Semi-annual report

2011

Contents

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

Statement

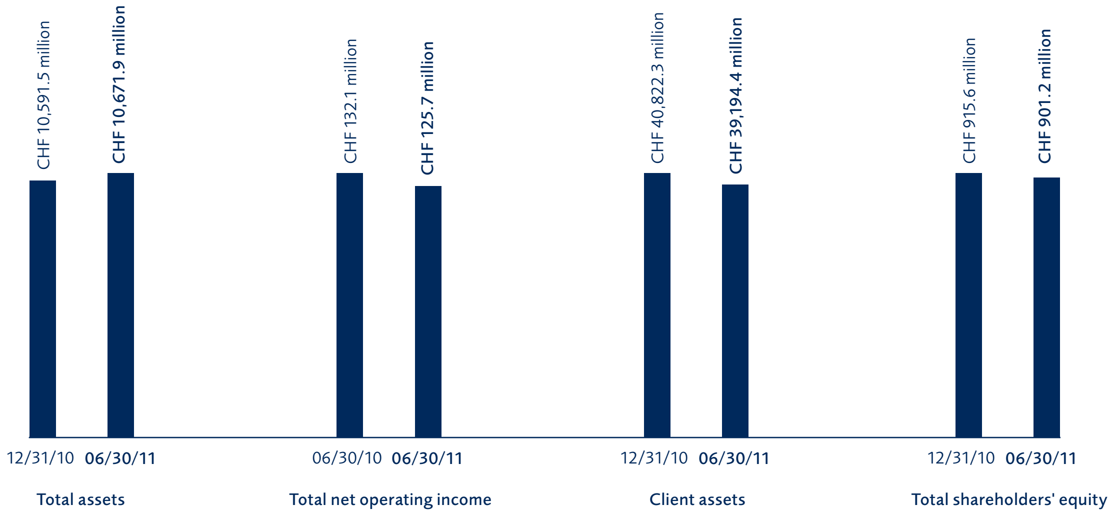
Dear Shareholders
Ladies and Gentlemen

For the first half of 2011, VP Bank Group recorded total net income of CHF 19.4 million, a 20.2 percent increase versus the comparable prior-year period. Ongoing uncertainties in the eurozone and a deteriorating global economic outlook set the tone during the first half of 2011. Interest rates remained at historically low levels, and the Swiss franc gained sharply in value against the other major currencies. All of this led to restraint in clients' investment activities.
A positive trend was observed in terms of net new money in-flow (CHF 0.3 billion). On June 30, 2011, client assets under management at VP Bank Group amounted to CHF 27.2 billion, and total client assets (including those held in custody) stood at CHF 39.2 billion versus the CHF 40.8 billion recorded as at December 31, 2011.
The income statement reveals an increased contribution from the net interest income in the amount of CHF 37.4 million (4.9 percent). Income from the commission business and services declined by 5.6 percent to CHF 65.8 million, whereby foreign-exchange losses on the sizable client assets held in other currencies also had a negative impact. Net income from trading activities was lower at CHF 16.6 million.
Operating expenses declined versus the prior-year period by 3.6 percent to CHF 87.0 million and were therefore within the range of the previously communicated targets. Total assets remained essentially at the 2010 year-end level, as did shareholders' equity. With a tier 1 ratio of 18.1 percent, VP Bank Group remains solidly capitalized.
In November of last year, VP Bank Group communicated its medium-term goals and remains committed to them. The tier 1 ratio of 16 percent has been and will be clearly exceeded. However, the cost/income ratio target of 65 percent was not achieved in the first half of 2011 (69.2 percent versus the prior-year reading of 68.3 percent). In terms of the average 5 percent annual increase in net new money, the positive trend witnessed in the past two half-years is of particular note.
In summary, our stronger year-on-year first-half results can be attributed to the Group's intensified market activities. Our disciplined cost management has also contributed significantly to the stability of those results. Revenues were negatively impacted by the low level of interest rates and developments on the foreign-currency front. However, the increasing inflow of net new money must be viewed as a sustained positive factor.
During the course of the first half of 2011, VP Bank Group continued to drive ahead with its strategic initiatives: various company locations were reinforced with personnel, even as the Group-wide total headcount was reduced. Our Luxembourg banking entity will switch over to the Avaloq banking software on January 1, 2012, at which point all banks within VP Bank Group will be operating with a common IT platform. Our collaboration with Liechtensteinische Landesbank AG in the areas of IT and logistics is progressing well. The initial three projects of this joint undertaking have been realized.
In response to the regulatory circumstances in the cross-border asset-management business, important new courses have been charted recently in Switzerland and Liechtenstein. Even though the adopted or proposed regulations have yet to acquire legal force, they point the way and underscore the actions that need to be taken. VP Bank has embraced these changes and is resolutely focusing its business model, organization and employee training efforts in such a way that the greatest advantage is gained from them.
The solid half-year results achieved in 2011 despite the highly challenging overall conditions, combined with the warm reception our services have met with in VP Bank's various markets, demonstrate that our range of services and our international presence clearly correspond to client needs. On behalf of our clientele, we want to broaden our international competence in the asset-management business, be it related to the servicing of financial intermediaries, the commercial banking field, or our strong private banking position in Liechtenstein and the neighboring region in a targeted manner.
We thank you sincerely for the trust you place in VP Bank Group and look forward to counting you among our valued shareholders and clients. Our thanks as well go to our employees for their dedicated efforts in all functions and at all VP Bank locations.

Hans Brunhart
Chairman of the Board of Directors

Roger H. Hartmann
Chief Executive Officer

Key Figures of VP Bank Group



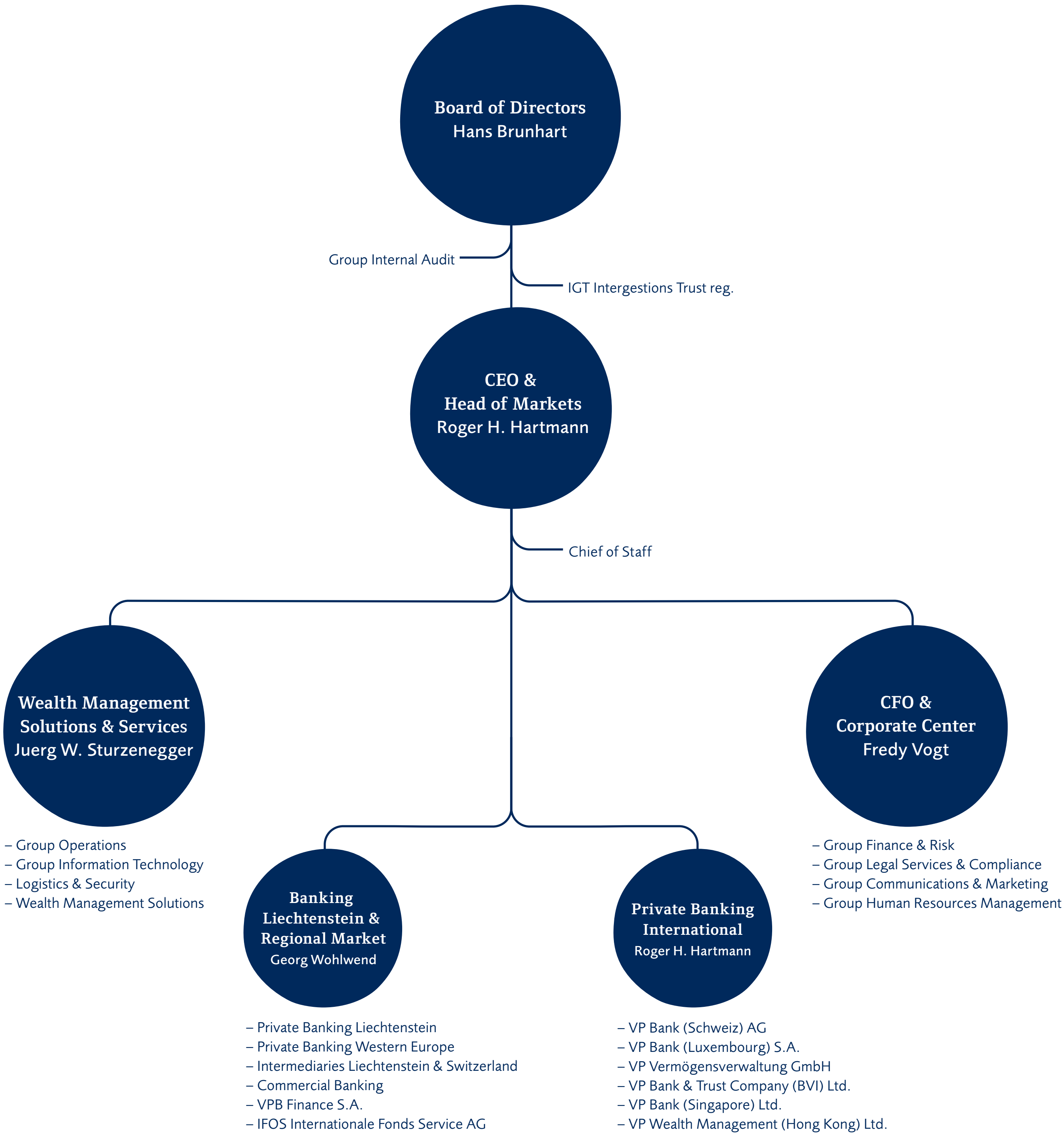
Key figures of VP Bank Group

	06/30/2011	06/30/2010	12/31/2010	Variance to 06/30/2010 in %
Key income statement data in CHF million				
Total net operating income	125.7	132.1	253.2	–4.9
Net interest income	37.4	35.7	74.5	4.9
Net income from commission business and services	65.8	69.7	133.7	–5.6
Net income from trading activities	16.6	25.9	45.9	–36.0
Operating expenses	87.0	90.2	179.5	–3.6
Net income	19.4	16.1	17.2	20.2
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	18.1	14.5	15.1	24.5

	06/30/2011	06/30/2010	12/31/2010	Variance to 12/31/2010 in %
Key balance sheet data in CHF million[1]				
Total assets	10,671.9	11,398.0	10,591.5	0.8
Due from banks	5,275.7	6,067.0	5,622.8	–6.2
Due from customers	3,557.2	3,135.7	3,266.9	8.9
Due to customers	8,396.1	9,403.8	8,707.2	–3.6
Total shareholders' equity	901.2	930.0	915.6	–1.6
Shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	885.0	910.1	897.8	–1.4
Equity ratio (in %)	8.3	8.0	8.5	–2.2
Tier 1 ratio (in %)	18.1	18.7	19.0	–4.7
Client assets in CHF million[2]	**39,194.4**	**40,535.1**	**40,822.3**	**–4.0**
On-balance-sheet customer deposits (excluding custody assets)	8,807.8	9,862.7	9,288.1	–5.2
Fiduciary deposits (excluding custody assets)	699.3	659.2	580.3	20.5
Client securities accounts	17,732.1	17,853.6	18,357.7	–3.4
Custody assets	11,955.2	12,159.6	12,596.2	–5.1
Net new money	287.4	–346.2	75.9	278.8
Key operating indicators[1]				
Return on equity (in %)[3]	4.1	3.2	1.7	
Cost/income ratio (in %)[4]	69.2	68.3	70.9	
Headcount (expressed as full-time equivalents, excluding trainees)[5]	717.5	714.7	727.2	
Total net operating income per employee (in CHF 1,000)	175.2	184.9	348.2	
Total operating expenses per employee (in CHF 1,000)	121.2	126.2	246.9	
Net income per employee (in CHF 1,000)	25.2	20.3	20.7	
Key indicators related to shares of VP Bank in CHF[1]				
Net income per bearer share[6]	3.14	2.52	2.62	
Net income per registered share[6]	0.31	0.25	0.26	
Shareholders' equity per bearer share	154.08	158.38	156.21	
Shareholders' equity per registered share	15.07	15.43	15.25	
Quoted price per bearer share	110.40	127.20	114.80	
Quoted price per registered share	10.00	11.50	10.50	
Market capitalization (in CHF million)[7]	647	745	673	
Price-earnings ratio per bearer share	17.58	25.23	43.85	
Price-earnings ratio per registered share	15.93	22.81	40.11	
Rating Standard & Poor's	A–/Stable/A–2	A–/Stable/A–2	A–/Stable/A–2	

1 The reported key data and operating indicators are computed and reported on the basis of the share of the net profit and shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz.
2 Details in the notes to the consolidated income statement and consolidated balance sheet.
3 Annualized net income /average shareholders' equity less dividend.
4 Total operating expenses / total net operating income.
5 In accordance with legal requirements, trainees are to be included in headcount statistics as 50 percent of equivalent full-time employees.
6 Based on the weighted average number of shares (bearer) (note 11, see page 26).
7 Including registered shares.

Structure of VP Bank Group



Consolidated Semi-Annual Report of VP Bank Group

Group results

VP Bank Group generated net income in accordance with International Financial Reporting Standards (IFRS) of CHF 19.4 million for the first half of 2011. In comparison with the same period of 2010, in which the Group achieved net income of CHF 16.1 million, this represents an increase of 20.2 percent. The first half of 2011 was marked by ongoing uncertainties within the eurozone and deteriorating global economic prospects. The Swiss franc continued its appreciation against most currencies, and interest rates remained at a historic low. This impacted the business of VP Bank, primarily affecting client activities, which receded significantly. Market activities proceeded positively. Net new money inflows of some CHF 0.3 billion were acquired during the first half year.

Medium-term goals

In the medium term, VP Bank Group has set itself the following measurement targets:

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

In both of the last two half-years, VP Bank Group was able to record positive net new money inflows. In the first half of 2011, the net new money inflow was CHF 0.3 billion, or 1.0 percent. In 2010, a total of CHF 0.1 billion, or 0.3 percent, was achieved.
In the first half of 2011, the cost/income ratio improved to 69.2 percent (prior-year period: 68.3 percent). The decline in revenues of CHF 6.4 million could not be completely made good by the reduction in costs of CHF 3.2 million.
VP Bank Group is well capitalized with a tier 1 ratio of 18.1 percent. The medium-term goal of 16 percent which is far higher than the level required by law, was exceeded as at the end of June 2011. The future regulatory framework of Basel III will impose stricter capital-adequacy and liquidity requirements on credit institutions. Possessing a robust core capital (tier 1), VP Bank Group, even after the introduction of Basel III, will possess a tier 1 ratio expressing a high measure of stability and security.

Client assets

As of June 30, 2011, client assets under management of VP Bank Group totaled CHF 27.2 billion. In comparison with the amount as of December 31, 2010, this represents a decline of 3.5 percent. Thanks to intensive market activities, VP Bank Group succeeded in acquiring new client money inflows of CHF 0.3 billion in the first half of 2011 (prior-year period: minus CHF 0.3 billion). The performance-related decline in assets amounted to CHF 1.3 billion, resulting primarily from exchange-rate movements. Custody assets declined by 5.1 percent to CHF 12.0 billion (December 31, 2010: CHF 12.6 billion) as a result of performance-related changes. Client assets including custody assets thus totaled CHF 39.2 billion as at 30 June 2011 (December 31, 2010: CHF 40.8 billion).

Income statement

Total net operating income

Total net operating income declined by 4.9 percent over the prior-year period: from CHF 132.1 million to CHF 125.7 million. Net interest income rose by 4.9 percent to CHF 37.4 million.
As a consequence of the volatile and uncertain market environment, income from commission business and services suffered a reduction of 5.6 percent to CHF 65.8 million. The low level of client activities and the strength of the Swiss franc had a negative impact.
Brokerage income, securities account commissions as well as other commissions declined by 14.0 percent, 8.5 percent and 13.4 percent, respectively. On the other hand, commissions from investment funds progressed positively increasing by 5.1 percent and income from the asset-management and investment business remained constant.
Net income from trading activities declined by 36.0 percent to CHF 16.6 million. Trading on behalf of clients reduced slightly by 4.3 percent to CHF 11.7 million. Proprietary trading closed positively at CHF 4.9 million as a result of foreign-currency hedges. Gains and losses from financial investments are recorded in a separate caption as a result of the early adoption of IFRS 9. During the first half of 2011, gains on financial investments of CHF 5.8 million were achieved. In the comparable prior-year period, these totaled CHF 0.8 million. Other income

remained constant compared to the level of the first six months of 2010 and amounted to CHF 0.1 million.

Operating expenses

Operating expenses declined period-on-period by 3.6 percent to CHF 87.0 million. As of the end of June 2011, VP Bank Group had 718 employees, expressed as full-time equivalents, which equates to a slight reduction of 1.3 percent in the first half of 2011. The average headcount was 723 employees (first half of 2010: 717 employees). Personnel expenses increased by 4.6 percent to CHF 61.4 million. General and administrative expenses fell by 18.9 percent to CHF 25.6 million. Cost savings were achieved in all business areas. The reduction in capital-tax expense is to be ascribed to the new Tax Law in Liechtenstein.

Depreciation and amortization, valuation allowances, provisions and losses

Depreciation and amortization fell by 15.4 percent period-on-period and amounted to CHF 16.9 million. Charges relating to valuation allowances, provisions and losses could be significantly reduced as a result of the release of valuation allowances that were no longer required. In total, valuation adjustments, provisions and losses amounted to CHF 0.4 million (prior-year period: CHF 4.0 million).

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

After deducting minority interests a net income of CHF 18.1 million attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft remained (prior-year period: CHF 14.5 million). Net income per bearer share improved by 24.5 percent from CHF 2.52 to CHF 3.14.

Balance sheet

Total assets of CHF 10.7 billion increased only marginally over the level at December, 31, 2010. On the liabilities' side, deposits from clients and medium-term bonds declined from CHF 8.9 billion to CHF 8.6 billion. On the assets' side, particularly the levels of money-market paper and bank deposits declined. In total, these positions fell by 6.9 percent to CHF 6.5 billion. Loans to clients increased by 8.9 percent to CHF 3.6 billion. The shareholders' equity of VP Bank Group as at the end of June 2011 totaled CHF 0.9 billion. The shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft also stood at CHF 0.9 billion. As of June 30, 2011, the tier 1 ratio was 18.1 percent (December 31, 2010: 19.0 percent).

Outlook

At the present time, there is little that would indicate that the economic uncertainty will abate. VP Bank anticipates that client activities will continue on a downward trend through the second half of 2011. It is expected that interest rates will remain at a low level and the strength of the Swiss franc will continue. These conditions will impact results.

Consolidated Income Statement
(unaudited)

In CHF 1,000	Note	01/01–06/30/2011	01/01–06/30/2010	Variance absolute	Variance in %
Interest income		62,041	56,858	5,183	9.1
Interest expense		24,634	21,201	3,433	16.2
Net interest income	1	**37,407**	**35,657**	**1,750**	**4.9**
Commission income		87,697	92,231	–4,534	–4.9
Commission expense		21,914	22,560	–646	–2.9
Net income from commission business and services	2	**65,783**	**69,671**	**–3,888**	**–5.6**
Net income from trading activities	3	16,581	25,907	–9,326	–36.0
Income from financial instruments	4	5,794	803	4,991	n.a.
Other income	5	112	79	33	41.8
Total net operating income		**125,677**	**132,117**	**–6,440**	**–4.9**
Personnel expenses	6	61,436	58,717	2,719	4.6
General and administrative expenses	7	25,560	31,503	–5,943	–18.9
Operating expenses		**86,996**	**90,220**	**–3,224**	**–3.6**
Gross income		**38,681**	**41,897**	**–3,216**	**–7.7**
Depreciation and amortization	8	16,894	19,961	–3,067	–15.4
Valuation allowances, provisions and losses	9	442	4,048	–3,606	–89.1
Income before income tax		**21,345**	**17,888**	**3,457**	**19.3**
Taxes on income	10	1,959	1,761	198	11.2
Net income		**19,386**	**16,127**	**3,259**	**20.2**
Net income attributable to minority interests		1,300	1,605	–305	–19.0
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz		**18,086**	**14,522**	**3,564**	**24.5**
Share information[1]					
Undiluted net income per bearer share	11	3.14	2.52		
Undiluted net income per registered share	11	0.31	0.25		
Fully-diluted net income per bearer share	11	3.14	2.52		
Fully-diluted net income per registered share	11	0.31	0.25		

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

Consolidated Statement of Comprehensive Income (unaudited)

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Net income	**19,386**	**16,127**	**3,259**	**20.2**
Financial instruments				
Reclassifying adjustments recorded in Income Statement		–6,375	6,375	n.a.
Profits on financial instruments transferred to income reserves	0			n.a.
Changes in unrealized gains/losses	1,839	6,553	–4,714	–71.9
Total financial instruments	**1,839**	**178**	**1,661**	**n.a.**
Foreign currency translation differences	–7,066	2,363	–9,429	n.a.
Other comprehensive income recognized directly in equity	**–5,227**	**2,541**	**–7,768**	**n.a.**
Total comprehensive income	**14,159**	**18,668**	**–4,509**	**–24.2**
Attributable to minority shareholders	–764	2,370	–3,134	–132.2
Attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	14,923	16,298	–1,375	–8.4

Consolidated Balance Sheet
(unaudited)

In CHF 1,000	Note	06/30/2011	12/31/2010	Variance absolute	Variance in %
Assets					
Cash and cash equivalents		166,290	130,548	35,742	27.4
Receivables arising from money-market papers		369,549	439,767	–70,218	–16.0
Due from banks		5,275,661	5,622,808	–347,147	–6.2
Due from customers		3,557,192	3,266,872	290,320	8.9
Trading portfolios		5,296	4,011	1,285	32.0
Derivative financial instruments		70,264	63,322	6,942	11.0
Financial instruments at fair value	12	427,979	108,221	319,758	295.5
Financial instruments measured at amortized cost	12	513,163	685,604	–172,441	–25.2
Associated companies		34	34	0	0.0
Property and equipment		131,210	135,791	–4,581	–3.4
Goodwill and other intangible assets		76,224	85,636	–9,412	–11.0
Taxes receivable		361	392	–31	–7.9
Deferred taxation assets		7,009	6,338	671	10.6
Accrued receivables and prepaid expenses		33,273	28,398	4,875	17.2
Other assets		38,429	13,805	24,624	178.4
Total assets		**10,671,934**	**10,591,547**	**80,387**	**0.8**
Liabilities and shareholders' equity					
Due to banks		502,622	189,117	313,505	165.8
Due to customers – savings and deposits		966,033	954,218	11,815	1.2
Due to customers – other liabilities		7,430,034	7,753,020	–322,986	–4.2
Derivative financial instruments		74,733	70,034	4,699	6.7
Medium-term notes		209,802	183,334	26,468	14.4
Debentures issued	13	447,305	446,798	507	0.1
Tax liabilities		5,578	5,782	–204	–3.5
Deferred taxation liabilities		9,658	8,512	1,146	13.5
Accrued liabilities and deferred items		23,832	28,834	–5,002	–17.3
Other liabilities		95,320	33,056	62,264	188.4
Provisions		5,783	3,214	2,569	79.9
Total liabilities		**9,770,700**	**9,675,919**	**94,781**	**1.0**
Share capital	14	59,148	59,148	0	0.0
Less: treasury shares	15	–38,930	–38,465	–465	–1.2
Capital reserves		–3,567	–5,323	1,756	33.0
Income reserves		894,128	902,648	–8,520	–0.9
IAS 39 reserves			–5,841	n.a.	n. a.
Unrealized gains/losses on financial instruments FVTOCI		–6,356		n.a.	n. a.
Foreign-currency translation differences		–19,384	–14,382	–5,002	–34.8
Shareholders' equity attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz		**885,039**	**897,785**	**–12,746**	**–1.4**
Minority interests		16,195	17,843	–1,648	–9.2
Total shareholders' equity		**901,234**	**915,628**	**–14,394**	**–1.6**
Total liabilities and shareholders' equity		**10,671,934**	**10,591,547**	**80,387**	**0.8**

Consolidated Changes in Shareholders' Equity (unaudited)

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Reserves financial instruments IAS 39	Unrealized gains/losses on financial instruments FVTOCI	Foreign-currency translation differences	Equity of shareholders' of Verwaltungs- und Privat-Bank AG, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 01/01/2010	**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 transferred 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
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**
Dividend 2009				–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**

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Reserves financial instruments IAS 39	Unrealized gains/losses on financial instruments FVTOCI	Foreign-currency translation differences	Equity of shareholders' of Verwaltungs- und Privat-Bank AG, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 01/01/2011	**59,148**	**–38,465**	**–5,323**	**902,648**	**–5,841**		**–14,382**	**897,785**	**17,843**	**915,628**
Adoption of IFRS 9				–6,429	5,841	–8,195		–8,783		–8,783
Total shareholders' equity 01/01/2011 adjusted	**59,148**	**–38,465**	**–5,323**	**896,219**	**0**	**–8,195**	**–14,382**	**889,002**	**17,843**	**906,845**
Profits on financial instruments transferred to income reserves				0		0				
Changes in unrealized gains/losses						1,839		1,839		1,839
Foreign-currency translation differences							–5,002	–5,002	–2,064	–7,066
Net income				18,086				18,086	1,300	19,386
Total reported result 06/30/2011				**18,086**		**1,839**	**–5,002**	**14,923**	**–764**	**14,159**
Dividend 2010				–20,177				–20,177	–884	–21,061
Management equity participation plan (LTI)			899					899		899
Change in treasury shares		–465	857					392		392
Total shareholders' equity 06/30/2011	**59,148**	**–38,930**	**–3,567**	**894,128**		**–6,356**	**–19,384**	**885,039**	**16,195**	**901,234**

Consolidated Statement of Cash Flow (unaudited)

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010
Cash and cash equivalents at the beginning of the financial year	**1,584,825**	**2,050,556**
Net cash flow from operating activities	–259,919	–719,360
Net cash flow from investment activities	–146,193	81,115
Net cash flow from financing activities	5,785	147,597
Impact of foreign-currency translation	2,600	–2,338
Cash and cash equivalents at the end of the period	**1,187,098**	**1,557,570**
Change in cash and cash equivalents	–397,727	–492,986
Cash and cash equivalents are represented by		
Cash	166,290	147,472
Receivables arising from money-market papers	369,549	810,090
Due from banks – at-sight balances	651,259	600,008
Total cash and cash equivalents	**1,187,098**	**1,557,570**

Principles Underlying Financial Statement Reporting

The unaudited semi-annual Group interim report was drawn up in conformity with International Financial Reporting Standards (IAS 34). With the exception of the following modifications and revisions, the semi-annual financial statements were prepared on the basis of the presentation and valuation policies as applied as of December 31, 2010.

The following new and revised standards and interpretations have been in force since January 1, 2011:
- IAS 24 (amended, effective January 1, 2011) – Related Party Transactions
- IAS 32 (amended, effective February 1, 2010) – Classification of Rights Issues
- IAS improvements 2010 (various amendments, effective January 1, 2011)
- IFRIC 14 (effective January 1, 2011) – Prepayments of a Minimum Funding Requirement
- IFRIC 19 (effective July 1, 2010) – Debt for Equity Swaps.

The application of these standards had no material impact on interim reporting.

During the 2011 accounting period, VP Bank Group had applied the following new Standard:
- IFRS 9, Phase I (effective January 1, 2015) – Financial Instruments – Classification and Measurement

As a result of the early adoption of this Standard, unrealised gains and losses on financial instruments were reclassified to income reserves. The related financial instruments were also reclassified – from the caption "available-for-sale financial instruments" to the captions "financial instruments at fair value" and "financial instruments measured at amortised cost". The reclassification is necessary depending on the nature of the financial instruments. In accordance with IFRS 9 there is no restatement required.

Financial instruments measured at amortised cost

Investments, whose objective it is to hold the financial asset in order to realise the related contractual cash flows and whose contractually agreed cash flows represent only interest and the repayment of portions of the nominal amount, are to be measured at amortised cost using the effective interest method. A financial investment measured at amortised cost is to be classified as value-impaired whenever it is probable that the contractually owed amount will not be collected in full.
The reasons for impairment in value may be specific to the counterparty or country. Whenever impairment occurs, the carrying value of the asset is reduced to its realisable value and the difference is recognised in the income statement under income from financial instruments.
Interest is recognised on an accruals basis using the effective interest method and is reported under net interest income in the caption "interest income from financial instruments measured at amortised cost".

Financial instruments valued at fair value (FVTPL)

Financial instruments not meeting the afore-mentioned conditions are recorded at fair value. The resulting gains or losses are reported under income from financial instruments in the caption "income from financial instruments at fair value". Provided the criteria set out in IFRS 9 are met, a financial instrument upon initial recognition may also be designated and recorded in this category.
Interest and dividends are reported under income from financial instruments in the caption "interest income from financial instruments at fair value" and "dividend income from financial instruments at fair value".

Financial instruments valued at fair value for which changes in value and impairment losses are recorded in the statement of other comprehensive income (FVTOCI)

Investments in equity instruments are recognised in the balance sheet at fair value. Changes in value are recognised in the income statement except for those cases for which VP Bank Group has decided to recognise them at fair value and record the value changes under other comprehensive income (at fair value through other comprehensive income). Dividends are reported under income from financial instruments in the caption "dividends from financial instruments FVTOCI".

Financial instruments designated at fair value up to December 31, 2010

VP Bank Group applies the fair-value option as foreseen by IAS 39 in respect of financial instruments designated at fair value on the basis of the internal management and performance measurement foreseen under its risk-management and investment strategy. These financial instruments are measured at fair value. Unrealised and realised gains and losses are taken to income and reported under other income/loss. The fair value is based on quoted market prices if there is an active market. If there is no active market, fair value is determined on the basis of prices set by dealers or external pricing models. By their nature, the valuations depend on the underlying assumptions used. Interest and dividend income are recorded in net interest income. Interest is recorded on an accruals basis.

Available-for-sale financial instruments up to December 31, 2010

Available-for-sale financial assets are instruments which, in the opinion of Management, can be sold in response to or because of an anticipated liquidity need or because of expected movements in interest rates, exchange rates or equity prices. They include money-market or other debt instruments as well as equity investments and are measured at fair value. The fair value is based on quoted market prices if there is an active market. If there is no active market, fair value is determined on the basis of prices set by dealers or external pricing models which are based exclusively on data observable on markets. Unrealised gains or losses arising on available-for-sale financial instruments are recorded within shareholders' equity, less related income taxes, until such time as the financial investments are sold, are the object of legal collection proceedings or otherwise disposed of or classified as being value-impaired. Should an available-for-sale asset be disposed of, the accumulated unrealised gains or losses so far recorded as part of equity shall be reclassified to the income statement of the reporting period under other income/loss. Interest and dividend income are recorded in net interest income. Interest is recorded on an accruals basis.

As soon as an available-for-sale financial investment is classified as being value-impaired, the accumulated unrealised gains or losses so far recorded as part of shareholders' equity shall be reclassified to the income statement of the reporting period under valuation allowances, provisions and losses. For unquoted equity paper, the realisable value is determined on the basis of prices set by dealers or external pricing models which are based exclusively on data observable on markets. Valuations arrived at in this manner can be modified by Management based upon their own judgment. The realisable value of listed financial investments is determined on the basis of market prices. Financial instruments are classified as valued-impaired whenever objective indications exist pointing to the fact that the decline in market price has assumed a certain magnitude or other indices exist which point to a permanent impairment in value.

Held-to-maturity investments up to December 31, 2010

This category is not used by VP Bank Group.

Post-balance-sheet date events

There where no post balance sheet events that materially affected balance sheet and income statement for the 2011 half-year period.

The Board of Directors reviewed and approved the consolidated semi-annual report in its meeting of August 18, 2011.

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

	Balance sheet date rates			Average rates			Variance: Balance sheet date rates		Variance: Average rates	
	06/30/2011	06/30/2010	12/31/2010	1st HY 2011	1st HY 2010	2010	actual year	previous year	actual year	previous year
USD/CHF	0.8340	1.0809	0.9400	0.90486	1.08289	1.04188	–11%	–23%	–13%	–16%
EUR/CHF	1.2082	1.3242	1.2475	1.26963	1.43560	1.38041	–3%	–9%	–8%	–12%
SGD/CHF	0.6795	0.7730	0.7289	0.71892	0.77524	0.76455	–7%	–12%	–6%	–7%
HKD/CHF	0.1072	0.1388	0.1209	0.11626	0.13939	0.13413	–11%	–23%	–13%	–17%

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

1 Income from interest-differential business

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Interest and discount income	446	1,423	–977	–68.7
Interest income from banks	22,955	18,249	4,706	25.8
Interest income from customers	37,007	34,335	2,672	7.8
Interest income from financial instruments measured at amortized cost (IFRS 9)	4,432	0	n.a.	n.a.
Interest income from available-for-sale financial instruments (IAS 39)	0	7,688	n.a.	n.a.
Interest rate instruments	–3,122	–5,167	2,045	39.6
Loan commissions with the character of interest	323	330	–7	–2.1
Total interest income[1]	**62,041**	**56,858**	**5,183**	**9.1**
Interest expenses on amounts due to banks	5,685	4,479	1,206	26.9
Interest expenses on amounts due to customers	10,855	10,206	649	6.4
Interest expenses on medium-term notes	1,449	2,105	–656	–31.2
Interest expenses on debentures issued	6,645	4,411	2,234	50.6
Total interest expenses	**24,634**	**21,201**	**3,433**	**16.2**
Net interest income[1]	**37,407**	**35,657**	**1,750**	**4.9**

1 The positions interest income and dividend income from financial instruments designated at fair value and from trading portfolios are now presented in the positions income from trading activities (note 3) and income from financial instruments (note 4)

2 Income from commission business and services

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Commission income from credit business	362	383	–21	–5.5
Asset-management and investment business[1]	19,840	19,849	–9	0.0
Brokerage fees	19,744	22,964	–3,220	–14.0
Securities account fees	8,229	8,995	–766	–8.5
Fund management fees	27,890	26,549	1,341	5.1
Fiduciary commissions	737	906	–169	–18.7
Commission income from other services[2]	10,895	12,585	–1,690	–13.4
Total income from commission business and services	**87,697**	**92,231**	**–4,534**	**–4.9**
Brokerage expenses	3,524	3,989	–465	–11.7
Other commission and service-related expenses	18,390	18,571	–181	–1.0
Total expenses from commission business and services	**21,914**	**22,560**	**–646**	**–2.9**
Net income from commission business and services	**65,783**	**69,671**	**–3,888**	**–5.6**

1 Income securities processing, asset management commissions, investment advisory, all-in fees, securities lending and borrowing, retrocessions.
2 Inclusive revenues from subsidiary companies with trustee services (note 5).

3 Income from trading activities

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Securities trading[1]	4,857	13,624	–8,767	–64.3
Interest income from trading portfolios[2]	32	55	–23	–41.8
Dividend income from trading portfolios[2]	1	7	–6	–85.7
Foreign currency	11,097	12,744	–1,647	–12.9
Bank notes, precious metals and other	594	–523	1,117	n.a.
Net income from trading activities	**16,581**	**25,907**	**–9,326**	**–36.0**

1 The result of trading derivatives is including.
2 These positions were presented in the position "net interest income" (note 1).

4 Income from financial instruments

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Income from financial instruments at fair value (IFRS 9)	17,988		n.a.	n.a.
Income from financial instruments measured at amortized cost (IFRS 9)	–12,194		n.a.	n.a.
Income from financial instruments designated at fair value (IAS 39)		13,265	n.a.	n.a.
Income from available-for-sale financial instruments (IAS 39)		–12,462	n.a.	n.a.
Total income from financial instruments	**5,794**	**803**	**n.a.**	**n.a.**

Income from financial instruments at fair value (IFRS 9 since 01/01/2011)

Income from financial instruments at fair value	12,704
Interest income from financial instruments at fair value[1]	4,447
Dividend income from financial instruments at fair value[1]	309
Dividend income from financial instruments FVTOCI[1]	528
thereof from derecognised financial instruments FVTOCI	0
Income from liabilities designated at fair value	0
Total	**17,988**

1 These positions were presented in the position "net interest income" (note 1).

Income from financial instruments measured at amortized cost (IFRS 9 since 01/01/2011)

Income from financial instruments measured at amortized cost	–12,113
Realized gains/losses from financial instruments measured at amortized cost	–81
Total	**–12,194**

Income from financial instruments designated at fair value (IAS 39 until 12/31/2010)

Income from financial instruments designated at fair value	12,280
Interest income from financial instruments designated at fair value[1]	985
Income from liabilities designated at fair value	0
Total[2]	**13,265**

1 These positions were presented in the position "net interest income" (note 1).
2 Included in this amount are gains and losses from purchases and sales and changes in market values of financial instruments designated at fair value.

Income from available-for-sale financial instruments (IAS 39 until 12/31/2010)

Debt instruments	–13,928
Equity instruments / investment-fund units	901
Dividend income from available-for-sale financial instruments[1]	565
Total[2]	**–12,462**

1 This position was presented in the position "net interest income" (note 1).
2 In this amount are included amounts transferred from shareholders' equity to the income statement on the disposal of "available-for-sale" financial instruments.

5 Other income

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Income from real estate	206	74	132	178.4
Gains of associated companies	0	1	–1	–100.0
Miscellaneous other income[1]	–94	4	–98	n.a.
Total other income[2]	**112**	**79**	**33**	**41.8**

[1] Revenues from subsidiary companies with trustee services are presented in the position "income from commission business and services" (note 2).
[2] The position release of valuation allowances and provisions no longer required is now presented in the position valuation allowances, provisions and losses (note 9).

6 Personnel expenses

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Salaries and wages	50,166	47,958	2,208	4.6
Social contributions required by law	4,340	3,882	458	11.8
Contributions to pension plans / defined-benefit plans	3,364	4,011	–647	–16.1
Contributions to pension plans / defined-contribution plans	628	611	17	2.8
Other personnel expenses	2,938	2,255	683	30.3
Total personnel expenses	**61,436**	**58,717**	**2,719**	**4.6**

7 General and administrative expenses

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Occupancy expenses	4,216	4,500	–284	–6.3
Insurance	668	680	–12	–1.8
Professional fees	1,806	3,019	–1,213	–40.2
Financial information procurement	2,938	3,572	–634	–17.7
Telecommunication and postage	682	1,390	–708	–50.9
IT systems	9,728	10,464	–736	–7.0
Marketing and public relations	2,154	2,329	–175	–7.5
Capital taxes	162	1,363	–1,201	–88.1
Other general and administrative expenses	3,206	4,186	–980	–23.4
Total general and administrative expenses	**25,560**	**31,503**	**–5,943**	**–18.9**

8 Depreciation and amortization

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Depreciation and amortization of property and equipment	5,495	6,261	–766	–12.2
Amortization of intangible assets	11,399	13,700	–2,301	–16.8
Total depreciation and amortization	**16,894**	**19,961**	**–3,067**	**–15.4**

9 Valuation allowances, provisions and losses

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Credit risks	4,584	6,809	–2,225	–32.7
Legal and litigation risks	0	0	0	n.a.
Other	3,024	752	2,272	302.1
Release of valuation allowances and provisions no longer required[1]	–7,166	–3,513	–3,653	104.0
Total Valuation allowances, provisions and losses	**442**	**4,048**	**–3,606**	**–89.1**

[1] This position was presented in the position other income (note 5).

10 Taxes on income

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Total current taxes	1,991	2,455	–464	–18.9
Total deferred taxes	–32	–694	662	95.4
Total taxes on income	**1,959**	**1,761**	**198**	**11.2**

11 Earnings per share

	06/30/2011	06/30/2010
Consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz		
Net income (in CHF 1,000)[1]	18,086	14,522
Weighted average of bearer shares	5,163,310	5,162,966
Weighted average of registered shares	5,971,881	5,988,395
Total weighted average number of bearer shares	5,760,498	5,761,805
Undiluted consolidated earnings per bearer share	3.14	2.52
Undiluted consolidated earnings per registered share	0.31	0.25
Fully-diluted consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz		
Net income (in CHF 1,000)[1]	18,086	14,522
Adjusted consolidated net income (in CHF 1,000)	18,086	14,522
Number of shares used to compute the fully-diluted consolidated net income	5,760,498	5,761,805
Fully-diluted consolidated earnings per bearer share	3.14	2.52
Fully-diluted consolidated earnings per registered share	0.31	0.25

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

12 Transition from IAS 39 to IFRS 9

	01/01/2011	01/01/2011	12/31/2010
	Book value[1]	Fair value	Fair value
Category according to IAS 39			
Financial instruments designated at fair value			108,221
Category according to IFRS 9			
Financial instruments at fair value		108,221	
Category according to IAS 39			
Available-for-sale financial instruments			685,604
Category according to IFRS 9			
Financial instruments measured at amortized cost[1]	417,260	426,043	
Financial instruments at fair value		246,015	
Financial instruments at fair value through other comprehensive income (FVTOCI)		13,546	

1 The difference of CHF 8.783 million between the amortized cost (book value) and the fair value was accounted in the income reserves according to IFRS 9.

13 Debentures, Verwaltungs- und Privat-Bank AG, Vaduz

Year of issue In CHF 1,000	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	Total 06/30/2011	Total 12/31/2010
2007	CH0030896697	2.875	CHF	06/04/12	250,000	249,203	249,096
2010	CH0112734469	2.5	CHF	05/27/16	200,000	198,102	197,702

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.

14 Share capital

	06/30/2011 No. of shares	06/30/2011 Nominal CHF	12/31/2010 No. of shares	12/31/2010 Nominal CHF
Registered shares of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares of CHF 10.00 nominal value	5,314,347	53,143,470	5,314,347	53,143,470
Total share capital		**59,147,637**		**59,147,637**

All shares are fully paid up.

15 Treasury shares

	06/30/2011 No. of shares	06/30/2011 In CHF 1,000	12/31/2010 No. of shares	12/31/2010 In CHF 1,000
Registered shares at the beginning of the financial year	**28,515**	**459**	**12,915**	**284**
Purchases	12,233	128	17,450	205
Sales	0	0	–1,850	–30
Balance of registered shares as of balance sheet date	**40,748**	**587**	**28,515**	**459**
Bearer shares at the beginning of the financial year	**150,538**	**38,006**	**150,745**	**38,018**
Purchases	16,023	1,779	24,824	2,829
Sales	–13,052	–1,442	–25,031	–2,841
Balance of bearer shares as of balance sheet date	**153,509**	**38,343**	**150,538**	**38,006**

Consolidated off-balance-sheet positions

In CHF 1,000	06/30/2011	12/31/2010
Total contingent liabilities	91,051	98,590
Irrevocable facilities granted	23,376	22,079
Total fiduciary transactions	1,543,497	1,946,347
Contract volumes of derivative financial instruments	4,281,637	4,033,970
Securities lending and repurchase and reverse-repurchase transactions with securities		
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	415,660	0
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities, as well as securities in own portfolio transferred within the framework of repurchase transactions	691,878	584,955
of which securities where the unlimited right to sell on or pledge has been granted	457,856	407,843
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	910,685	744,663
of which securities which have been resold or repledged	232,400	299,422

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

Client assets

In CHF million	06/30/2011	12/31/2010	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	3,169.1	3,129.0	40.1	1.3
Assets in discretionary asset-management accounts	2,240.8	2,459.5	–218.7	–8.9
Other client assets under management	21,829.3	22,637.6	–808.3	–3.6
Total client assets under management (including amounts counted twice)	**27,239.2**	**28,226.2**	**–987.0**	**–3.5**
of which: amounts counted twice	1,891.7	2,058.4	–166.7	–8.1
Net new money	**287.4**	**75.9**	**211.5**	**278.8**
Custody assets	**11,955.2**	**12,596.2**	**–641.0**	**–5.1**
Total client assets				
Total client assets under management (including amounts counted twice)	27,239.2	28,226.2	–987.0	–3.5
Custody assets	11,955.2	12,596.2	–641.0	–5.1
Total client assets	**39,194.4**	**40,822.3**	**–1,627.9**	**–4.0**

Segment Reporting (unaudited)

01/01 – 06/30/2011

In CHF 1,000	Banking Liechtenstein & Regional Market	Private Banking International	Wealth Management Solutions & Services	CFO & Corporate Center	Total Group
Net interest income	16,528	10,063	163	10,653	37,407
Net income from commission business and services	46,263	20,281	–2,251	1,490	65,783
Net income from trading activities	7,738	4,256	659	3,928	16,581
Income from financial instruments	–40	305	0	5,529	5,794
Other income	73	423	0	–384	112
Total net operating income	**70,562**	**35,328**	**–1,429**	**21,216**	**125,677**
Personnel expenses	11,841	16,610	18,881	14,104	61,436
General and administrative expenses	1,565	7,518	8,250	8,227	25,560
Services to/from other segments	14,518	329	–13,263	–1,584	0
Operating expenses	**27,924**	**24,457**	**13,868**	**20,747**	**86,996**
Gross income	**42,638**	**10,871**	**–15,297**	**469**	**38,681**
Depreciation and amortization	145	1,596	11,990	3,163	16,894
Valuation allowances, provisions and losses	–25	1,470	235	–1,238	442
Income before income tax	**42,518**	**7,805**	**–27,522**	**–1,456**	**21,345**
Taxes on income					1,959
Net income					**19,386**
Net income attributable to minority interests					1,300
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz					**18,086**
Segment assets (in CHF million)	2,777	2,694	89	5,112	10,672
Segment liabilities (in CHF million)	6,651	2,609	127	384	9,771
Investments in property and equipment (in CHF 1,000)	65	243	2,920	43	3,271
Depreciation and amortization (in CHF 1,000)	145	1,596	11,990	3,163	16,894
Creation of valuation allowances for credit risks (in CHF 1,000)	2,098	2,486	0	0	4,584
Release of valuation allowances for credit risks (in CHF 1,000)	2,224	1,679	0	3,256	7,159
Client assets under management (in CHF billion)[1]	18.0	7.5	1.3	0.5	27.2
Net new money (in CHF billion)	–0.1	0.4	0.0	0.0	0.3
Headcount (number of employees)	167	217	267	121	772
Headcount (expressed as full-time equivalents)	160.3	207.7	248.6	101.0	717.5
as of 12/31/2010					
Segment assets (in CHF million)	2,778	2,843	91	4,880	10,592
Segment liabilities (in CHF million)	6,652	2,754	127	143	9,676
Client assets under management (in CHF billion)[1]	18.8	7.7	1.3	0.4	28.2
Net new money (in CHF billion)	–1.0	0.9	0.0	0.2	0.1
Headcount (number of employees)	171	210	267	133	781
Headcount (expressed as full-time equivalents)	164.0	201.9	248.7	112.6	727.2

[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.

As of September 1, 2010, a new organizational structure was introduced in VP Bank Group. Since this date, VP Bank Group is divided into four business units – Banking Liechtenstein & Regional Market, Private Banking International, Wealth Management Solutions & Services as well as CFO & Corporate Center. Segment reporting was applied retroactively.

01/01 – 06/30/2010

In CHF 1,000	Banking Liechtenstein & Regional Market	Private Banking International	Wealth Management Solutions & Services	CFO & Corporate Center	Total Group
Net interest income	16,138	8,511	350	10,658	35,657
Net income from commission business and services	48,592	21,448	–2,685	2,316	69,671
Net income from trading activities	7,470	2,941	2,028	13,468	25,907
Income from financial instruments	16	422	0	365	803
Other income	114	816	0	–851	79
Total net operating income	**72,330**	**34,138**	**–307**	**25,956**	**132,117**
Personnel expenses	11,803	15,600	18,977	12,337	58,717
General and administrative expenses	1,401	7,782	10,158	12,162	31,503
Services to/from other segments	15,233	481	–15,596	–118	0
Operating expenses	**28,437**	**23,863**	**13,539**	**24,381**	**90,220**
Gross income	**43,893**	**10,275**	**–13,846**	**1,575**	**41,897**
Depreciation and amortization	141	1,796	14,662	3,362	19,961
Valuation allowances, provisions and losses	4,635	887	977	–2,451	4,048
Income before income tax	**39,117**	**7,592**	**–29,485**	**664**	**17,888**
Taxes on income					1,761
Net income					**16,127**
Net income attributable to minority interests					1,605
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz					**14,522**
Segment assets (in CHF million)	2,850	2,732	98	5,718	11,398
Segment liabilities (in CHF million)	7,065	2,637	140	627	10,468
Investments in property and equipment (in CHF 1,000)	0	740	5,115	79	5,934
Depreciation and amortization (in CHF 1,000)	141	1,796	14,662	3,362	19,961
Creation of valuation allowances for credit risks (in CHF 1,000)	6,141	668	0	0	6,809
Release of valuation allowances for credit risks (in CHF 1,000)	886	176	0	2,428	3,490
Client assets under management (in CHF billion)[1]	19.4	7.3	1.3	0.4	28.4
Net new money (in CHF billion)	–0.7	0.2	0.0	0.2	–0.3
Headcount (number of employees)	162	200	267	137	766
Headcount (expressed as full-time equivalents)	156.1	192.9	248.9	116.8	714.7

[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.

Banking Liechtenstein & Regional Market

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Net interest income	16,528	16,138	390	2.4
Net income from commission business and services	46,263	48,592	–2,329	–4.8
Net income from trading activities	7,738	7,470	268	3.6
Income from financial instruments	–40	16	–56	n.a.
Other income	73	114	–41	–36.0
Total net operating income	**70,562**	**72,330**	**–1,768**	**–2.4**
Personnel expenses	11,841	11,803	38	0.3
General and administrative expenses	1,565	1,401	164	11.7
Services to/from other segments	14,518	15,233	–715	–4.7
Operating expenses	**27,924**	**28,437**	**–513**	**–1.8**
Gross income	**42,638**	**43,893**	**–1,255**	**–2.9**
Depreciation and amortization	145	141	4	2.8
Valuation allowances, provisions and losses	–25	4,635	–4,660	–100.5
Segment income before income tax	**42,518**	**39,117**	**3,401**	**8.7**

Additional information				
Operating expenses excluding depreciation and amortization / total operating income (in %)	39.6	39.3		
Operating expenses including depreciation and amortization / total operating income (in %)	39.8	39.5		
Client assets under management (in CHF billion)	18.0	19.4		
Change in assets under management compared to 12/31/ prior year (in %)	–4.1	–6.1		
Net new money (in CHF billion)	–0.1	–0.7		
Gross income / average client assets under management (bp)[1]	76.6	72.2		
Segment result / average client assets under management (bp)[1]	46.2	39.1		
Cost/income ratio operating income (in %)[2]	39.6	39.4	0.2	0.5
Headcount (number of employees)	167	162	5.0	3.1
Headcount (expressed as full-time equivalents)	160.3	156.1	4.2	2.7

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

Structure

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

Segment income

The first half of 2011 was very challenging. The low interest-rate level and the ongoing uncertainties in markets continued during the reporting period. Interest-rate margins could be stabilized at a low level. The lower level of activities of our clients as well as the strong Swiss franc impacted the commission business in particular. The segment income improved during the first half of 2011 over that of the comparable prior-year period. The gross margin was 76.6 basis points (prior-year period: 72.2 basis points). The cost/income ratio improved from 39.4 to 39.6 percent.

Total net operating income declined by 2.4 percent from CHF 72.3 million to CHF 70.6 million as a consequence of the downturn in the income from commission business and service. Operating expenses fell by 1.8 percent to CHF 27.9 million (prior-year period: CHF 28.4 million). The decline is to be ascribed to lower recharges from other segments. In the first half of 2011, required depreciation and amortisation, valuation allowances and provisions totaled CHF 0.1 million in comparison to the CHF 4.8 million in the prior-year period. Pre-tax results increased from CHF 39.1 million to CHF 42.5 million or by 8.7 percent over the comparable prior-year period.

A good result was achieved as regards net new money inflows. During the first half of 2011, the net outflows of client money were reduced significantly. In the first half of 2011, the outflow totaled CHF 0.1 billion compared to a net outflow in the first half of 2010 of CHF 0.7 billion. As of June 30, 2011, client assets under management totaled CHF 18.0 billion (December 31, 2010: CHF 18.8 billion). The employee headcount fell from 164 (December 31, 2010) to 160 positions.

Private Banking International

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Net interest income	10,063	8,511	1,552	18.2
Net income from commission business and services	20,281	21,448	–1,167	–5.4
Net income from trading activities	4,256	2,941	1,315	44.7
Income from financial instruments	305	422	–117	–27.7
Other income	423	816	–393	–48.2
Total net operating income	**35,328**	**34,138**	**1,190**	**3.5**
Personnel expenses	16,610	15,600	1,010	6.5
General and administrative expenses	7,518	7,782	–264	–3.4
Services to/from other segments	329	481	–152	–31.6
Operating expenses	**24,457**	**23,863**	**594**	**2.5**
Gross income	**10,871**	**10,275**	**596**	**5.8**
Depreciation and amortization	1,596	1,796	–200	–11.1
Valuation allowances, provisions and losses	1,470	887	583	65.7
Segment income before income tax	**7,805**	**7,592**	**213**	**2.8**

Additional information				
Operating expenses excluding depreciation and amortization / total operating income (in %)	69.2	69.9		
Operating expenses including depreciation and amortization / total operating income (in %)	73.7	75.2		
Client assets under management (in CHF billion)	7.5	7.3		
Change in assets under management compared to 12/31/ prior year (in %)	–2.8	–0.9		
Net new money (in CHF billion)	0.4	0.2		
Gross income / average client assets under management (bp)[1]	93.1	93.7		
Segment result / average client assets under management (bp)[1]	20.6	20.8		
Cost/income ratio operating income (in %)[2]	70.7	72.5	–1.8	–2.5
Headcount (number of employees)	217	200	17.0	8.5
Headcount (expressed as full-time equivalents)	207.7	192.9	14.8	7.7

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

Structure

The Private Banking International business unit encompasses the private banking business in international locations.
VP Bank (Schweiz) AG, VP Bank (Luxembourg) S.A., VP Vermögensverwaltung GmbH, VP Bank and Trust Company (BVI) Ltd., VP Bank (Singapore) Ltd. and VP Wealth Management (Hong Kong) Ltd. are allocated to this business unit.

Segment income

A strong Swiss franc, the uncertainties in markets and the economic outlook impacted our international private banking business. On the other hand, market-development activities continued to develop positively. The segment income improved marginally in the first half of 2011 in comparison with the prior-year period. The gross margin decreased to 93.1 basis points (prior-year period: 93.7 basis points). The cost/income ratio declined from 72.5 to 70.7 percent.
The lower level of client activities as a result of uncertainties negatively impacted commissions and service income. Thanks to a strong interest business and trading, total net operating income improved by 3.5 percent to CHF 35.3 million (prior-year period: CHF 34.1 million). Primarily as a result of the development of marketing activities operating expenses increased period-on-period by 2.5 percent from CHF 23.9 million to CHF 24.5 million. Depreciation and amortization, valuation allowances and provisions increased by 14.3 percent from CHF 2.7 million to CHF 3.1 million. Pre-tax results in the first half of 2011 totaled CHF 7.6 million, representing an increase of 2.8 percent over the comparable prior-year period.
Continuing successful market activities brought this segment an increase in new client money. In comparison with the first half of 2010, the net new money inflows doubled from CHF 0.2 billion to CHF 0.4 billion. As of June 30, 2011, client assets under management totaled CHF 7.5 billion (December 31, 2010: CHF 7.7 billion). The employee headcount increased from 202 (December 31, 2010) to 208 positions.

Wealth Management Solutions & Services

In CHF 1,000	01/01 – 06/30/2011	01/01 – 06/30/2010	Variance absolute	Variance in %
Net interest income	163	350	–187	–53.4
Net income from commission business and services	–2,251	–2,685	434	16.2
Net income from trading activities	659	2,028	–1,369	–67.5
Income from financial instruments	0	0	0	n.a.
Other income	0	0	0	n.a.
Total net operating income	**–1,429**	**–307**	**–1,122**	**n.a.**
Personnel expenses	18,881	18,977	–96	–0.5
General and administrative expenses	8,250	10,158	–1,908	–18.8
Services to/from other segments	–13,263	–15,596	2,333	15.0
Operating expenses	**13,868**	**13,539**	**329**	**2.4**
Gross income	**–15,297**	**–13,846**	**–1,451**	**–10.5**
Depreciation and amortization	11,990	14,662	–2,672	–18.2
Valuation allowances, provisions and losses	235	977	–742	–75.9
Segment income before income tax	**–27,522**	**–29,485**	**1,963**	**6.7**

Additional information

Client assets under management (in CHF billion)	1.3	1.3		
Headcount (number of employees)	267	267	0.0	0.0
Headcount (expressed as full-time equivalents)	248.6	248.9	–0.3	–0.1

Structure

The Wealth Management Solutions & Services business unit is responsible for the management of investment funds and portfolio management, for wealth-management solutions and for banking operations. It encompasses the units: Wealth Management Solutions, Information Technology, Operations as well as Logistics & Security for the entire VP Bank Group.
The implementation of the Avaloq banking software was launched in the subsidiary company of VP Bank in Luxembourg. Thus, as from January 1, 2012, all subsidiaries with banking status will use a common IT platform. In the field of investment funds, the focus was on the strategy fund which recorded encouraging inflows during the first half of 2011.

Segment income

In the first half of 2011, total net operating income declined by 1.1 million to minus CHF 1.4 million on a period-on-period basis. Operating expenses increased by 2.4 percent to CHF 13.9 million. Depreciation and amortisation, valuation allowances and provisions decreased by 21.8 percent from CHF 15.6 million to CHF 12.2 million. Pre-tax results in the first half of 2011 totaled minus CHF 27.5 million after minus CHF 29.5 million in the comparable prior-year period. The employee headcount remained constant at 249 positions.

CFO & Corporate Center

In CHF 1,000	01/01 – 30/06/2011	01/01 – 30/06/2010	Variance absolute	Variance in %
Net interest income	10,653	10,658	–5	0.0
Net income from commission business and services	1,490	2,316	–826	–35.7
Net income from trading activities	3,928	13,468	–9,540	–70.8
Income from financial instruments	5,529	365	5,164	n.a.
Other income	–384	–851	467	54.9
Total net operating income	**21,216**	**25,956**	**–4,740**	**–18.3**
Personnel expenses	14,104	12,337	1,767	14.3
General and administrative expenses	8,227	12,162	–3,935	–32.4
Services to/from other segments	–1,584	–118	–1,466	n.a.
Operating expenses	**20,747**	**24,381**	**–3,634**	**–14.9**
Gross income	**469**	**1,575**	**–1,106**	**–70.2**
Depreciation and amortization	3,163	3,362	–199	–5.9
Valuation allowances, provisions and losses	–1,238	–2,451	1,213	49.5
Segment income before income tax	**–1,456**	**664**	**–2,120**	**n.a.**

Additional information				
Client assets under management (in CHF billion)	0.5	0.4		
Headcount (number of employees)	121	137	–16.0	–11.7
Headcount (expressed as full-time equivalents)	101.0	116.8	–15.9	–13.6

Structure

The CFO & Corporate Center encompasses the areas of Group Finance & Risk, Group Legal Services & Compliance, Group Human Resources Management and Group Communications & Marketing. Those revenues and expenditures having no direct connection to the operating business segments, as well as variable salary components and consolidation adjustments, are recorded in the Corporate Center.

Segment income

The weakness of the euro and the volatile financial markets negatively impacted trading income in comparison with the comparable prior-year period. Net interest income stabilized. Total net operating income declined by 18.3 percent to CHF 21.2 million (prior-year period: CHF 26.0 million). Operating expenses decreased from CHF 24.4 million to CHF 20.7 million. Depreciation and amortization, valuation allowances and provisions increased in total from CHF 0.9 million to CHF 1.9 million. Pre-tax results totaled minus CHF 1.5 million in contrast to CHF 0.7 million in the prior-year period. The employee headcount fell from 113 (December 31, 2010) to 101 positions.

Imprint

Media and Investor Relations
Verwaltungs- und Privat-Bank Aktiengesellschaft
Tanja Muster
Head of Group Communications & Marketing
Aeulestrasse 6 - LI-9490 Vaduz
Tel +423 235 67 62 - Fax +423 235 77 55
corporate.communications@vpbank.com
www.vpbank.com

Conception, Design, Realization
VP Bank, Vaduz

Printer
BVD Druck+Verlag AG, Schaan, www.bvd.li

Paper
Printed on 200 g/m² as well as 120 g/m² PlanoJet.
Chlorine-free, acid-free, wood-free, food-safe (ISEGA),
Swiss quality, FSC-certified

al banking market via its correspondent-bank network
P Bank collaborated with firms such as the European bran
tations in the international financial centers until 1988.
g in early September 1986, the bank's international advisory
d by home-country bank supervisory authorities. As a bankin
es in the Grand Duchy. Surprisingly, VP Bank's board of di
one in Luxembourg and the other in Switzerland. In order to
HF 4 million. In 1989, the firm was converted into a bank
new business opportunities for foreign companies situated in
(Switzerland) Ltd. After the founding of these two subsidiari
companies; the first were opened in 1991 and 1993 in Munich
changed circumstances – in addition to adjustments in the
ry 1, 1995 – VP Bank and ATU have been evaluating various
VP Bank and Trust Company (BVI) Ltd. as a joint venture,
bsequently opened representative offices in Moscow and Hong
dsleitung AG was founded in Vaduz with an initial share
the new Investment Undertakings Act. Afterwards, VP Bank
or third parties (so-called "private label funds"). Additional f
d VP Bank Funds and private label funds totaling appro
ner succeeded former chairman Erich Seeger and became
the Berner Kantonalbank. In his place, Rolf Kormann was
adjustments in the banking industry. For that reason, mana
the rationalization measures. After having grown in leaps and
at its strengths could be better exploited and its weaknesses mi
nts. Equally spoken, it still wanted to rely on its firm local
e array of "efficient services" and, on the other, by remaining
The bank's intention was to achieve the highest possible
of the Principality while becoming less dependent on those a
d level. The key elements of the newly formulated strategy
s. The previously product-related matrix was replaced by a