levels of liquid assets with a corresponding low margin, and finally outflows of funds as a result of uncertainties in the regulatory environment.

All higher than those of the comparable prior-year period were brokerage commissions by CHF 2.3 million (11 percent), commissions from asset management and investment business by CHF 1.6 million (9 percent), commissions from safekeeping fees by CHF 0.6 million (7 percent) and income from investment fund management by CHF 4.5 million (20 percent). Other commission and service expenses correlated with the commission income and increased by CHF 3.7 million or 20 percent.

In a market environment dominated by uncertainties, income from commission business and services was 6 percent higher than that of the comparable prior-year period.

**Income from trading activities (increase of CHF 19.3 million over the comparable prior-year period)**

Currency trading finished the year with a positive variance of CHF 0.2 million at CHF 12.7 million on a period-to period comparative basis. The clearly positive variance of CHF 21.1 million in trading activities over the comparable prior-period resulted from revaluation gains on hedges for the purposes of balance sheet management (hedging of foreign-currency balance sheet positions).

**Other income (decrease of 25 percent or CHF 2.8 million over the comparable prior-year period)**

Other income comprises principally revaluation adjustments, realized gains and losses from the disposal of financial investments and revenues of group subsidiaries with trustee services. Positive profit contributions of CHF 9.3 million and of CHF 6.6 million could be realized through various sales of financial instruments designated at fair value and of available-for-sale financial instruments, respectively, both with the primary goal of minimizing risks.

During the same period, financial instruments designated at fair value were credited with CHF 2.9 million and available-for-sale financial instruments were debited with CHF 19.7 million as a result of revaluation gains and losses, respectively (offsetting positions to hedged foreign-currency positions in trading results).

### Operating expenses (period-on-period decrease of 3 percent or CHF 3.0 million)

### Personnel expenses (period-on-period decrease of 4 percent or CHF 2.7 million)

Wages and salaries, including social-security contributions, aggregated CHF 56.5 million for the first six months of 2010 or CHF 2.4 million (4 percent) less than the level of the comparable prior-year period. This reduction in costs resulted principally from a restrictive personnel hiring program. Expressed in terms of full-time equivalents, VP Bank Group employed 714,7 employees as of June 30, 2010 (as of June 30, 2009: 769.7 employees, reduction of 7 percent; position as of December 31, 2009: 720.2 employees).

At CHF 2.3 million, other personnel expenses were CHF 0.2 million lower than in the prior period (CHF 2.5 million).

### General and administrative expenses (period-on-period decrease of 1 percent)

The total decrease over the comparable prior-year period was CHF 0.3 million. All operational cost blocks were stable or even slightly in decline as a result of strict cost control.

### Valuation allowances, provisions and losses

Losses resulting from credit-risk provisions increased by CHF 3.5 million from CHF 3.3 million to CHF 6.8 million. Non-performing loans continued to amount to an unchanged low level of under one percent of the total volume of client loans of CHF 3.1 billion. As of June 30, 2010, no valuation allowances were raised on available-for-sale financial investments as no permanent impairment was assumed.

### Development of risks

Compared to the first half year of 2009, liquidity risks were greatly reduced through a massive shift from interbank deposits into SNB-USD bills. In addition, and in order to achieve a broader diversification on the financing side, a further debenture was issued in April of the current year for a total volume of CHF 200 million and a duration of six years. VP Bank applies the value-at-risk concept to measure market risk. Based upon changes in market data of the preceding 260 trading days, the historical value-at-risk indicates the possible loss which will not be exceeded for a holding period of one month with a probability of 99 percent. In comparison to the first half year of 2009, market risk declined by CHF 12.9 million to CHF 26.7 million. This can be ascribed principally to measures taken to hedge the balance sheet against market risks, as well as to the further reduction in risk exposures amongst the Group's own investments.

As of June 30, 2010, the Group's own investments aggregated CHF 808 million, whereof 89 percent was invested in fixed-interest securities. The equity ratio remained unchanged at 10 percent.

### Balance sheet

Total assets of VP Bank Group as of June 30, 2010 aggregated CHF 11.4 billion and thus were at the 2009 year-end level (CHF 11.6 billion). The development of the volumes of balance-sheet positions was, however, characterized by several opposing effects. On the liabilities side, primarily client deposits regressed overall. Three trends offset this decline in volume amounting to CHF 0.6 billion since December 31, 2009, viz.: the increase in amounts due to banks of CHF 0.2 billion, the issuance of a further debenture loan of CHF 0.2 billion in order to achieve a broader diversification of funding, as well as the increase of negative replacement values of derivative financial instruments totaling CHF 0.1 billion as a result of a higher level of hedging against market risks. The shift of client assets from the interest to interest-neutral business reflects their expectation of continuing low interest rates. Whilst on the assets side, amounts due from banks declined by CHF 0.3 billion from the level of the prior year-end, receivables from clients increased by CHF 0.1 billion as a result of a slight increase in the volume of credits granted. Risk exposures under the Group's own financial investments continued to be reduced. At the same time, the balance thereof fell by CHF 0.1 billion from the 2009 year-end level.

### Stable equity resources

Shareholders' equity of CHF 930 million remained unchanged at the December 31, 2009 level (CHF 932 million). Equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz aggregated CHF 910 million as of June 30, 2010 (December 31, 2009: 913 million). The return on shareholders' equity amounted to 3.2 percent (December 31, 2009: 6.6 percent), impacted by the lower level of consolidated net income. The equity ratio, defined as the percentage of shareholders equity to total assets, reached 8.0 percent (December 31, 2009: 7.9 percent). Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, was 18.7 percent as of June 30, 2010 (December 31, 2009: 17.1 percent). Based on the legal capital adequacy provisions and the policies of VP Bank, the equity resources of VP Bank are very robust and are clearly in excess of the legal requirements.

The return on shareholders equity for banks of 12 to 15 percent remains extremely challenging and it can be assumed that the core tier 1 ratio will decline provided that banks do not increase their capital base. The rules of the Bank for International Settlements (BIS) have not yet been finalized. The most important decisions are due to be taken at the end of 2010.

VP Bank Group, on the other hand, will continue to possess a good equity base in future as it does not include hybrid capital in its eligible equity and because it prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) (ban on netting of assets and liabilities and thus no reduction in total assets), and because it has already increased its holding of liquid assets to the detriment of profitability early in the financial crisis.

### Investments

Investments as of June 30, 2010 amounted to CHF 5.9 million, whereby investing activities have again regained their low level following the implementation project for the new banking software.

In the wake of the investments of recent years, depreciation and amortization has increased slightly by CHF 1.1 million or 6 percent to CHF 20.0 million as of the first six months of 2010. Herein are included non-scheduled write-offs (non-recurring effects) for applications decommissioned in 2010 following the implementation of the new banking software. Thus, the future trend of depreciation and amortization will again be on the decline.

# Consolidated Income Statement (unaudited)

| In CHF 1,000 | Note | 01/01–06/30/2010 | 01/01–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|---|
| Interest income | | 58,470 | 119,341 | –60,871 | –51.0 |
| Interest expense | | 21,201 | 52,569 | –31,368 | –59.7 |
| **Total income from interest-differential business** | 1 | **37,269** | **66,772** | **–29,503** | **–44.2** |
| Commission income | | 86,506 | 79,295 | 7,211 | 9.1 |
| Commission expense | | 22,560 | 18,863 | 3,697 | 19.6 |
| **Total income from commission business and services** | 2 | **63,946** | **60,432** | **3,514** | **5.8** |
| Income from trading activities | 3 | 25,845 | 6,525 | 19,320 | 296.1 |
| Other income | 4 | 8,570 | 11,349 | –2,779 | –24.5 |
| **Total operating income** | | **135,630** | **145,078** | **–9,448** | **–6.5** |
| Personnel expenses | 5 | 58,717 | 61,392 | –2,675 | –4.4 |
| General and administrative expenses | 6 | 31,503 | 31,791 | –288 | –0.9 |
| **Operating expenses** | | **90,220** | **93,183** | **–2,963** | **–3.2** |
| **Gross income** | | **45,410** | **51,895** | **–6,485** | **–12.5** |
| Depreciation and amortization | 7 | 19,961 | 18,868 | 1,093 | 5.8 |
| Valuation allowances, provisions and losses | 8 | 7,561 | 4,094 | 3,467 | 84.7 |
| **Income before income tax** | | **17,888** | **28,933** | **–11,045** | **–38.2** |
| Taxes on income | 9 | 1,761 | 2,044 | –283 | –13.8 |
| **Consolidated net income** | | **16,127** | **26,889** | **–10,762** | **–40.0** |
| Consolidated net income attributable to minority interests | | 1,605 | 1,887 | –282 | –14.9 |
| **Consolidated net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz** | | **14,522** | **25,002** | **–10,480** | **–41.9** |

| Share information[1] | | | | | |
|---|---|---|---|---|---|
| Consolidated net income per bearer share | 10 | 2.52 | 4.35 | | |
| Consolidated net income per registered share | 10 | 0.25 | 0.43 | | |
| Diluted consolidated net income per bearer share | 10 | 2.52 | 4.35 | | |
| Diluted consolidated net income per registered share | 10 | 0.25 | 0.43 | | |

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

# Consolidated Statement of Comprehensive Income (unaudited)

| In CHF 1,000 | 01/01–06/30/2010 | 01/01–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| **Consolidated net income** | **16,127** | **26,889** | **–10,762** | **–40.0** |
| Financial instruments available for sale | | | | |
| • Reclassifying adjustments recorded in Income Statement | –6,375 | 3,430 | –9,805 | –285.9 |
| • Net change in unrealized gains/losses | 6,553 | 18,510 | –11,957 | –64.6 |
| **Total financial instruments available for sale** | 178 | 21,940 | –21,762 | –99.2 |
| Foreign currency translation differences | 2,363 | 875 | 1,488 | 170.1 |
| **Other comprehensive income for the period recognized directly in equity (net-of-tax)** | **2,541** | **22,815** | **–20,274** | **–88.9** |
| **Total comprehensive income for the period (net-of-tax)** | **18,668** | **49,704** | **–31,036** | **–62.4** |
| Attributable to minority shareholders | 2,370 | 2,043 | 327 | 16.0 |
| Attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz | 16,298 | 47,661 | –31,363 | –65.8 |

# Consolidated Balance Sheet (unaudited)

## Assets

| In CHF 1,000 | Note | 06/30/2010 | 12/31/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|---|
| Cash and cash equivalents | | 147,472 | 267,666 | –120,194 | –44.9 |
| Receivables arising from money-market papers | | 810,090 | 777,654 | 32,436 | 4.2 |
| Due from banks | | 6,067,015 | 6,319,844 | –252,829 | –4.0 |
| Due from customers | | 3,135,668 | 3,026,639 | 109,029 | 3.6 |
| Trading portfolios | | 5,904 | 2,105 | 3,799 | 180.5 |
| Derivative financial instruments | | 139,701 | 42,355 | 97,346 | 229.8 |
| Financial instruments at fair value | | 124,169 | 156,820 | –32,651 | –20.8 |
| Financial instruments available for sale | | 672,291 | 728,945 | –56,654 | –7.8 |
| Associated companies | | 48 | 48 | 0 | 0.0 |
| Property and equipment | | 140,408 | 146,636 | –6,228 | –4.2 |
| Goodwill and other intangible assets | | 94,711 | 103,699 | –8,988 | –8.7 |
| Taxes receivable | | 407 | 447 | –40 | –8.9 |
| Deferred taxation assets | | 3,763 | 3,448 | 315 | 9.1 |
| Accrued receivables and prepaid expenses | | 32,915 | 31,222 | 1,693 | 5.4 |
| Other assets | | 23,431 | 19,883 | 3,548 | 17.8 |
| **Total assets** | | **11,397,993** | **11,627,411** | **–229,418** | **–2.0** |

## Liabilities and shareholders' equity

| In CHF 1,000 | Note | 06/30/2010 | 12/31/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|---|
| Due to banks | | 227,879 | 71,998 | 155,881 | 216.5 |
| Due to customers – savings and deposits | | 986,913 | 969,267 | 17,646 | 1.8 |
| Due to customers – other liabilities | | 8,416,925 | 9,024,384 | –607,459 | –6.7 |
| Derivative financial instruments | | 134,125 | 44,048 | 90,077 | 204.5 |
| Medium-term notes | | 169,504 | 199,637 | –30,133 | –15.1 |
| Debentures issued | 11 | 446,290 | 248,486 | 197,804 | 79.6 |
| Tax liabilities | | 5,796 | 4,687 | 1,109 | 23.7 |
| Deferred taxation liabilities | | 8,377 | 7,830 | 547 | 7.0 |
| Accrued liabilities and deferred items | | 27,612 | 33,569 | –5,957 | –17.7 |
| Other liabilities | | 42,708 | 89,784 | –47,076 | –52.4 |
| Provisions | | 1,817 | 1,803 | 14 | 0.8 |
| Total liabilities | | 10,467,946 | 10,695,493 | –227,547 | –2.1 |
| Share capital | 12 | 59,148 | 59,148 | 0 | 0.0 |
| Less: treasury shares | 13 | –38,387 | –38,302 | –85 | –0.2 |
| Capital reserves | | –5,368 | –6,093 | 725 | 11.9 |
| Income reserves | | 902,086 | 907,755 | –5,669 | –0.6 |
| IAS 39 reserves | | 681 | 503 | 178 | 35.4 |
| Foreign-currency translation differences | | –8,024 | –9,622 | 1,598 | 16.6 |
| **Shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz** | | **910,136** | **913,389** | **–3,253** | **–0.4** |
| Minority interests | | 19,911 | 18,529 | 1,382 | 7.5 |
| Total shareholders' equity | | 930,047 | 931,918 | –1,871 | –0.2 |
| **Total liabilities and shareholders' equity** | | **11,397,993** | **11,627,411** | **–229,418** | **–2.0** |

# Consolidated Changes in Shareholders' Equity (unaudited)

| In CHF 1,000 | Share-capital | Treasury shares | Capital-reserves | Income reserves | Reserves finan-cial in-struments IAS 39 | Foreign currency transla-tion dif-ferences | Shareholders' equity attri-butable to the shareholders of Verwal-tungs- und Privat-Bank AG, Vaduz | Minority interests | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|---|
| **Total shareholders' equity 01/01/2009** | **59,148** | **–38,521** | **–6,045** | **865,131** | **–42,187** | **–9,370** | **828,156** | **17,330** | **845,486** |
| Unrealized gains or losses on available-for-sale financial instruments | | | | | | | | | |
| • gains/losses taken to income statement | | | | | 3,430 | | 3,430 | | 3,430 |
| • change in unrealized gains/losses (net-of-tax) | | | | | 18,510 | | 18,510 | | 18,510 |
| Foreign-currency translation differences | | | | | | 719 | 719 | 156 | 875 |
| Consolidated net income | | | | 25,002 | | | 25,002 | 1,887 | 26,889 |
| **Total reported result 06/30/2009** | | | | **25,002** | **21,940** | **719** | **47,661** | **2,043** | **49,704** |
| Appropriation of income 2008 | | | | –14,369 | | | –14,369 | –694 | –15,063 |
| Management equity participation plan (LTI) | | | –950 | | | | –950 | | –950 |
| Change in treasury shares | | 34 | 14 | | | | 48 | | 48 |
| **Total shareholders' equity 06/30/2009** | **59,148** | **–38,487** | **–6,981** | **875,764** | **–20,247** | **–8,651** | **860,546** | **18,679** | **879,225** |
| **Total shareholders' equity 01/01/2010** | **59,148** | **–38,302** | **–6,093** | **907,755** | **503** | **–9,622** | **913,389** | **18,529** | **931,918** |
| Unrealized gains or losses on available-for-sale financial instruments | | | | | | | | | |
| • gains/losses taken to income statement | | | | | –6,375 | | –6,375 | | –6,375 |
| • change in unrealized gains/losses (net-of-tax) | | | | | 6,553 | | 6,553 | | 6,553 |
| Foreign currency translation differences | | | | | | 1,598 | 1,598 | 765 | 2,363 |
| Consolidated net income | | | | 14,522 | | | 14,522 | 1,605 | 16,127 |
| **Total reported result 06/30/2010** | | | | **14,522** | **178** | **1,598** | **16,298** | **2,370** | **18,668** |
| Appropriation of income | | | | –20,191 | | | –20,191 | –988 | –21,179 |
| Management equity participation plan (LTI) | | | 406 | | | | 406 | | 406 |
| Change in treasury shares | | –85 | 319 | | | | 234 | | 234 |
| **Total shareholders' equity 06/30/2010** | **59,148** | **–38,387** | **–5,368** | **902,086** | **681** | **–8,024** | **910,136** | **19,911** | **930,047** |

# Consolidated Statement of Cash Flows (unaudited)

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 |
|---|---|---|
| **Cash and cash equivalents at the beginning of the business year** | **2,050,556** | **1,005,917** |
| Cash flows from post-tax operating activities | –719,360 | 1,736,468 |
| Cash flows from investing activities | 81,115 | –205,178 |
| Cash flows from financing activities | 147,597 | –117,981 |
| Impact of foreign currency translation | –2,338 | –2,425 |
| **Cash and cash equivalents at the end of the period** | **1,557,570** | **2,416,801** |
| Change in cash and cash equivalents | –492,986 | 1,410,884 |

| **Cash and cash equivalents are represented by:** | | |
|---|---|---|
| Cash balances | 147,472 | 204,200 |
| Receivables arising from money-market papers | 810,090 | 37,817 |
| Due from banks – sight balances | 600,008 | 2,174,784 |
| **Total cash and cash equivalents** | **1,557,570** | **2,416,801** |

# Principles Underlying Financial-Statement Reporting

The unaudited semi-annual Group report has been prepared in compliance with International Financial Reporting Standards (IAS) 34. With the exception of the following modifications and revisions, the semi-annual financial statements have been prepared in compliance with the accounting policies applied as of December 31, 2009.
Segment reporting was modified as of January 1, 2010, and the prior-year's figures were restated.

The following new and revised standards and interpretations have been in force since January 1, 2010:
- IFRS 2 – Group cash-settled share-based payment transactions (Amendments to IFRS 2 – Share-Based Payment)
- IFRS 3 (revised) and IAS 27 (revised): Business Combinations as well as Consolidated and Separate Financial Statements
- IAS 39 – Eligible hedged items (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)
- Annual improvement project (2009 publication)

The application of these standards had no material impact on the semi-annual financial statements.

**Post-balance-sheet-date events**

There were no material events impacting the balance sheet and income statement for the first six months of 2010.
The Board of Directors reviewed and approved the semi-annual report in its meeting on August 19, 2010.

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

| | Balance-sheet date rates | | | Average rates | | |
|---|---|---|---|---|---|---|
| | 06/30/2010 | 06/30/2009 | 12/31/2009 | 1st HY 2010 | 1st HY 2009 | 2009 |
| USD/CHF | 1.0809 | 1.0795 | 1.0375 | 1.08289 | 1.12955 | 1.08492 |
| EUR/CHF | 1.3242 | 1.5255 | 1.4850 | 1.43560 | 1.50525 | 1.50978 |
| SGD/CHF | 0.7730 | 0.7462 | 0.7393 | 0.77524 | 0.75703 | 0.74617 |
| HKD/CHF | 0.1388 | 0.1393 | 0.1340 | 0.13939 | 0.14578 | 1.69678 |

# Notes to the Consolidated Income Statement and Consolidated Balance Sheet (unaudited)

## 1 Income from interest-differential business

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Interest and discount income | 49,170 | 105,992 | –56,822 | –53.6 |
| Interest income from available-for-sale financial instruments | 7,688 | 9,562 | –1,874 | –19.6 |
| Dividend income from available-for-sale financial instruments | 565 | 1,320 | –755 | –57.2 |
| **Subtotal** | **57,423** | **116,874** | **–59,451** | **–50.9** |
| Interest income from trading portfolios and interest rate derivatives | 55 | 40 | 15 | 37.5 |
| Interest income from financial instruments designated at fair value | 985 | 2,349 | –1,364 | –58.1 |
| Dividend income from trading portfolios | 7 | 6 | 1 | 16.7 |
| Dividend income from financial instruments designated at fair value | 0 | 72 | –72 | –100.0 |
| **Total interest income** | **58,470** | **119,341** | **–60,871** | **–51.0** |
| Interest expenses on liabilities | 14,685 | 44,993 | –30,308 | –67.4 |
| Interest expenses on medium-term bonds | 2,105 | 3,666 | –1,561 | –42.6 |
| Interest expenses on debenture bonds | 4,411 | 3,910 | 501 | 12.8 |
| **Total interest expense** | **21,201** | **52,569** | **–31,368** | **–59.7** |
| **Total income from interest-differential business** | **37,269** | **66,772** | **–29,503** | **–44.2** |

## 2 Income from commission business and services

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Commission income from credit business | 383 | 550 | –167 | –30.4 |
| Asset management and investment business[1] | 19,849 | 18,227 | 1,622 | 8.9 |
| Brokerage fees | 22,964 | 20,709 | 2,255 | 10.9 |
| Safekeeping fees | 8,995 | 8,426 | 569 | 6.8 |
| Fund management fees | 26,549 | 22,096 | 4,453 | 20.2 |
| Fiduciary commissions | 906 | 2,430 | –1,524 | –62.7 |
| Commission income from other services | 6,860 | 6,857 | 3 | 0.0 |
| **Total income from commission business and services** | **86,506** | **79,295** | **7,211** | **9.1** |
| Brokerage expenses | 3,989 | 4,000 | –11 | –0.3 |
| Other commission and service-related expenses | 18,571 | 14,863 | 3,708 | 24.9 |
| **Total expenses – commission business and services** | **22,560** | **18,863** | **3,697** | **19.6** |
| **Total income from commission business and services** | **63,946** | **60,432** | **3,514** | **5.8** |

[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/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Securities trading | 13,624 | –7,082 | 20,706 | 292.4 |
| Foreign currency | 12,744 | 12,531 | 213 | 1.7 |
| Bank notes, precious metals and other | –523 | 1,076 | –1,599 | –148.6 |
| **Total income from trading activities** | **25,845** | **6'525** | **19,320** | **296.1** |

The results of trading derivatives, options, etc. is included in the securities trading category.

## 4 Other income

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Income from financial instruments at fair value | 12,280 | 12,249 | 31 | 0.3 |
| Income from available-for-sale financial instruments | –13,027 | –6,627 | –6,400 | –96.6 |
| Income from real estate | 74 | 56 | 18 | 32.1 |
| Release of valuation allowances and provisions no longer required | 3,513 | 1,326 | 2,187 | 164.9 |
| Miscellaneous other income[1] | 6,037 | 5,369 | 668 | 12.4 |
| Profits/losses of associated companies | 1 | –184 | 185 | 100.5 |
| Miscellaneous other losses | –308 | –840 | 532 | –63.3 |
| **Total other income** | **8,570** | **11,349** | **–2,779** | **–24.5** |

[1] Principally revenues from subsidiary companies with trustee services.

### Income from financial instruments at fair value

| | | | | |
|---|---|---|---|---|
| Gains/losses from assets designated at fair value | 12,280 | 12,249 | 31 | 0.3 |
| Income from liabilities designated at fair value | 0 | 0 | 0 | n.a. |
| **Total[1]** | **12,280** | **12,249** | **31** | **0.3** |

[1] Included in this amount are gains and losses from purchases and sales, as well as changes in market values of financial instruments designated at fair value.

### Income from available-for-sale financial instruments

| | | | | |
|---|---|---|---|---|
| Debt instruments | –13,928 | –2,212 | –11,716 | n.a. |
| Equity instruments / shares in investment funds | 901 | –4,415 | 5,316 | 120.4 |
| **Total[1]** | **–13,027** | **–6,627** | **–6,400** | **96.6** |

[1] Included in this amount are amounts transferred from shareholders' equity to the income statement in respect of available-for-sale financial instruments.

## 5 Personnel expenses

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Salaries and wages | 47,958 | 50,317 | –2,359 | –4.7 |
| Social contributions required by law | 3,882 | 4,208 | –326 | –7.7 |
| Contributions to pension plans / defined-benefit plans | 4,011 | 3,770 | 241 | 6.4 |
| Contributions to pension plans / defined-contribution plans | 611 | 574 | 37 | 6.4 |
| Other personnel expenses | 2,255 | 2,523 | –268 | –10.6 |
| **Total personnel expenses** | **58,717** | **61,392** | **–2,675** | **–4.4** |

## 6 General and administrative expenses

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Occupancy | 4,500 | 4,595 | –95 | –2.1 |
| Insurance | 680 | 501 | 179 | 35.7 |
| Professional fees | 3,019 | 4,028 | –1,009 | –25.0 |
| Financial information procurement | 3,572 | 3,817 | –245 | –6.4 |
| Telecommunication and postage | 1,390 | 1,342 | 48 | 3.6 |
| IT systems | 10,464 | 10,056 | 408 | 4.1 |
| Marketing and public relations | 2,329 | 3,256 | –927 | –28.5 |
| Taxes on capital | 1,363 | 322 | 1,041 | 323.3 |
| Other general and administrative expenses | 4,186 | 3,874 | 312 | 8.1 |
| **Total general and administrative expenses** | **31,503** | **31,791** | **–288** | **–0.9** |

## 7 Depreciation and amortization

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Depreciation and amortization of property and equipment | 6,261 | 6,784 | –523 | –7.7 |
| Amortization of intangible assets | 13,700 | 12,084 | 1,616 | 13.4 |
| **Total depreciation and amortization** | **19,961** | **18,868** | **1,093** | **5.8** |

## 8 Valuation allowances, provisions and losses

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Credit risks | 6,809 | 3,315 | 3,494 | 105.4 |
| Legal and litigation risks | 0 | 0 | 0 | n.a. |
| Valuation allowances on available-for-sale financial investments | 0 | 392 | –392 | –100.0 |
| Other | 752 | 387 | 365 | 94.3 |
| **Total valuation allowances, provisions and losses** | **7,561** | **4,094** | **3,467** | **84.7** |

## 9 Taxes on income

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total current taxes | 2,455 | 3,430 | –975 | –28.4 |
| Total deferred taxes | –694 | –1,386 | 692 | 49.9 |
| **Total taxes on income** | **1,761** | **2,044** | **–283** | **–13.8** |

## 10 Consolidated net income per share

| | 06/30/2010 | 06/30/2009 |
|---|---|---|
| **Consolidated net income per share of Verwaltungs- und Privat-Bank AG, Vaduz** | | |
| Consolidated net income (in CHF 1,000)[1] | 14,522 | 25,002 |
| Weighted average of bearer shares | 5,162,966 | 5,154,673 |
| Weighted average of registered shares | 5,988,395 | 5,993,966 |
| Total weighted average number of shares (bearer) | 5,761,805 | 5,754,070 |
| Undiluted consolidated net income per bearer share | 2.52 | 4.35 |
| Undiluted consolidated net income per registered share | 0.25 | 0.43 |
| **Diluted consolidated net income per share of Verwaltungs- und Privat-Bank AG, Vaduz** | | |
| Consolidated net income (in CHF 1,000)[1] | 14,522 | 25,002 |
| Adjusted consolidated net income (in CHF 1,000) | 14,522 | 25,002 |
| Number of shares used to compute the fully-diluted consolidated net income | 5,761,805 | 5,754,070 |
| Diluted consolidated net income per bearer share | 2.52 | 4.35 |
| Diluted consolidated net income per registered share | 0.25 | 0.43 |

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

## 11 Debentures issued

In CHF 1,000

| Year of issue | Security | Interest rate in % | Currency | Maturity | Nominal amount | Total 06/30/2010 | Total 12/31/2009 |
|---|---|---|---|---|---|---|---|
| **Verwaltungs- und Privat-Bank AG, Vaduz** | | | | | | | |
| 2007 | CH0030896697 | 2.875 | CHF | 06/04/2012 | 250,000 | 248,786 | 248,486 |
| 2010 | CH0112734469 | 2.5 | CHF | 05/27/2016 | 200,000 | 197,504 | 0 |

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 amortized cost, using the effective interest method (debenture 2012, 3.14 percent; debenture 2016 2.73 percent) in order to amortize the difference between issuance price and redemption value over the duration of the debt securities.

## 12 Share capital

| | 06/30/2010 | | 12/31/2009 | |
|---|---|---|---|---|
| | 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 sharers 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.

## 13 Treasury shares

| | 06/30/2010 | | 12/31/2009 | |
|---|---|---|---|---|
| | No. of shares | In CHF 1,000 | No. of shares | In CHF 1,000 |
| Registered shares at the beginning of the financial year | 12,915 | 284 | 9,915 | 252 |
| Purchases | 4,000 | 39 | 3,000 | 32 |
| Sales | 0 | 0 | 0 | 0 |
| **Balance of registered shares as of balance-sheet date** | **16,915** | **323** | **12,915** | **284** |
| Bearer shares at the beginning of the financial year | 150,745 | 38,018 | 151,695 | 38,269 |
| Purchases | 20,646 | 2,359 | 18,942 | 1,688 |
| Sales | –20,335 | –2,313 | –19,892 | –1,939 |
| **Balance of bearer shares as of balance-sheet date** | **151,056** | **38,064** | **150,745** | **38,018** |

## Consolidated off-balance-sheet positions

| In CHF 1,000 | 06/30/2010 | 12/31/2009 |
|---|---|---|
| Total contingent liabilities | 110,523 | 115,851 |
| Irrevocable facilities granted | 12,032 | 17,616 |
| Total fiduciary transactions | 666,803 | 2,624,486 |
| Contract volumes of derivative financial instruments | 5,365,078 | 3,448,035 |
| **Securities lending and repurchase and reverse-repurchase transactions with securities** | | |
| Receivables arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions | 0 | 0 |
| Obligations arising from cash deposits in connection with securities lending and repurchase transactions | 0 | 0 |
| Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities, as well as securities in own portfolio transferred within the framework of repurchase transactions | 690,999 | 350,881 |
| thereof those where the unlimited right to sell on or pledge has been granted | 481,767 | 249,045 |
| 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 | 861,532 | 494,742 |
| thereof securities which have been resold or repledged | 352,072 | 228,117 |

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

| Analysis of client assets under management<br>In CHF 1,000 millions | 06/30/2010 | 12/31/2009 | Variance<br>absolute | Variance<br>in % |
|---|---|---|---|---|
| Assets in self-administered funds | 2,938.0 | 3,006.0 | –68.0 | –2.3 |
| Assets in discretionary portfolios | 2,472.8 | 2,626.7 | –153.9 | –5.9 |
| Other client assets | 22,964.7 | 23,911.8 | –947.1 | –4.0 |
| **Total client assets under management (including double counts)** | **28,375.5** | **29,544.5** | **–1,169.0** | **–4.0** |
| thereof: double counts | 2,041.3 | 2,160.6 | –119.3 | –5.5 |
| **Net new money** | **–346.2** | **–1,125.6** | **779.4** | **n.a.** |

| Custody assets<br>In CHF millions | 06/30/2010 | 12/31/2009 | Variance<br>absolute | Variance<br>in % |
|---|---|---|---|---|
| **Custody assets** | **12,159.6** | **12,280.1** | **–120.5** | **–1.0** |

| Total client assets<br>In CHF millions | 06/30/2010 | 12/31/2009 | Variance<br>absolute | Variance<br>in % |
|---|---|---|---|---|
| Total client assets under management (including double counts) | 28,375.5 | 29,544.5 | –1,169.0 | –4.0 |
| Custody assets | 12,159.6 | 12,280.1 | –120.5 | –1.0 |
| **Total client assets** | **40,535.1** | **41,824.6** | **–1,289.5** | **–3.1** |

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# Segments

# Segment Reporting per Business Unit (unaudited)

| 01/01/–06/30/2010<br>In CHF 1,000 | Private Banking<br>Clients | Intermediaries | Banking<br>Services | Corporate<br>Center | Total<br>Group |
|---|---|---|---|---|---|
| Total income from interest-differential business | 19,586 | 12,551 | 383 | 4,749 | 37,269 |
| Total income from commission business and services | 38,023 | 28,356 | –1,023 | –1,410 | 63,946 |
| Income from trading activities | 5,359 | 6,423 | 855 | 13,208 | 25,845 |
| Other income | 3,109 | 3,552 | –107 | 2,016 | 8,570 |
| **Total operating income** | **66,077** | **50,882** | **108** | **18,563** | **135,630** |
| Personnel expenses | 22,819 | 7,921 | 14,293 | 13,684 | 58,717 |
| General and administrative expenses | 7,525 | 2,821 | 10,566 | 10,591 | 31,503 |
| Services provided by/to other business divisions | 9,660 | 6,076 | –12,863 | –2,873 | 0 |
| **Operating expenses** | **40,004** | **16,818** | **11,996** | **21,402** | **90,220** |
| **Gross income** | **26,073** | **34,064** | **–11,888** | **–2,839** | **45,410** |
| Depreciation and amortization | 1,218 | 599 | 14,782 | 3,362 | 19,961 |
| Valuation allowances, provisions and losses | 944 | 5,405 | 1,212 | 0 | 7,561 |
| **Pre-tax income** | **23,911** | **28,060** | **–27,882** | **–6,201** | **17,888** |
| Taxes on income | | | | | 1,761 |
| **Consolidated net income** | | | | | **16,127** |
| Consolidated net income attributable to minority interests | | | | | 1,605 |
| **Consolidated net income attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz** | | | | | **14,522** |
| Divisional assets (in CHF millions) | 3,586 | 911 | 1,189 | 5,712 | 11,398 |
| Divisional liabilities (in CHF millions) | 4,508 | 4,860 | 473 | 627 | 10,468 |
| Investment (in CHF 1,000) | 419 | 199 | 5,237 | 79 | 5,934 |
| Depreciation and amortization (in CHF 1,000) | 1,218 | 599 | 14,782 | 3,362 | 19,961 |
| Creation of valuation adjustments for credit risks (in CHF 1,000) | 670 | 5,004 | 1,135 | 0 | 6,809 |
| Release of valuation adjustments for credit risks (in CHF 1,000) | 1,061 | 1 | 2,428 | 0 | 3,490 |
| Client assets under management (in CHF billions)[1] | 14.2 | 13.7 | 0.0 | 0.4 | 28.4 |
| Net inflow of new client assets (in CHF billions) | 0.1 | –0.6 | 0.0 | 0.2 | –0.3 |
| Headcount (employees) | 272 | 105 | 236 | 153 | 766 |
| Headcount (expressed as full-time equivalents) | 262.2 | 102.4 | 217.2 | 132.9 | 714.7 |
| **as of 12/31/2009** | | | | | |
| Divisional assets (in CHF millions) | 3,487 | 854 | 1,414 | 5,873 | 11,627 |
| Divisional liabilities (in CHF millions) | 4,764 | 5,097 | 695 | 139 | 10,695 |
| Client assets under management (in CHF billions)[1] | 14.6 | 14.7 | 0.0 | 0.2 | 29.5 |
| Net inflow of new client assets (in CHF billions) | –0.7 | –0.4 | 0.0 | 0.0 | –1.1 |
| Headcount (employees) | 276 | 102 | 238 | 153 | 769 |
| Headcount (expressed as full-time equivalents) | 266.5 | 100.9 | 219.7 | 133.1 | 720.2 |

[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 units is made on the basis of agreements as would be drawn up between unrelated third parties ("at arm's length"). Costs recharged between the business units are reviewed annually and renegotiated to reflect changed economic conditions.

| 01/01/–06/30/2009<br>In CHF 1,000 | Private Banking Clients | Intermediaries | Banking Services | Corporate Center | Total Group |
|---|---|---|---|---|---|
| Total income from interest-differential business | 25,256 | 16,324 | 6,104 | 19,088 | 66,772 |
| Total income from commission business and services | 34,387 | 27,833 | –504 | –1,284 | 60,432 |
| Income from trading activities | 6,233 | 5,758 | 1,272 | –6,738 | 6,525 |
| Other income | 4,700 | 3,825 | 972 | 1,852 | 11,349 |
| **Total operating income** | **70,576** | **53,740** | **7,844** | **12,918** | **145,078** |
| Personnel expenses | 29,429 | 8,004 | 17,245 | 6,714 | 61,392 |
| General and administrative expenses | 7,227 | 2,824 | 8,113 | 13,627 | 31,791 |
| Services provided by/to other business divisions | 10,007 | 6,169 | –12,603 | –3,573 | 0 |
| **Operating expenses** | **46,663** | **16,997** | **12,755** | **16,768** | **93,183** |
| **Gross income** | **23,913** | **36,743** | **–4,911** | **–3,850** | **51,895** |
| Depreciation and amortization | 1,671 | 366 | 13,462 | 3,369 | 18,868 |
| Valuation allowances, provisions and losses | 2,018 | 1,584 | 187 | 305 | 4,094 |
| **Pre-tax income** | **20,224** | **34,793** | **–18,560** | **–7,524** | **28,933** |
| Taxes on income | | | | | 2,044 |
| **Consolidated net income** | | | | | **26,889** |
| Consolidated net income attributable to minority interests | | | | | 1,887 |
| **Consolidated net income attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz** | | | | | **25,002** |
| Divisional assets (in CHF millions) | 3,368 | 845 | 1,785 | 6,019 | 12,017 |
| Divisional liabilities (in CHF millions) | 4,393 | 4,757 | 995 | 993 | 11,138 |
| Investment (in CHF 1,000) | 496 | 272 | 24,296 | 622 | 25,686 |
| Depreciation and amortization (in CHF 1,000) | 1,671 | 366 | 13,462 | 3,369 | 18,868 |
| Creation of valuation adjustments for credit risks (in CHF 1,000) | 1,385 | 1,049 | 881 | 0 | 3,315 |
| Release of valuation adjustments for credit risks (in CHF 1,000) | 1,197 | 119 | 0 | 0 | 1,316 |
| Client assets under management (in CHF billions)[1] | 14.3 | 14.3 | 0.0 | 0.2 | 28.9 |
| Net inflow of new client assets (in CHF billions) | –0.5 | –0.5 | 0.0 | 0.0 | –1.0 |
| Headcount (employees) | 301 | 108 | 247 | 167 | 823 |
| Headcount (expressed as full-time equivalents) | 290.3 | 106.3 | 226.9 | 146.2 | 769.7 |

[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 units is made on the basis of agreements as would be drawn up between unrelated third parties ("at arm's length"). Costs recharged between the business units are reviewed annually and renegotiated to reflect changed economic conditions.

# Private Banking Clients

## Business unit results

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total income from interest-differential business | 19,586 | 25,256 | –5,670 | –22.5 |
| Total income from commission business and services | 38,023 | 34,387 | 3,636 | 10.6 |
| Income from trading activities | 5,359 | 6,233 | –874 | –14.0 |
| Other income | 3,109 | 4,700 | –1,591 | –33.9 |
| **Total operating income** | **66,077** | **70,576** | **–4,499** | **–6.4** |
| Personnel expenses | 22,819 | 29,429 | –6,610 | –22.5 |
| General and administrative expenses | 7,525 | 7,227 | 298 | 4.1 |
| Services provided by/to other business divisions | 9,660 | 10,007 | –347 | –3.5 |
| **Operating expenses** | **40,004** | **46,663** | **–6,659** | **–14.3** |
| **Gross income** | **26,073** | **23,913** | **2,160** | **9.0** |
| Depreciation and amortization | 1,218 | 1,671 | –453 | –27.1 |
| Valuation allowances, provisions and losses | 944 | 2,018 | –1,074 | –53.2 |
| **Divisional pre-tax income** | **23,911** | **20,224** | **3,687** | **18.2** |

## Additional information

| | | | | |
|---|---|---|---|---|
| Operating expenses excluding depreciation and amortization / total operating income (in %) | 60.5 | 66.1 | | |
| Operating expenses including depreciation and amortization / total operating income (in %) | 62.4 | 68.5 | | |
| Client assets under management (in CHF billions) | 14.2 | 14.3 | | |
| Change in assets under management compared to 12/31/ prior year (in %) | –2.8 | 1.8 | | |
| Net inflow of new client assets (in CHF billions) | 0.1 | –0.5 | | |
| Operating gross margin (bp)[1,2] | 87.3 | 92.6 | | |
| Gross income / average client assets under management (bp)[1] | 33.2 | 28.4 | | |
| Cost/income ratio (operating income) (in %)[3] | 63.5 | 70.8 | –7.3 | –10.3 |
| Headcount (employees) | 272 | 301 | –29.0 | –9.6 |
| Headcount (expressed as full-time equivalents) | 262.2 | 290.3 | –28.1 | –9.7 |

[1] Gross income without other income / average client assets under management.
[2] Annualized, average values.
[3] Operating expenses / gross income less other income.

**Business unit results – Private Banking Clients**

The business unit Private Banking Clients encompasses the business with private clients of VP Bank Group. This business unit also includes VP Bank (Schweiz) AG, VP Bank (Singapore) Ltd., VP Vermögensverwaltung GmbH in Munich and VP Wealth Management (Hong Kong) Ltd. In addition, the private-banking business of VP Bank (Luxembourg) S.A. is allocated to Private Banking Clients. Furthermore, the remit of Private Banking Clients encompasses the development of integrated wealth management solutions as well as the entire investment process with the related investment products.

Client assets under management allocated to the business unit aggregated CHF 14.2 billion as of June 30, 2010, which represents a slight reduction of CHF 0.4 million from the balance at December 31, 2009 of CHF 14.6 billion. Although the negative change in market values amounted to CHF 0.5 billion, the cumulative inflow of new client assets as of the end of June 2010 amounted to CHF 0.1 billion, representing 0.7 percent of the client assets under management of this segment which may be considered positively as a turning point: the net outflows of client assets could be contained.

The business unit Private Banking Clients was able to grow its pre-tax segment results by 18 percent or CHF 3.7 million over the level of the first half year of 2009. Despite the fact that total operating income fell (6 percent) under the influence of interest income, operating expenses also fell period-on-period by 14 percent as a result of the cost savings planned for 2009 resulting from the "FOCUS" bank project, thus leading to an increase in the business unit results.

The base of client assets under management of Private Banking Clients in the first six months of 2010 was practically unchanged from the comparable prior-year period. On the other hand, in contrast to the developments in the prior year, uncertainties and the reluctance of clients were not felt during the whole of the six months period. The following two factors impacted trade- and portfolio-based revenues: the high level of client activities at the beginning of the semester (strong decrease at the end of the second quarter in view of uncertainties on financial markets) and an ongoing high level of liquid assets held with a correspondingly low margin.

Under these conditions, total operating income of the business unit Private Banking Clients declined by 6 percent or CHF 4.5 million to CHF 66.1 million, whereby the increase in income from commission business and services by CHF 3.6 million or 11 percent stood out in a positive manner. It was thus the absent revenues from the interest-differential business which reduced total operating income from that of the comparable prior-year period.

The greatest revenue-enhancement potential for the Private Banking Clients business unit in the second half of 2010 comes from the manner in which liquid assets are managed, as well as from a further increase in the percentage of assets under management.

Period-on-period, operating expenses declined by 14 percent to CHF 40.0 million. Personnel expenses (minus 22 percent) and general and administrative expenses (plus 4 percent) amounted to CHF 22.8 million and CHF 7.5 million, respectively. Personnel expenses fell by CHF 6.6 million as a consequence of the reduction in headcount from 290.3 to 262.2 employees (minus 28.1 employees or 10 percent) through cost control measures from the "FOCUS" bank project initiated at the end of 2008 and the non-recurrence of cost blocks such as personnel recruitment costs. General and administrative expenses increased by CHF 0.3 million. Furthermore, the closure of the asset management company in Dubai also contributed to greater cost efficiency.

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

The net costs for services provided by/to other segments fell by 3 percent to CHF 9.7 million despite an increase in activity levels in the commission business and services.

At the level of net income, the internal recharges are neutral insofar as this level is regarded as meaningful for assessing the business unit in terms of its profitability.

In the business unit Private Banking Clients, required valuation allowances, provisions and losses declined by CHF 2.0 million over the prior period to CHF 1.0 million.

There thus resulted a pre-tax segment result for the business unit Private Banking Clients of CHF 23.9 million (comparable period: CHF 20.2 million).

# Intermediaries

## Business unit results

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total income from interest-differential business | 12,551 | 16,324 | –3,773 | –23.1 |
| Total income from commission business and services | 28,356 | 27,833 | 523 | 1.9 |
| Income from trading activities | 6,423 | 5,758 | 665 | 11.5 |
| Other income | 3,552 | 3,825 | –273 | –7.1 |
| **Total operating income** | **50,882** | **53,740** | **–2,858** | **–5.3** |
| Personnel expenses | 7,921 | 8,004 | –83 | –1.0 |
| General and administrative expenses | 2,821 | 2,824 | –3 | –0.1 |
| Services provided by/to other business divisions | 6,076 | 6,169 | –93 | –1.5 |
| **Operating expenses** | **16,818** | **16,997** | **–179** | **–1.1** |
| **Gross income** | **34,064** | **36,743** | **–2,679** | **–7.3** |
| Depreciation and amortization | 599 | 366 | 233 | 63.7 |
| Valuation allowances, provisions and losses | 5,405 | 1,584 | 3,821 | 241.2 |
| **Divisional pre-tax income** | **28,060** | **34,793** | **–6,733** | **–19.4** |
| **Additional information** | | | | |
| Operating expenses excluding depreciation and amortization / total operating income (in %) | 33.1 | 31.6 | | |
| Operating expenses including depreciation and amortization / total operating income (in %) | 34.2 | 32.3 | | |
| Client assets under management (in CHF billions) | 13.7 | 14.3 | | |
| Change in assets under management compared to 12/31/ prior year (in %) | –6.5 | 0.9 | | |
| Net inflow of new client assets (in CHF billions) | –0.6 | –0.5 | | |
| Operating gross margin (bp)[1, 2] | 66.7 | 70.1 | | |
| Gross income / average client assets under management (bp)[1] | 39.5 | 48.8 | | |
| Cost/income ratio (operating income) (in %)[3] | 35.5 | 34.1 | 1.5 | 4.4 |
| Headcount (employees) | 105 | 108 | –3.0 | –2.8 |
| Headcount (expressed as full-time equivalents) | 102.4 | 106.3 | –3.9 | –3.7 |

[1] Gross income without other income / average client assets under management.
[2] Annualized, average values.
[3] Operating expenses / gross income less other income.

**Business unit results – Intermediaries**

The business unit Intermediaries consists of the group-wide areas of Intermediaries and Fund Solutions. In addition to the investment fund subsidiaries, VP Bank and Trust Company (BVI) Ltd., together with its subsidiaries, is also allocated to this business division. Moreover, the business with intermediary clients of VP Bank (Luxembourg) S.A. is allocated to this segment.

In terms of content, the business with intermediaries, together with the investment fund business, covers the activities which VP Bank provides to intermediary clients. These are primarily asset managers, trustees and lawyers.

Client assets under management in this business unit decreased from CHF 14.7 billion as of December 31, 2009 to CHF 13.7 billion as of June 30, 2010. The negative changes in market value amounted to CHF 0.3 billion. The cumulative net outflow of client assets as of the end of June 2010 was CHF 0.6 billion, which amounts to 4.5 percent of client assets under management in this segment. If one compares the change in the income basis from half year 2009 to half year 2010, the client assets under management declined from CHF 14.3 billion to CHF 13.7 billion, a decrease of CHF 0.6 billion or 4 percent. The uncertainties on financial markets which strongly shaped client attitudes brought about a reduction in the pre-tax segment result of CF 6.7 million or 19 percent. The business with intermediaries was in decline and thus proved to be less resistant to the current situation on financial markets than the business with private clients.

Total operating income of this business unit fell by 5 percent or CHF 2.9 million to CHF 50.9 million. This reduction resulted from the retreat in income from the interest-differential business (reduction of CHF 3.8 million or 23 percent) as a result of the high level of liquid assets held by clients with a correspondingly low margin.

The greatest potential for increasing income for Intermediaries lies in a marked expansion in the distribution of investment fund products of VP Bank.

Operating expenses declined slightly by 1 percent to CHF 16.8 million. Personnel expenses fell by 1 percent to CHF 7.9 million and general and administrative expenses remained stable at CHF 2.8 million. The number of employees (full-time equivalents) fell from 106.3 to 102.4 employees (minus 3.9 employees). The cost/income ratio for this business unit has already been very low and as at June 30, 2010 amounts to 35 percent.

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

The net costs for services provided by/to other segments remained practically at the same level as the prior-year period of CHF 6.1 million.

At the level of net income, the internal recharges are neutral insofar as this level is regarded as meaningful for assessing the business unit in terms of its profitability.

Required valuation allowances, provisions and losses in the business unit Intermediaries increased period-on-period by CHF 1.6 million to CHF 5.4 million. As a result of very prudent on-going credit policies, the risk profile of certain loans increased. In the first half year of 2010, Intermediaries thus reported a pre-tax segment result of CHF 28.1 millon (comparable prior-year period: CHF 34.8 million).

# Banking Services

## Business unit results

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total income from interest-differential business | 383 | 6,104 | –5,721 | –93.7 |
| Total income from commission business and services | –1,023 | –504 | –519 | –103.0 |
| Income from trading activities | 855 | 1,272 | –417 | –32.8 |
| Other income | –107 | 972 | –1,079 | 111.0 |
| **Total operating income** | **108** | **7,844** | **–7,736** | **–98.6** |
| Personnel expenses | 14,293 | 17,245 | –2,952 | –17.1 |
| General and administrative expenses | 10,566 | 8,113 | 2,453 | 30.2 |
| Services provided by/to other business divisions | –12,863 | –12,603 | –260 | 2.1 |
| **Operating expenses** | **11,996** | **12,755** | **–759** | **–6.0** |
| **Gross income** | **–11,888** | **–4,911** | **–6,977** | **–142.1** |
| Depreciation and amortization | 14,782 | 13,462 | 1,320 | 9.8 |
| Valuation allowances, provisions and losses | 1,212 | 187 | 1,025 | 548.1 |
| **Divisional pre-tax income** | **–27,882** | **–18,560** | **–9,322** | **–50.2** |
| Additional information | | | | |
| Headcount (employees) | 236 | 247 | –11.0 | –4.5 |
| Headcount (expressed as full-time equivalents) | 217.2 | 226.9 | –9.7 | –4.3 |

**Business unit results – Banking Services**

The business unit Banking Services understands its role as the central service provider for VP Bank Group. Its core task consists of guaranteeing banking operations for the tasks in Information Technology, Operations including Trading and Logistics and Security.

The service unit of VP Bank (Luxembourg) S.A. is also allocated to Banking Services. In this manner, those expenses arising from the use on a group-wide basis of internal services can be allocated directly to the business unit Banking Services.

The income from the interest-differential business of Banking Services comprises interest revenues from the inter-bank business of one Group company which allocates its trading results to this unit.

Income from commission business and services of Banking Services reported a reduction in income. This reduction comprised third-party bank commissions which were recharged internally by the organizational unit Operations to other business units.

The business unit Banking Services increased its negative pre-tax segment results by CHF 9.3 million to CHF 27.9 million. A portion of the costs of this segment arises in connection with pure overall banking activities at the level of the Group and thus is not reallocated to the operating business units but remain in Banking Services. Personnel expenses fell by 17 percent or CHF 3.0 million. This reduction reflects in part the termination of contracts with 9.7 employees (expressed in terms of full-time equivalents) or 4 percent of employees. But the non-recurrence of one-time performance-related benefits under salaries (special compensation) paid out in the first half of 2009 reduced personnel expenses even further. General and administrative expenses increased by CHF 2.5 million (30 percent) to CHF 10.6 million, principally as a result of higher maintenance and operating costs for the new banking software and hardware.

VP Bank and Liechtensteinische Landesbank (LLB) have agreed to cooperate in matters of logistics and IT, as costs could be reduced through the use of synergies and economies of scale in the areas of "printing and shipment" as well as "data processing centers". Sub-projects were started in the second quarter.

The recharging of costs and revenues between the business units is made on the basis of agreements as would be drawn up between unrelated third parties ("at arm's length"). Costs recharged between the business units are reviewed annually and renegotiated to reflect changed economic conditions. An adjustment to transfer prices is made to the extent that cost recharges are insufficient to cover the actual costs of the service center or exceed such actual costs.

Services recharged by Banking Services to other segments increased slightly in the first six months of 2010 to reach CHF 12.9 million (June 30, 2009: CHF 12.6 million) conditioned by the higher level of business activities.

The decline in total operating income, the reduction in interest income as a result of lower interest margins in the inter-bank business of one Group company and the increase in central depreciation and amortization by CHF 1.3 million as a result of the new banking software led to an increase in the negative pre-tax segment result of 50 percent to CHF 27.9 million.

# Corporate Center

## Business unit results

| In CHF 1,000 | 01/01/–06/30/2010 | 01/01/–06/30/2009 | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total income from interest-differential business | 4,749 | 19,088 | –14,339 | –75.1 |
| Total income from commission business and services | –1,410 | –1,284 | –126 | –9.8 |
| Income from trading activities | 13,208 | –6,738 | 19,946 | –296.0 |
| Other income | 2,016 | 1,852 | 164 | 8.9 |
| **Total operating income** | **18,563** | **12,918** | **5,645** | **43.7** |
| Personnel expenses | 13,684 | 6,714 | 6,970 | 103.8 |
| General and administrative expenses | 10,591 | 13,627 | –3,036 | –22.3 |
| Services provided by/to other business divisions | –2,873 | –3,573 | 700 | 19.6 |
| **Operating expenses** | **21,402** | **16,768** | **4,634** | **27.6** |
| **Gross income** | **–2,839** | **–3,850** | **1,011** | **26.3** |
| Depreciation and amortization | 3,362 | 3,369 | –7 | –0.2 |
| Valuation allowances, provisions and losses | 0 | 305 | –305 | –100.0 |
| **Divisional pre-tax income** | **–6,201** | **–7,524** | **1,323** | **17.6** |
| Additional information | | | | |
| Headcount (employees) | 153 | 167 | –14.0 | –8.4 |
| Headcount (expressed as full-time equivalents) | 132.9 | 146.2 | –13.3 | –9.1 |

**Business unit results – Corporate Center**

The Corporate Center comprises all units which assume relevant roles on a group-wide basis: Corporate Development, Finance, Human Resource Management, Legal Services and Compliance, Corporate Communications and Marketing as well as Treasury. It supports Group Executive Management in managing the corporation. The units Corporate Development, Corporate Communications and Marketing and Group Human Resources Management report directly to the CEO; Group Finance, Group Treasury and Group Legal Services and Compliance report directly to the CFO.

In detail, those revenues and costs having no direct connection to operational business units, as well as staff functions and consolidation adjustments, are reported under the Corporate Center. The management of the Group's own equity resources by the central staff function Group Treasury and the results of Asset & Liability Management are components of the Corporate Center. Also, the results of the subsidiary companies FIB Finanz- und Beteiligungs-AG, Proventus Treuhand und Verwaltung AG und IGT Intergestions Trust reg. are integrated into the Corporate Center.

The business divisions of VP Bank are not charged with the costs of the Corporate Center.

The negative business unit results of the Corporate Center as per mid-year 2010 amounted to CHF 6.2 million (prior year: negative business unit result of the Corporate Center of CHF 7.5 million).

Total operating income increased to CHF 18.6 million (June 30, 2009: CHF 12.9 million). Income from the interest-differential business fell by CHF 14.3 million or 75 percent resulting exclusively from lower interest margins in the interbank business; already early in the financial crisis, VP Bank Group increased and maintained its holding of liquid assets to the detriment of its profitability. This effect now reflects negatively on the inter-period comparison of 2009 with 2010 but has a positive influence on the long-term predisposition to risk for the Group. Other income comprises revaluation adjustments as well as realized gains and losses from the disposal of financial investments, whereby the realized gains (CHF 16.0 million) and the revaluation adjustments on these financial instruments (CHF 16.7 million) are evenly balanced. In trading activities, the positive variance over the comparable prior-year period (CHF 19.9 million) resulted from revaluation gains on hedges for the purpose of balance-sheet management (hedging of foreign-currency balance-sheet positions). The number of employees in the Corporate Center, expressed in terms of full-time equivalents, fell by 13.3 employees (9 percent). The cost increase in personnel expenses resulted from long-term, performance-related profit-sharing models and the base effect of the non-recurrence of an accrual in the comparable prior-year period which reduced personnel expenses in the first six months of 2009.

On the other hand, general and administrative costs decreased by CHF 3.0 million to CHF 10.6 million (22 percent). This reduction is in connection with centrally provided services in 2009 which could not be recharged internally and were borne by the Corporate Center and are of a non-recurrent nature, such as, for example, central project costs.

On May 27, 2010, Verwaltungs- und Privat-Bank AG issued a debenture in the amount of CHF 200 million with a coupon rate of 2.5 percent maturing in 2016. This issue was attributed an "A–" rating by Standard & Poor's and serves to achieve a broader diversification of the funding side of the Bank.

# Changes to segment reporting 06/30/2009

VP Bank services its clients in the two business units Private Banking Clients and Intermediaries. The business units are managed in locations having their own responsibility for profits. With this in mind, the Board of Directors, in its meeting of September 24, 2009, approved a package of measures which was implemented as of January 1, 2010. As a consequence of these decisions, VP Bank Group is no longer managed over defined markets but the head of the location reports directly to the responsible member of the Group Executive Management (GEM) assigned to his location. The objective of this change in the organization is to enhance revenues and strengthen in all units the ability of VP Bank Group to win clients. Segment reporting for 2009 was amended accordingly.

The following table discloses the changes made to the previous segment reporting.

### Changes to segment reporting 06/30/2009

| In CHF 1,000 | Variance Private Banking Clients | Variance Intermediaries | Variance Banking Services | Variance Corporate Center | Variance Group |
|---|---|---|---|---|---|
| Total income from interest-differential business | 2,126 | –1,209 | –531 | –386 | 0 |
| Total income from commission business and services | 3,911 | –2,628 | 227 | –1,510 | 0 |
| Income from trading activities | –865 | 1,539 | –49 | –625 | 0 |
| Other income | 538 | –22 | –538 | 22 | 0 |
| **Total operating income** | **5,710** | **–2,320** | **–891** | **–2,499** | **0** |
| Personnel expenses | 3,182 | –564 | –3,227 | 609 | 0 |
| General and administrative expenses | 2,142 | –17 | –2,070 | –55 | 0 |
| Services provided by/to other business divisions | –436 | –443 | –982 | 1,861 | 0 |
| **Operating expenses** | **4,888** | **–1,024** | **–6,279** | **2,415** | **0** |
| **Gross income** | **822** | **–1,296** | **5,388** | **–4,914** | **0** |
| Depreciation and amortization | 537 | 0 | –537 | 0 | 0 |
| Valuation allowances, provisions and losses | –847 | 847 | 0 | 0 | 0 |
| **Pre-tax income** | **1,132** | **–2,143** | **5,925** | **–4,914** | **0** |
| Taxes on income | | | | | 0 |
| **Consolidated net income** | | | | | **0** |
| Consolidated net income attributable to minority shareholders | | | | | 0 |
| **Consolidated net income attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz** | | | | | **0** |

# The VP Bank Group

Verwaltungs- und Privat-Bank Aktiengesellschaft is a bank domiciled in Liechtenstein and is subject to the Liechtenstein Financial Market Authority (FMA), Heiligkreuz 8, PO Box 279, LI-9490 Vaduz, www.fma-li.li

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This semi-annual report has been produced with the greatest possible care, and all data has been closely examined. Rounding, typeset or printing errors however cannot be ruled out. This semi-annual report includes information and forecasts relating to the future development of VP Bank Group. Those forecasts represent estimates based on all information available at the time of publication. Any such forward-looking statement is subject to risks and uncertainties that could lead to significant deviations in future results. No guarantee can be made as to the reliability of the forecasts, planned quantities or forward-looking statements contained herein. This semi-annual report has been produced in German and English, but the German version shall prevail.

**Core data on shares**

Bearer shares listed on SIX Swiss Exchange

| | |
|---|---|
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| Reuters ticker | VPB.S |
| Security number | 1073721 |
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