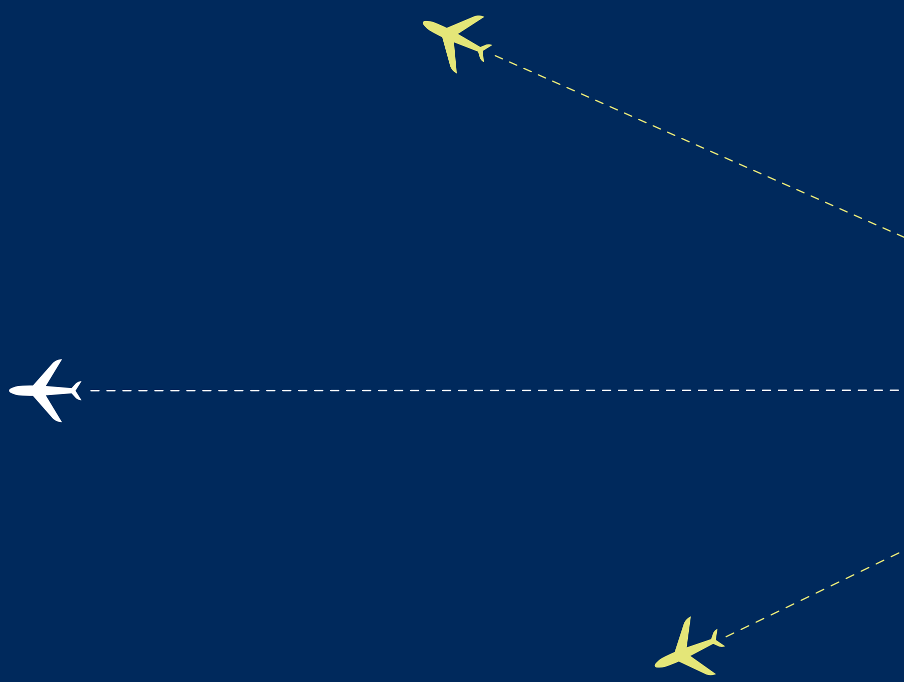
Safely ahead.

Semi-annual report 2014



Media & Investor Relations
VP Bank Ltd
Tanja Muster
Head of Group Communications & Marketing
Aeulestrasse 6 · 9490 Vaduz
T +423 235 67 62 · F +423 235 77 55
corporate.communications@vpbank.com
www.vpbank.com

Illustrations and realisation
VP Bank, Vaduz

Text
VP Bank, Vaduz

This report has been produced in German and English,
whereas the German version shall prevail in case of doubt.

Contents

Statement by the Chairman of the Board and Chief Executive Officer

Dear Shareholders,
Ladies and Gentlemen,

During the first half of the year, the economy was on a roller coaster ride due to recurring doubts regarding global economic recovery and geopolitical risks. VP Bank Group had to proceed cautiously in a market environment characterised by all-time highs in certain equity markets, low benchmark interest rates and deflationary fears in the eurozone.

Stable operating performance

In the first half of 2014, VP Bank Group recorded a consolidated net income of CHF 11.1 million, down from CHF 28.3 million (including CHF 1.2 million in gains on disposals) during the prior-year period. The persistent decline in Swiss interest rates led to unrealised losses on VP Bank's interest rate hedges totalling CHF 8.4 million (compared with fair value gains of CHF 8.2 million in the first half of 2013), which caused the decline in consolidated net income.

Adjusted for these fair value changes to interest rate hedges, VP Bank's first half 2014 net income totalled CHF 19.5 million (while the previous year's adjusted result based on income from ordinary operations was CHF 18.9 million). VP Bank's adjusted operating income therefore rose in the first half of 2014. The acquisition of the private banking activities of HSBC Trinkaus & Burkhardt (International) SA and the private banking-related fund business of HSBC Trinkaus Investment Managers in Luxembourg contributed to this increase. These acquisitions were largely responsible for the slight increase in first-half operating expenses. Meanwhile, we continued to implement cost management measures actively and systematically, thereby generating further savings.

Total assets increased by a modest 0.3 per cent relative to 31 December 2013 and stood at CHF 11.2 billion. By reducing interbank deposits in favour of repo-eligible securities and central bank funds, we were able to further diversify the bank's balance sheet and consciously reduce liquidity and credit risk.

We continued to implement strategic initiatives and measures to strengthen the business with existing and new clients during the first half of the year. Net new money inflows to client assets totalled CHF 236 million, compared with outflows of CHF 439 million during the prior-year period. On 30 June 2014, VP Bank Group's client assets therefore stood at CHF 31.4 billion, up 2.7 per cent from CHF 30.6 billion at 31 December 2013.

With a tier 1 ratio of 20.7 per cent as at 30 June 2014, VP Bank Group remains very well capitalised, with above-average core capital relative to the overall industry, even after the introduction of Basel III, thereby providing a high degree of security.

Regulatory environment

The regulatory framework has a considerable impact on VP Bank Group's operating activities. Regulations in the cross-border private banking sector continue to represent a major challenge for financial institutions. The tax compliance issue is also increasingly important.

On 16 May 2014, Liechtenstein signed the FATCA agreement with the United States. Under this agreement, bank secrecy is waived for US taxpayers in Liechtenstein. Following this agreement, Liechtenstein banks are required to provide information on US client accounts to the tax authorities.

The updated Markets in Financial Instruments Directive (MiFID II) is scheduled to take effect in the EU member states at the start of 2017. From VP Bank's perspective, further measures to strengthen investor protection will remain the focal point. Amongst other measures, MiFID II will bring about an overhaul of investment consulting and asset management processes.

In connection with the implementation of the Third Basel Accord (Basel III) set by the Basel Committee on Banking Supervision, the Liechtenstein parliament will take up a bill to amend the banking law, which, amongst other provisions, would include strengthening the capital basis of the banks.

Organisational groundwork

The Group Business Development unit was strengthened through staffing increases, and going forward will work closely with Group Executive Management on the implementation of strategic projects.

As part of our organisation's response to changing regulatory and market conditions, the Group Treasury & Execution unit was created in late 2013. This unit includes the Group Treasury, Money Market and Forex, Securities Trading and Execution areas.

On 1 January of this year, VP Bank Group streamlined its organisational structure. The Logistics & Security unit and responsibilities were restructured and integrated into the Group Information Technology and Group Operations business units as of 1 May 2014. This reorganisation will significantly enhance the optimisation of processes and responsibilities.

Staff changes

At VP Bank's 51st Annual General Meeting (AGM) on 25 April 2014, new members were elected to the Board of Directors. Dr Beat Graf and Michael Riesen were elected to three-year terms. Following Walo Frischknecht's departure from the Board of Directors, Michael Riesen took his place as the Chairman of the Audit & Risk Management Committee.

As of 1 February 2014, Thomas Steiger succeeded Yves de Vos as the Managing Director of VP Bank (Luxembourg) SA. With Steiger, 50, we have an experienced leader who has proven banking experience and execution capabilities and can help VP Bank (Luxembourg) SA develop and achieve its goals.

Significant first-half events

At the end of 2013, VP Bank (Switzerland) Ltd decided as a precautionary measure to participate as a category 2 bank in the US programme to settle the tax dispute between Swiss banks and the United States. Thorough internal investigations and external expert opinions nevertheless showed that the conditions for continued participation did not exist. VP Bank therefore withdrew from the US programme and the established provisions were reversed as of 30 June 2014.

Since Switzerland is neither a member of the European Economic Area nor the European Union, we have to date only been able to develop our German target market from Liechtenstein and Luxembourg. In the spring of 2014, VP Bank (Switzerland) Ltd submitted an exemption request to the German Federal Financial Supervisory Authority (BaFin), which promptly approved it. This exemption allows VP Bank (Switzerland) Ltd, working through the head office in Liechtenstein, to develop new clients in Germany and provide them with cross-border services on a stand-alone basis.

The post-acquisition integration of the private banking activities and private-banking-related fund management business of HSBC Trinkaus & Burkhardt (International) SA in Luxembourg is proceeding according to plan. Our new team not only maintained the acquired asset volumes, but also successfully expanded them.

In April 2014, the VP Bank Annual General Meeting approved the proposed resolution to change the company name from "Verwaltungs- und Privat-Bank Aktiengesellschaft" to "VP Bank AG" (VP Bank SA, VP Bank Ltd). The short and succinct company name is easier to understand and reflects the "VP Bank" brand name already in use.

We stepped up our investor relations activities during the first half of 2014. In May, VP Bank held its first Investors Day, inviting investors, analysts and shareholders to Liechtenstein, where they had an opportunity to learn more about VP Bank, meet management and familiarise themselves with the country's leading institutions. Numerous visitors took advantage of this opportunity to inform themselves fully.

In March, the rating agency Standard & Poor's published its report on "Three Key Risks For Global Banking in 2014". In this report, the agency concluded that governments will no longer be willing to support banks in the future as they have done in the past. In this context, the EU adopted the Bank Recovery and Resolution Directive (BRRD). This directive prompted Standard & Poor's to review the ratings of systemically important financial institutions, as the previous ratings of these institutions factored in the potential for state support. For these reasons, the agency downgraded the outlook for VP Bank from "Stable" to "Negative" on 30 April 2014. With regard to its long-term outlook, however, Standard & Poor's asserted that VP Bank qualified for at least a secure "A–" rating thanks to its outstanding capital adequacy. The rating agency will closely monitor the BRRD's implementation within Liechtenstein as well as VP Bank's development.

Apollo project underway

As announced previously in the 2013 annual report, VP Bank Group has launched its Apollo project, which will be a major focus in 2014. Three key goals were identified: establishing a clear positioning in the private banking and intermediaries businesses; the optimisation of the product and services lines for the various client segments; identifying and exploiting the potential for additional efficiency gains in the client advisory segments. The implementation activities are structured as follows:

- adjust the client structure by segment and market unit;
- adapt the service model to the respective client groups;
- continue developing business partnerships in the trust area;
- seek targeted market development with external asset managers;
- develop excellence in distribution selectively through training and coaching and by optimising client relations;
- continue to optimise pricing through adjustments that reflect market and regulatory conditions;
- expand the open architecture and best manager approach in the investment process.

We are working steadily on the implementation of these previously adopted measures and expect to complete the vast majority by the end of 2014.

Outlook and thanks

VP Bank Group is well equipped for future challenges thanks to its strategic orientation and streamlined management structure. The primary strategic goal common to all areas and measures is for the Group to record profitable and high-quality growth through its business activities in the targeted markets and segments, and thereby secure its independence. The Group's stable ownership and very strong capitalisation provide a solid foundation to that end.

The strong equity position also enables us to invest in growth through acquisitions insofar as they are compatible with VP Bank Group's strategy and culture.

We will continue to implement the Group-wide cost management programme in the second half of 2014. We firmly believe that by pursuing these measures and investing in future earnings sources, we are building a sustainable basis for VP Bank Group's success going forward.

VP Bank has established itself as a leading player in the fund management business. We plan to pool our in-house fund expertise to an even greater extent while ensuring its unified coordination.

Our medium-term goals remain unchanged: a tier 1 ratio of at least 16 per cent, a 65 per cent cost/income ratio and average net inflows of 5 per cent per year.

We thank you for the trust you have placed in VP Bank Group and hope that you remain our valued shareholders and clients in the years ahead. We would also like to thank our employees for their strong commitment.

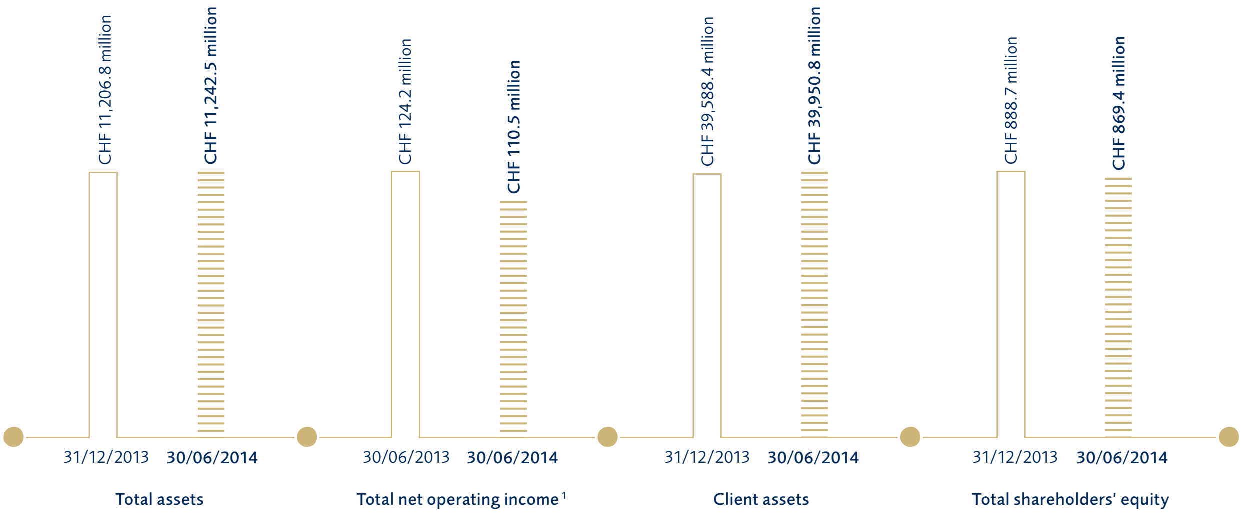
Fredy Vogt
Chairman of the Board of Directors

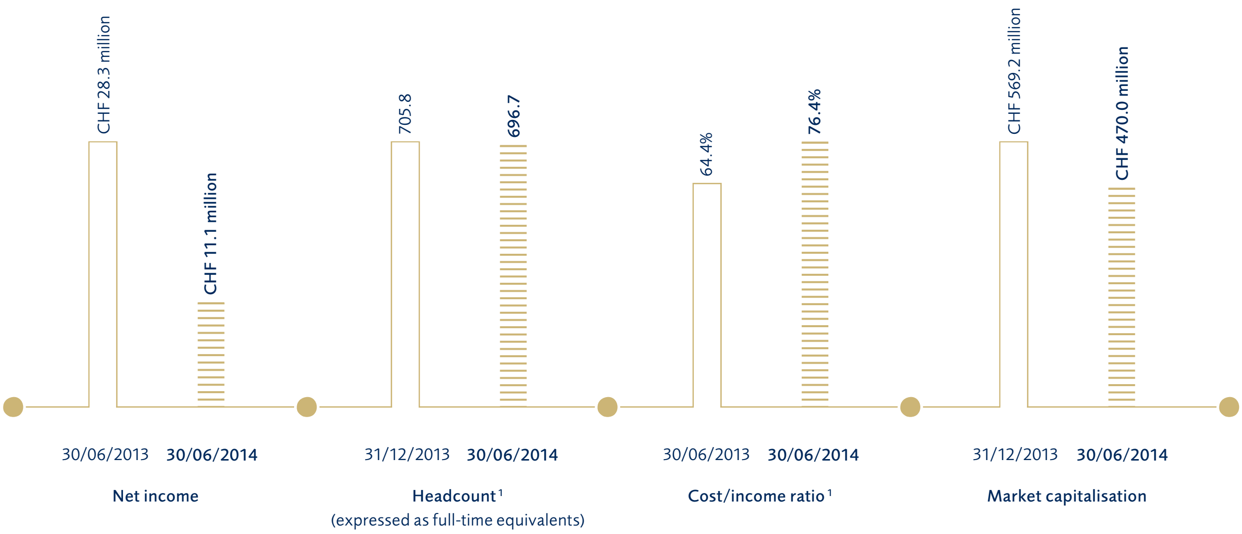
Alfred W. Moeckli
Chief Executive Officer

1

VP Bank Group

Key figures of VP Bank Group





[1] Continued operations

Key figures of VP Bank Group

	30/06/2014	30/06/2013 adjusted [1]	31/12/2013	Variance to 30/06/2013 in %
Key income statement data in CHF million[2]				
Total net operating income	110.5	124.2	239.4	–11.0
Net interest income	31.5	47.3	86.9	–33.4
Net income from commission business and services	60.1	59.0	114.1	1.7
Net income from trading activities	11.6	9.0	19.5	29.4
Operating expenses	84.5	80.0	168.0	5.6
Net income	11.1	28.3	38.7	–60.7
Group net income from continued operations	11.1	27.1	35.7	–58.9

	30/06/2014	30/06/2013 adjusted [1]	31/12/2013	Variance to 31/12/2013 in %
Key balance-sheet data in CHF million[2,3]				
Total assets	11,242.5	10,905.1	11,206.8	0.3
Due from banks	3,479.7	4,870.0	4,502.0	–22.7
Due from customers	4,098.7	3,820.8	3,926.7	4.4
Due to customers	9,382.5	9,102.8	9,404.7	–0.2
Total shareholders' equity	869.4	905.9	888.7	–2.2
Shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz	869.4	886.7	888.7	–2.2
Equity ratio (in %)	7.7	8.1	7.9	–2.5
Tier 1 ratio (in %)	20.7	20.7	20.4	1.3
Client assets in CHF million[2]	**39,950.8**	**37,223.4**	**39,588.4**	**0.9**
On-balance-sheet customer deposits (excluding custody assets)	9,591.6	9,508.6	9,594.0	0.0
Fiduciary deposits (excluding custody assets)	423.4	420.7	231.7	82.8
Client securities accounts	21,386.6	18,870.7	20,759.3	3.0
Custody assets	8,549.2	8,423.4	9,003.5	–5.0
Net new money	235.5	–438.7	965.0	n.a.
Key operating indicators[2]				
Return on equity (in %)[4]	2.6	6.2	4.4	
Cost/income ratio (in %)[5]	76.4	64.4	70.2	
Headcount (expressed as full-time equivalents, excluding student apprentices)[6]	696.7	663.8	705.8	
Total net operating income per employee (in CHF 1,000)	158.7	187.2	339.2	
Total operating expenses per employee (in CHF 1,000)	121.3	120.5	238.0	
Net income per employee (in CHF 1,000)	16.0	40.8	50.6	
Key indicators related to shares of VP Bank in CHF[3]				
Net income per bearer share[7]	1.92	4.68	6.17	
Net income per registered share[7]	0.19	0.47	0.62	
Shareholders' equity per bearer share on the balance-sheet date	149.66	153.18	153.37	
Shareholders' equity per registered share on the balance-sheet date	14.77	15.08	15.10	
Quoted price per bearer share	79.45	71.30	97.50	
Quoted price per registered share	7.95	7.00	8.50	
Market capitalisation (in CHF million)[8]	470	421	569	
Price-earnings ratio per bearer share	20.72	7.61	15.80	
Price-earnings ratio per registered share	20.73	7.47	13.78	
Rating Standard & Poor's	**A–/Negative/A–2**	**A–/Negative/A–2**	**A–/Stable/A–2**	

[1] Several of the amounts reported here do not correspond to those in the semi-annual report 2013 consolidated financial statements as a result of restatements made to reflect discontinued operations (note 17).
[2] Details in the notes to the consolidated income statement and consolidated balance sheet. Key figures are based on income from continued operations.
[3] The reported key data and operating indicators are computed and reported on the basis of the share of the net income and shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz.
[4] Net income / average shareholders' equity less dividend.
[5] Total operating expenses / total net operating income.
[6] In accordance with legal requirements, trainees are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
[7] Based on the weighted average number of shares (bearer) (note 11).
[8] Including registered shares.

Structure of VP Bank Group

Organisational chart as of 01/01/2014

2

Segments

Segment reporting

(unaudited)

01/01–30/06/2014

in CHF 1,000	Client Business Liechtenstein	Client Business International	Corporate Center	Total Group
Net interest income	18,215	9,938	3,357	31,510
Net income from commission business and services	36,808	25,270	–2,025	60,053
Net income from trading activities	6,697	3,387	1,553	11,637
Income from financial instruments	9	827	6,036	6,872
Other income	0	145	328	473
Total net operating income	**61,729**	**39,567**	**9,249**	**110,545**
Personnel expenses	14,243	22,028	25,379	61,650
General and administrative expenses	1,029	10,307	11,496	22,832
Services to/from other segments	17,421	0	–17,421	0
Operating expenses	**32,693**	**32,335**	**19,454**	**84,482**
Gross income	**29,036**	**7,232**	**–10,205**	**26,063**
Depreciation and amortisation	133	2,280	12,298	14,711
Valuation allowances, provisions and losses	1,977	–948	–684	345
Income before income tax from continued operations	**26,926**	**5,900**	**–21,819**	**11,007**
Taxes on income				–126
Net income from continued operations				**11,133**
Discontinued operations				
Net income after taxes from discontinued operations				0
Net income				**11,133**
Segment assets (in CHF million)	3,403	3,246	4,593	11,243
Segment liabilities (in CHF million)	6,593	3,005	775	10,373
Investments in property and equipment (in CHF 1,000)	0	952	2,609	3,561
Depreciation and amortisation (in CHF 1,000)	133	2,280	12,298	14,711
Valuation allowances for credit risks (in CHF 1,000)	1,728	–83	–683	962
Client assets under management (in CHF billion)[1]	19.4	11.8	0.2	31.4
Net new money (in CHF billion)	0.1	0.1	0.0	0.2
Headcount (number of employees)	161	268	327	756
Headcount (expressed as full-time equivalents)	151.8	256.5	288.4	696.7
as of 31/12/2013				
Segment assets (in CHF million)	3,371	3,510	4,326	11,207
Segment liabilities (in CHF million)	6,335	3,281	702	10,318
Client assets under management (in CHF billion)[1]	18.9	11.5	0.2	30.6
Net new money (in CHF billion)	–0.9	1.8	0.0	1.0
Headcount (number of employees)	163	269	332	764
Headcount (expressed as full-time equivalents)	156.1	256.7	293.0	705.8

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

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or on prevailing market conditions. Recharged costs within the segments are subject to an annual review and, where necessary, are amended to reflect new economic conditions.

On 1 January 2014, a new organisational structure was introduced at VP Bank Group and the methods of intersegmental recharging were amended. Segment reporting was restated retroactively.

As of 1 January 2014, changes were made to VP Bank Group's organisational structure. VP Bank Group now comprises three business segments: Client Business Liechtenstein, Client Business International and Corporate Center. As announced in VP Bank Group's 2013 annual report, beginning 1 January 2014, the company's organisational structure was streamlined and now comprises the following three organisational units: Chief Executive Officer, Client Business and Chief Financial Officer & Banking Services. For segment reporting purposes, the Client Business unit is broken down into the Client Business Liechtenstein and Client Business International segments. Meanwhile, the Corporate Center business unit includes the Chief Executive Officer and Chief Financial Officer & Banking Services organisational units. The previous year's segment reporting was adjusted accordingly.

01/01–30/06/2013

in CHF 1,000	Private Banking International	Chief Operating Officer	CFO & Corporate Center	Total Group
Net interest income	16,032	9,345	21,905	47,282
Net income from commission business and services	36,348	24,738	–2,058	59,028
Net income from trading activities	6,220	4,061	–1,290	8,991
Income from financial instruments	10	–270	8,394	8,134
Other income	0	245	569	814
Total net operating income	**58,610**	**38,119**	**27,520**	**124,249**
Personnel expenses	12,968	19,240	26,103	58,311
General and administrative expenses	1,067	8,942	11,655	21,664
Services to/from other segments	18,260	0	–18,260	0
Operating expenses	**32,295**	**28,182**	**19,498**	**79,975**
Gross income	**26,315**	**9,937**	**8,022**	**44,274**
Depreciation and amortisation	11	1,220	12,136	13,367
Valuation allowances, provisions and losses	–1,191	2,385	11	1,205
Income before income tax from continued operations	**27,495**	**6,332**	**–4,125**	**29,702**
Taxes on income				2,598
Net income from continued operations				**27,104**
Discontinued operations				
Net income after taxes from discontinued operations				1,201
Net income				**28,305**
Segment assets (in CHF million)	3,314	3,222	4,369	10,905
Segment liabilities (in CHF million)	6,449	2,978	572	9,999
Investments in property and equipment (in CHF 1,000)	0	325	1,823	2,148
Depreciation and amortisation (in CHF 1,000)	11	1,221	12,135	13,367
Valuation allowances for credit risks (in CHF 1,000)	–978	1,682	0	704
Client assets under management (in CHF billion)[1]	18.9	9.7	0.2	28.8
Net new money (in CHF billion)	–0.5	0.1	0.0	–0.4
Headcount (number of employees)	159	238	325	722
Headcount (expressed as full-time equivalents)	152.7	225.8	285.3	663.8

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

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or on prevailing market conditions. Recharged costs within the segments are subject to an annual review and, where necessary, are amended to reflect new economic conditions.

Discontinued operations were disclosed in the past under Client Business International (VP Bank and Trust Company (BVI) Limited) as well as under the Corporate Center (IGT Intergestions Trust reg.).

On 1 January 2014, a new organisational structure was introduced at VP Bank Group and the methods of intersegmental recharging were amended. Segment reporting was restated retroactively.

Client Business Liechtenstein

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013	Variance absolute	Variance in %
Net interest income	18,215	16,032	2,183	13.6
Net income from commission business and services	36,808	36,348	460	1.3
Net income from trading activities	6,697	6,220	477	7.7
Income from financial instruments	9	10	–1	–10.0
Other income	0	0	0	0.0
Total net operating income	**61,729**	**58,610**	**3,119**	**5.3**
Personnel expenses	14,243	12,968	1,275	9.8
General and administrative expenses	1,029	1,067	–38	–3.6
Services to/from other segments	17,421	18,260	–839	–4.6
Operating expenses	**32,693**	**32,295**	**398**	**1.2**
Gross income	**29,036**	**26,315**	**2,721**	**10.3**
Depreciation and amortisation	133	11	122	n.a.
Valuation allowances, provisions and losses	1,977	–1,191	3,168	n.a.
Segment income before income tax from continued operations	**26,926**	**27,495**	**–569**	**–2.1**

Additional information				
Operating expenses excluding depreciation and amortisation / total operating income (in %)	53.0	55.1		
Operating expenses including depreciation and amortisation / total operating income (in %)	53.2	55.1		
Client assets under management (in CHF billion)	19.4	18.9		
Change in client assets under management compared to 31/12/ prior year (in %)	2.9	–0.5		
Net new money (in CHF billion)	0.1	–0.5		
Gross income / average client assets under management (bp)[1]	64.4	61.9		
Segment result / average client assets under management (bp)[1]	28.1	29.0		
Cost/income ratio operating income (in %)[2]	53.0	55.1	–2.1	–3.9
Headcount (number of employees)	161	159	2.0	1.3
Headcount (expressed as full-time equivalents)	151.8	152.7	–0.9	–0.6

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

Structure

The Client Business Liechtenstein segment comprises the international private banking and intermediaries business as well as the local universal bank and credit business at the Liechtenstein office. It includes the VP Bank Ltd units that maintain direct contact with clients. The Group Investment, Product & Market Management and the IFOS Internationale Fonds Service Aktiengesellschaft are also assigned to this business unit.

Segment results

Pre-tax income fell by CHF 0.6 million (2.1 per cent) in the first half of 2014 relative to the prior-year period. Meanwhile, total operating income rose by CHF 3.1 million (5.3 per cent). This increase was largely due to the higher interest income from the client business (+13.6 per cent) as well as the gains on the trading and commission business. Operating expenses increased by CHF 0.4 million (1.2 per cent) to CHF 32.7 million. This increase was due to rising personnel expenses. The decline in expenses from other segments as well as the slight decrease in general and administrative expenses partially offset the increase in personnel expenses. In the Client Business Liechtenstein unit, internal cost allocations are based on transfer prices set internally. Indirect costs for internal services are recognised on the line item "Services to/from other segments". In the first half of 2014, the cost of valuation allowances, provisions and losses totalled CHF 2.0 million (CHF –1.2 million during the prior-year period). The gross margin increased by 64.4 basis points (prior-year period: 61.9 basis points). The cost/income ratio was 53.0 per cent, slightly below the prior-year result of 55.1 per cent.

Net new money flows rose by CHF 0.1 billion in the first half of 2014. Inflows generated by market development efforts more than offset outflows caused by the stricter regulatory environment and tax compliance issues.

As at 30 June 2014, client assets under management totalled CHF 19.4 billion (CHF 18.9 billion as at 31 December 2013). The headcount of 152 was essentially unchanged from 30 June 2013 (153) and down by four employees relative to 31 December 2013.

Client Business International

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013	Variance absolute	Variance in %
Net interest income	9,938	9,345	593	6.3
Net income from commission business and services	25,270	24,738	532	2.2
Net income from trading activities	3,387	4,061	–674	–16.6
Income from financial instruments	827	–270	1,097	n.a.
Other income	145	245	–100	–40.8
Total net operating income	**39,567**	**38,119**	**1,448**	**3.8**
Personnel expenses	22,028	19,240	2,788	14.5
General and administrative expenses	10,307	8,942	1,365	15.3
Services to/from other segments	0	0	0	0.0
Operating expenses	**32,335**	**28,182**	**4,153**	**14.7**
Gross income	**7,232**	**9,937**	**–2,705**	**–27.2**
Depreciation and amortisation	2,280	1,220	1,060	86.9
Valuation allowances, provisions and losses	–948	2,385	–3,333	–139.7
Segment income before income tax from continued operations	**5,900**	**6,332**	**–432**	**–6.8**

Additional information

Operating expenses excluding depreciation and amortisation / total operating income (in %)	81.7	73.9		
Operating expenses including depreciation and amortisation / total operating income (in %)	87.5	77.1		
Client assets under management (in CHF billion)	11.8	9.7		
Change in client assets under management compared to 31/12/ prior year (in %)	2.4	4.3		
Net new money (in CHF billion)	0.1	0.1		
Gross income / average client assets under management (bp)[1]	68.1	80.1		
Segment result / average client assets under management (bp)[1]	10.2	13.3		
Cost/income ratio operating income (in %)[2]	83.8	73.9	9.9	13.4
Headcount (number of employees)	268	238	30.0	12.6
Headcount (expressed as full-time equivalents)	256.5	225.8	30.7	13.6

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

Structure

The Client Business International segment comprises the business activities based abroad. VP Bank (Switzerland) Ltd, VP Bank (Luxembourg) SA, VP Bank (BVI) Ltd, VP Bank (Singapore) Ltd., VP Wealth Management (Hong Kong) Ltd. and VPB Finance S.A. are assigned to this segment.

Segment results

Pre-tax income contracted slightly by CHF 0.4 million (6.8 per cent) in the first half of 2014 relative to prior-year period. Meanwhile, total operating income rose by 3.8 per cent to CHF 39.6 million (up from CHF 38.1 million in the prior-year period). This increase was due, amongst other factors, to the increase in business volume following the acquisition of client assets through the asset deal with HSBC Trinkaus & Burkhardt (International) SA. These assets had a positive impact on the net interest income from the client business (+6.3 per cent) and commission and services income (+2.2 per cent). Income from financial assets also developed favourably, with a CHF 1.1 million increase relative to the first half of 2013.

Operating expenses increased by CHF 4.2 million (14.7 per cent) to CHF 32.3 million (prior-year period: CHF 28.2 million). The increase in both personnel expenses and general administrative expenses was largely due to the asset deal with HSBC Trinkaus & Burkhardt (International) SA and resulting personnel additions. In the Client Business International business unit, internal cost allocations are based on invoiced costs and included in general and administrative expenses. The increase in depreciation and amortisation was mainly due to the amortisation of intangible assets in connection with the asset deal with HSBC Trinkaus & Burkhardt (International) SA.

Charges for valuation allowances, provisions and losses were reduced significantly by CHF 3.3 million. This favourable result includes the reversal of provisions established at the end of 2013 for VP Bank (Switzerland) Ltd's participation in the US tax compliance programme involving Swiss banks.

The gross margin fell to 68.1 basis points (prior-year period: 80.1 basis points). The cost/income ratio rose from 73.9 per cent to 83.8 per cent.

During the reporting period, the segment recorded net new money inflows of CHF 0.1 billion. This favourable performance must also be considered in light of the unfavourable regulatory environment and tax compliance issues, which themselves led to outflows. Client assets under management totalled CHF 11.8 billion as at 30 June 2014 (compared with CHF 9.7 billion as at 31 December 2013). The employees added in connection with the asset deal with HSBC Trinkaus & Burkhardt (International) SA caused the headcount to increase from 226 (30 June 2013) to 257 at the end of the reporting period. The headcount was unchanged relative to 31 December 2013.

Corporate Center

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013	Variance absolute	Variance in %
Net interest income	3,357	21,905	–18,548	–84.7
Net income from commission business and services	–2,025	–2,058	33	1.6
Net income from trading activities	1,553	–1,290	2,843	220.4
Income from financial instruments	6,036	8,394	–2,358	–28.1
Other income	328	569	–241	–42.4
Total net operating income	**9,249**	**27,520**	**–18,271**	**–66.4**
Personnel expenses	25,379	26,103	–724	–2.8
General and administrative expenses	11,496	11,655	–159	–1.4
Services to/from other segments	–17,421	–18,260	839	4.6
Operating expenses	**19,454**	**19,498**	**–44**	**–0.2**
Gross income	**–10,205**	**8,022**	**–18,227**	**–227.2**
Depreciation and amortisation	12,298	12,136	162	1.3
Valuation allowances, provisions and losses	–684	11	–695	n.a.
Segment income before income tax from continued operations	**–21,819**	**–4,125**	**–17,694**	**–428.9**
Additional information				
Client assets under management (in CHF billion)	0.2	0.2		
Headcount (number of employees)	327	325	2.0	0.6
Headcount (expressed as full-time equivalents)	288.4	285.3	3.1	1.1

Structure

The Corporate Center segment is responsible for banking operations and business development. It comprises the following units: Group Operations, Group Information Technology, Group Finance & Risk, Group Treasury & Execution, Group Legal, Compliance & Tax, Group Human Resources Management, Group Communications & Marketing and Group Business Development. In addition, all income and expenses that cannot be attributed directly to client-oriented business units as well as intra-Group items are recognised by the Corporate Center segment. This segment's revenue-generating activities stem from the exercise of the Group Treasury function. Income from proprietary financial assets, maturity transformation and interest rate hedging are recognised in this segment.

Segment results

In the first half of 2014, this business unit recorded a pre-tax loss of CHF 21.8 million, compared with a loss of CHF 4.1 million in the prior-year period.

Total operating income contracted by CHF 18.3 million in the first half of 2014 relative to the prior-year period. This decline was mainly due to the drop in net interest income, which fell from CHF 21.9 million to CHF 3.4 million as a result of fair value adjustments for interest rate hedges.

Commission and services income also declined. This drop in income included third-party bank commissions, which the back offices allocated to the front offices on an administrative basis.

Trading income includes, amongst other items, gains and losses from Group Treasury & Execution, which consists of income from client transaction processing. It also includes gains and losses from derivatives used in risk management as well as gains and losses from asset and liability management (ALM).

Income from financial assets totalled CHF 6.0 million in the first half of 2014. Interest and dividend income accounted for approximately half of this total, with fair value through profit and loss (FVTPL) gains contributing the other half. The prior-year result consisted of CHF 8.4 million in income.

Operating expenses remained essentially unchanged (–0.2 per cent) at CHF 19.5 million. The efforts to streamline the Corporate Center's administrative organisation helped to reduce personnel expenses by CHF 0.7 million (2.8 per cent) in the first half of 2014. General administrative expenses also contracted by CHF 0.2 million during the reporting period. As a result, total rebilled services fell from CHF 18.3 million to CHF 17.4 million.

Given only a slight change in depreciation and amortisation during the first half of 2014 relative to the prior-year period, valuation allowances, provisions and losses recorded a net reversal of CHF 0.7 million. This reversal resulted from the reduction in receivables from banks and the corresponding decrease in credit risk. The headcount was 288, up slightly from 285 as at 30 June 2013 and down from 293 as at 31 December 2013.

3

Financial report of VP Bank Group

Consolidated semi-annual report of VP Bank Group

Group results

In accordance with International Financial Reporting Standards (IFRS), VP Bank Group recorded consolidated net income of CHF 11.1 million in the first half of 2014. The prior-year result was a profit of CHF 28.3 million, which included CHF 1.2 million in gains on disposals. Prior-year figures were adjusted accordingly.

The continued decline in Swiss franc interest rates caused unrealised losses on our interest rate hedges, which was responsible for the decline in net income.

Adjusted for these unrealised losses, the Group's first-half 2014 net income totalled CHF 19.5 million (compared with CHF 18.9 million in adjusted income from ordinary operations during the prior-year period).

The German economy started off well with a 0.8 per cent gain in the first quarter of 2014. In Switzerland, private consumption and the construction sector showed signs of weakening after the previous year's strong figures. Meanwhile, exports recorded gains.

The leading central banks maintained their respective courses. While the Fed took small steps to taper its expansive monetary policy, the ECB lowered its benchmark rate to an all-time low of 0.15 per cent and pushed interest rates on deposits into negative territory. The eurozone central banks will offer two more long-term refinancing operations in September and December 2014, with a total volume of approximately EUR 400 billion. Any move by the ECB to raise interest rates is therefore likely to be postponed further. Since the Swiss National Bank (SNB) is linked to the ECB through its policy of maintaining a floor relative to the euro, no interest rate increases are likely in Switzerland for the foreseeable future.

Adjusted for one-time effects of interest rate hedging transactions, VP Bank recorded gains in total operating income as well as operating income in the first half of 2014. The acquisition of the private banking activities of HSBC Trinkaus & Burkhardt and private-banking-related fund management business of HSBC Trinkaus Investment Managers in Luxembourg contributed to these gains. These acquisitions and purchases of external services also account for the increase in operating expenses. Meanwhile, VP Bank continued to actively pursue cost management efforts and achieved additional savings.

Medium-term goals

VP Bank Group continues to focus on the following medium-term goals:
- net new money inflows averaging 5 per cent per year;
- a 65 per cent cost/income ratio
- a tier 1 ratio of at least 16 per cent

In the first half of 2014, the Group recorded net new money inflows of CHF 236 million, up 0.8 per cent, on client assets under management, after recording net new money outflows of CHF 439 million during the prior-year period.

The cost/income ratio rose from 64.4 per cent to 76.4 per cent due to a combination of declining income and rising costs.

As at 30 June 2014, VP Bank Group's tier 1 ratio stood at 20.7 per cent, thereby providing very solid capital adequacy. This ratio was unchanged relative to 30 June 2013. As was the case during previous reporting periods, VP Bank's tier 1 ratio again remained well above the legally mandated limit of 8 per cent. The future Basel III regulatory framework imposes stricter capital adequacy and liquidity requirements on credit institutions and will be introduced at Group level in early 2015 in accordance with applicable provisions under Liechtenstein law. Even after these higher and stricter capital adequacy regulations take effect under Basel III, VP Bank Group will continue to have a solid tier 1 ratio and present a high level of stability and security relative to the overall banking industry.

Client assets

As at 30 June 2014, VP Bank Group's client assets under management totalled CHF 31.4 billion, up 2.7 per cent from CHF 30.6 billion as at 31 December 2013.

In the first half of 2014, VP Bank Group recorded net new money inflows of CHF 236 million, compared with outflows of CHF 439 million during the prior-year period.

The performance-related increase in client assets amounted to CHF 0.6 billion in the first half of 2014, compared with CHF 0.8 billion during the prior-year period.

Assets held in custody fell by 5.0 per cent to CHF 8.6 billion (31 December 2013: CHF 9.0 billion). Client assets including custody assets totalled CHF 40.0 billion as at 30 June 2014, up from CHF 39.6 billion as at 31 December 2013.

Income statement

Total operating income

Total operating income was CHF 110.6 million in the first half of 2014, down CHF 13.7 million, or 11.0 per cent, from CHF 124.2 million in the prior-year period. Adjusted for the impact of interest rate hedging transactions (CHF 16.6 million), total operating income rose by 2.5 per cent.

After adjusting for interest rate hedging transactions, net interest income increased by 2.1 per cent from CHF 39.0 million in the prior-year period to CHF 39.9 million in the first half of 2014. The continued decline in interest rates resulted in reduced interest income from the client and banking business as well as lower interest expenses. Interest income from financial instruments measured at amortised cost increased by CHF 1.6 million to CHF 7.4 million, primarily as a result of the higher asset volumes recognised on the balance sheet. Since VP Bank does not apply hedge accounting pursuant to IFRS, net interest income also includes fair value adjustments from interest rate hedging transactions. In the first half of 2014, these adjustments resulted in unrealised losses totalling CHF 8.4 million, compared with unrealised gains of CHF 8.2 million during the prior-year period.

The client business continued to post satisfactory gains in the first half of 2014. As a result, commission and services income increased once again in the first half of 2014, rising by 1.7 per cent to CHF 60.1 million (CHF 59.0 million in the prior-year period). Following the acquisition of the fund management business from HSBC Trinkaus Investment Managers in Luxembourg, fund management income rose by CHF 4.5 million, or 16 per cent, to CHF 32.1 million. Commission income from other services rose by CHF 1.6 million to CHF 8.1 million in the first half of 2014. Commission- and service-related expenses increased by CHF 5.2 million to CHF 28.2 million, mainly in connection with transferred fund management fees.

Income from trading activities increased by 29.4 per cent from CHF 9.0 million to CHF 11.6 million. Trading income on client portfolios rose by 8.8 per cent from CHF 13.1 million to CHF 14.2 million. The securities trading result improved by CHF 1.5 million in the first half of 2014, as the prior-year period's CHF 4.1 million loss was reduced to a CHF 2.6 million loss due to hedging transactions on financial assets.

Income from financial assets totalled CHF 6.9 million in the first half of 2014. Interest and dividend income accounted for approximately half of this total, with fair value through profit and loss (FVTPL) gains contributing the other half. This latter income contribution was largely due to the favourable performance of investment securities in the conservative investment portfolio. In the prior-year period, income from financial assets totalled CHF 8.1 million.

Operating expenses

Operating expenses increased by CHF 4.5 million, or 5.6 per cent, from CHF 80.0 million to CHF 84.5 million.

This increase is consistent with VP Bank Group's strategic orientation. The headcount rose by 32.9 full-time-equivalent employees compared with 30 June 2013, and this increase was mainly due to personnel additions in connection with the asset deal with HSBC Trinkaus & Burkhardt (International) SA. As at the end of June 2014, VP Bank Group had 696.7 full-time-equivalent employees, an increase of 5.0 per cent from 663.8 full-time-equivalent employees as at 30 June 2013.

General administrative expenses increased by 5.4 per cent from CHF 21.7 million to CHF 22.8 million. This increase was due to professional fee expenses, which rose by CHF 1.6 million to CHF 4.5 million. These higher expenses were incurred in connection with projects enabling us to achieve our growth targets. Through strict cost management, VP Bank recorded savings in other general administrative expense areas.

Depreciation and amortisation, valuation allowances, provisions and losses

Depreciation and amortisation was up CHF 1.3 million (10.1 per cent) in the first half of 2014. It recorded CHF 14.7 million, with the bulk of this increase due to the amortisation of intangible assets in connection with the asset deal with HSBC Trinkaus & Burkhardt (International) SA.

Expenses for valuation allowances, provisions and losses fell by a significant CHF 0.9 million from CHF 1.2 million to CHF 0.3 million in the first half of 2014. Valuation allowances, provisions and losses for credit risks totalled CHF 1.0 million during the reporting period, which reflects the continued high quality of VP Bank Group's credit portfolio.

At the end of 2013, VP Bank (Switzerland) Ltd decided as a precautionary measure to participate as a category 2 bank in the US programme to settle the tax dispute between Swiss banks and the United States. Thorough internal investigations and external expert opinions showed that the conditions for continued participation did not exist. VP Bank therefore withdrew from the US programme and the established provisions were reversed as of 30 June 2014.

Consolidated net income

Consolidated net income totalled CHF 11.1 million in the first half of 2014 (compared with CHF 28.3 million for the prior-year period, which includes CHF 1.2 million in net income from disposals). As at 30 June 2014, there were no more minority interests following the streamlining of the ownership structure at VP Bank and Trust Company (BVI) Limited in Tortola during the previous year. The prior-year results were adjusted accordingly. Consolidated net income per bearer share amounted to CHF 1.92 in the first half of 2014 compared with CHF 4.89 (adjusted) during the prior-year period.

Balance sheet

Total assets again rose slightly to reach CHF 11.2 billion, up 0.3 per cent from 31 December 2013.

On the assets side, cash and cash equivalents increased by CHF 661 million, or 48 per cent, from CHF 1,377 at the end of December 2013 to CHF 2,038 million at the end of the reporting period. Financial instruments measured at amortised cost also advanced and reported a 27.6 per cent increase from CHF 776 million to CHF 990 million during this period. Meanwhile, receivables from banks fell by CHF 1,022, or 22.7 per cent, to CHF 3,480 million. The reduction of interbank deposits in favour of repo-eligible securities and central bank funds helped to diversify the bank's balance sheet and thereby consciously minimise liquidity and credit risk.

Client loans increased by CHF 172 million (4.4 per cent) to CHF 4.1 billion during the reporting period. VP Bank has maintained its highly disciplined and tightly managed lending policy, which in the current situation focuses on the real estate market. Mortgage loans rose only marginally in the first half of 2014. The bulk of the lending increase came from lombard loans to customers.

On the shareholders' equity and liabilities side, customer deposits and medium-term notes contracted slightly by CHF 59 million (0.2 per cent) to CHF 9.6 billion. At 30 June 2014, VP Bank Group had shareholders' equity of CHF 869 million, compared with CHF 889 million as at 31 December 2013. The tier 1 ratio was 20.7 per cent at 30 June 2014 (also 20.7 per cent at 30 June 2013).

Outlook

Looking ahead to the second half of 2014, we expect equity markets to trend sideways and slightly higher yields in the fixed income markets. These conditions will affect the VP Bank Group's results.

Regulatory pressures on the financial industry remain high and affect our activities. VP Bank is well equipped to overcome these challenges and continues to implement its growth strategy supported by a solid balance sheet and stable ownership.

Consolidated income statement

(unaudited)

in CHF 1,000	Note	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Interest income		39,552	56,445	–16,893	–29.9
Interest expense		8,042	9,163	–1,121	–12.2
Net interest income	**1**	**31,510**	**47,282**	**–15,772**	**–33.4**
Commission income		88,271	82,017	6,254	7.6
Commission expenses		28,218	22,989	5,229	22.7
Net income from commission business and services	**2**	**60,053**	**59,028**	**1,025**	**1.7**
Net income from trading activities	3	11,637	8,991	2,646	29.4
Income from financial instruments	4	6,872	8,134	–1,262	–15.5
Other income	5	473	814	–341	–41.9
Total net operating income		**110,545**	**124,249**	**–13,704**	**–11.0**
Personnel expenses	6	61,650	58,311	3,339	5.7
General and administrative expenses	7	22,832	21,664	1,168	5.4
Operating expenses		**84,482**	**79,975**	**4,507**	**5.6**
Gross income		**26,063**	**44,274**	**–18,211**	**–41.1**
Depreciation and amortisation	8	14,711	13,367	1,344	10.1
Valuation allowances, provisions and losses	9	345	1,205	–860	–71.4
Earnings before income tax from continued operations		**11,007**	**29,702**	**–18,695**	**–62.9**
Taxes on income	10	–126	2,598	–2,724	–104.8
Group net income from continued operations		**11,133**	**27,104**	**–15,971**	**–58.9**
Discontinued operations					
Net income from discontinued operations	17	0	1,201	–1,201	–100.0
Group net income		**11,133**	**28,305**	**–17,172**	**–60.7**
Attributable to the shareholders of VP Bank Ltd, Vaduz					
Group net income from continued operations		11,133	27,104	–15,971	–58.9
Group net income from discontinued operations		0	937	–937	–100.0
Net income attributable to the shareholders of VP Bank Ltd, Vaduz		**11,133**	**28,041**	**–16,908**	**–60.3**
Non-controlling interests					
Group net income from continued operations		0	0	0	n.a.
Group net income from discontinued operations		0	264	–264	–100.0
Group net income attributable to non-controlling interests		**0**	**264**	**–264**	**–100.0**
Share information					
Undiluted group net income per bearer share		1.92	4.89		
Undiluted group net income per registered share		0.19	0.49		
Undiluted group net income from continued operations per bearer share		1.92	4.68		
Undiluted group net income from continued operations per registered share		0.19	0.47		
Diluted group net income per bearer share		1.92	4.89		
Diluted group net income per registered share		0.19	0.49		
Diluted group net income from continued operations per bearer share		1.92	4.68		
Diluted group net income from continued operations per registered share		0.19	0.47		

[1] Several of the amounts reported here do not correspond to those in the 2013 financial consolidated financial statements as a result of restatements made to reflect discontinued operations. Details can be found in note 17.

Consolidated statement of comprehensive income (unaudited)

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013	Variance absolute	Variance in %
Net income	**11,133**	**28,305**	**–17,172**	**–60.7**
Other comprehensive income, after income tax				
Other comprehensive income which will be transferred to the income statement upon realisation				
• Changes in foreign-currency translation differences	–249	2,146	–2,395	–111.6
• Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0	n.a.
Total other comprehensive income which will be transferred to the income statement upon realisation	**–249**	**2,146**	**–2,395**	**–111.6**
Other comprehensive income, that will not be reclassified to the income statement				
• Changes in value of FVTOCI financial instruments	–1,917	–823	–1,094	n.a.
• Actuarial gains/losses from defined-benefit pension plans	–8,401	–524	–7,877	n.a.
Total other comprehensive income which will not be transferred subsequently to the income statement	**–10,318**	**–1,347**	**–8,971**	**n.a.**
Other comprehensive income for the period recognised directly in equity (net-of-tax)	**–10,567**	**799**	**–11,366**	**n.a.**
Total comprehensive income for the period (net-of-tax)	**566**	**29,104**	**–28,538**	**–98.1**
Attributable to non-controlling interests	0	1,590	–1,590	–100.0
Attributable to the shareholders of VP Bank Ltd, Vaduz	566	27,514	–26,948	–97.9

Consolidated balance sheet

(unaudited)

Assets

in CHF 1,000	Note	30/06/2014	31/12/2013	Variance absolute	Variance in %
Cash and cash equivalents		2,037,919	1,377,407	660,512	48.0
Receivables arising from money-market paper		22,256	23,227	–971	–4.2
Due from banks		3,479,737	4,502,014	–1,022,277	–22.7
Due from customers		4,098,681	3,926,676	172,005	4.4
Trading portfolios		148	2,622	–2,474	n.a.
Derivative financial instruments		14,818	35,738	–20,920	–58.5
Financial instruments at fair value	16	381,100	346,405	34,695	10.0
Financial instruments measured at amortised cost	16	990,229	776,223	214,006	27.6
Associated companies		56	41	15	36.6
Property and equipment		114,475	117,179	–2,704	–2.3
Goodwill and other intangible assets		45,355	53,221	–7,866	–14.8
Tax receivables		575	14	561	n.a.
Deferred tax receivables		13,403	11,319	2,084	18.4
Accrued receivables and prepaid expenses		25,589	21,086	4,503	21.4
Other assets		18,161	13,646	4,515	33.1
Total assets		**11,242,502**	**11,206,818**	**35,684**	**0.3**

Liabilities

in CHF 1,000	Note	30/06/2014	31/12/2013	Variance absolute	Variance in %
Due to banks		403,860	224,174	179,686	80.2
Due to customers – savings and deposits		863,631	880,459	–16,828	–1.9
Due to customers – other liabilities		8,518,826	8,524,194	–5,368	–0.1
Derivative financial instruments		51,349	52,740	–1,391	–2.6
Medium-term notes		207,024	243,722	–36,698	–15.1
Debentures issued	12	199,150	198,936	214	0.1
Tax liabilities		1,953	1,780	173	9.7
Deferred tax liabilities		9,624	9,901	–277	–2.8
Accrued liabilities and deferred items		16,721	25,975	–9,254	–35.6
Other liabilities		91,895	146,236	–54,341	–37.2
Provisions		9,054	9,958	–904	–9.1
Total liabilities		**10,373,087**	**10,318,075**	**55,012**	**0.5**
Share capital	13	59,148	59,148	0	0.0
Less: treasury shares	14	–20,085	–25,903	5,818	22.5
Capital reserves		–17,170	–11,803	–5,367	–45.5
Income reserves	15	884,135	901,748	–17,613	–2.0
Unrealised gains/losses on FVTOCI financial instruments		–10,958	–9,041	–1,917	–21.2
Foreign-currency translation differences		–25,655	–25,406	–249	–1.0
Total shareholders' equity		**869,415**	**888,743**	**–19,328**	**–2.2**
Total liabilities and shareholders' equity		**11,242,502**	**11,206,818**	**35,684**	**0.3**

Consolidated changes in shareholders' equity (unaudited)

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Unrealised gains/losses FVTOCI	Actuarial gains/losses from defined-benefit pension plans	Foreign-currency translation differences	Equity of shareholders of VP Bank AG, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 01/01/2014	**59,148**	**–25,903**	**–11,803**	**933,176**	**–9,041**	**–31,428**	**–25,406**	**888,743**	**0**	**888,743**
Other comprehensive income, after income tax										
Foreign-currency translation differences							–249	–249		–249
Changes in value transferred to profit reserves								0		0
Changes in value of FVTOCI financial instruments					–1,917			–1,917		–1,917
Actuarial gains/losses from defined-benefit pension plans						–8,401		–8,401		–8,401
Net income				11,133				11,133		11,133
Total reported result 30/06/2014	**0**	**0**	**0**	**11,133**	**–1,917**	**–8,401**	**–249**	**566**	**0**	**566**
Dividends 2013				–20,345				–20,345		–20,345
Management equity participation plan (LTI)			–1,496					–1,496		–1,496
Movement in treasury shares[1]		5,818	–3,871					1,947		1,947
Total shareholders' equity 30/06/2014	**59,148**	**–20,085**	**–17,170**	**923,964**	**–10,958**	**–39,829**	**–25,655**	**869,415**	**0**	**869,415**
Total shareholders' equity 01/01/2013	**59,148**	**–33,493**	**–10,923**	**903,689**	**–4,986**	**–25,553**	**–16,796**	**871,086**	**17,741**	**888,827**
Other comprehensive income, after income tax										
Foreign-currency translation differences							1,540	1,540	606	2,146
Changes in value transferred to profit reserves								0		0
Changes in value of FVTOCI financial instruments					–823			–823		–823
Actuarial gains/losses from defined-benefit pension plans						–524		–524		–524
Net income				27,321				27,321	984	28,305
Total reported result 30/06/2013	**0**	**0**	**0**	**27,321**	**–823**	**–524**	**1,540**	**27,514**	**1,590**	**29,104**
Dividends 2012				–14,495				–14,495		–14,495
Management equity participation plan (LTI)			–783					–783	–131	–914
Movement in treasury shares[1]		4,586	–1,245					3,341		3,341
Total shareholders' equity 30/06/2013	**59,148**	**–28,907**	**–12,951**	**916,515**	**–5,809**	**–26,077**	**–15,256**	**886,663**	**19,200**	**905,863**

[1] Details on transactions with treasury shares can be found in note 14

Consolidated statement of cash flow

(unaudited)

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013
Cash and cash equivalents at the beginning of the financial year	**2,330,575**	**1,902,397**
Net cash flow from operating activities	687,011	–256,351
Net cash flow from investment activities	–270,551	39,668
Net cash flow from financing activities	–59,557	–23,905
Impact of foreign-currency translation	–325	–1,894
Cash and cash equivalents at the end of the period	**2,687,153**	**1,659,915**
Change in cash and cash equivalents	356,578	–242,482
Cash and cash equivalents are represented by		
Cash	2,037,919	1,050,661
Receivables arising from money-market paper	22,256	0
Due from banks – at-sight balances	626,978	609,254
Total cash and cash equivalents	**2,687,153**	**1,659,915**

Principles underlying financial statement reporting and comments

The unaudited interim reporting was prepared in accordance with International Financial Reporting Standards (IAS 34). The interim financial statements were prepared on the basis of the accounting policies applied to the 2013 financial statements. The corresponding accounting principles are presented in the 2013 annual report on pages 97 ff.

Changes in the reporting entity

Name change during the reporting year

As at the end of April 2014, the name of the parent company "Verwaltungs- und Privat-Bank Aktiengesellschaft" was changed to "VP Bank AG" (VP Bank SA, VP Bank Ltd).

New and amended International Financial Reporting Standards (IFRS)

Since 1 January 2014, the following new and amended standards and interpretations have taken effect:

IFRS 10 – Consolidated financial statements (investment entities).

Under the amended standard, an "investment entity" is defined as an entity that:

- obtains funds from one or more investors for the purpose of providing that/those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

An entity is required to consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. The amendments provide that an investment entity should have the following typical characteristics:

- more than one investment;
- more than one investor;
- investors that are not related to the entity or other members of the group containing the entity;
- ownership interests, typically in the form of equity or similar interests (e.g. partnership interests), to which proportionate shares of the net assets of the investment entity are attributed.

If an entity does not meet one or more of these typical characteristics, it is required to justify and disclose how its activities continue to be consistent with that of an investment entity. Additional guidance and specifics are provided for determining whether an entity is an investment entity.

IAS 32 – Financial instruments

The provisions regarding the offsetting of financial instruments remained fundamentally unchanged as a result of the published amendments. The principal changes were focused more towards the application guidelines for IAS 32 "Financial instruments: Presentation", with clarifications of the terms "currently" and "simultaneous". In addition, new disclosure requirements were introduced as part of IFRS 7 "Financial instruments: Disclosures" for financial instruments that are subject to master netting or similar agreements.

IAS 39 – Financial instruments

IASB published an amendment on the novation of derivatives and continuation of hedge accounting, allowing derivatives designated in hedging relationships to maintain this designation even after they are novated.

IFRIC 21 – Levies

In IFRIC 21, the following guidelines were issued for the recognition of a liability to pay levies.
The liability is recognised progressively if the obligating event occurs over a period of time.

If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The same recognition principles are applied to interim financial reports.

The first-time application of the above-mentioned amended standards and interpretations either had no impact on VP Bank Group or were immaterial.

Management share ownership scheme

Following a 27 March 2014 resolution of Board of Directors, VP Bank Group established a new compensation scheme for its Executive Management, Executive Board and second-level management members. This scheme has four components:

1. A fixed base salary that is contractually agreed between the Nomination & Compensation Committee and the individual members. In addition to the base salary, VP Bank Group pays proportionate contributions to the management insurance scheme and the pension fund.
2. A long-term, variable performance share plan (PSP) with grants in the form of VP Bank Ltd bearer shares. The plan is based on the risk-adjusted profit (operating profit adjusted for one-off items less capital costs), weighted over three years and the long-term commitment of management to receiving a variable compensation component in the form of shares. At the end of the plan's vesting period, 0% to

200% of the allocated shares are transferred depending on performance. This vesting multiple is based on a weighting of the average return on equity (RoE) and average cost income ratio (CIR) over three years. This long-term performance share plan accounts for approximately one-half of the total variable performance-based compensation.

3. A restricted share plan (RSP) that accounts for approximately one-fourth of the total variable performance-based compensation. It is based on the risk-adjusted profit weighted over three years and paid out on a pro rata basis over three years in the form of VP Bank shares.
4. Cash compensation, which is also based on the risk-adjusted profit weighted over three years. This performance-based scheme accounts for approximately one-fourth of the total variable performance-based compensation.

Each year, the Board of Directors sets the planning parameters of the management share ownership scheme for the next three years as well as the amount of the profit-sharing. An independent external advisor who has no other mandates with VP Bank Group was commissioned to structure the compensation scheme. The expenses related to the PSP and RSP during the vesting period are shown in the income statement, and a corresponding amount is allocated to capital reserves. In order to execute the plan, estimates are made and continuously adjusted during the vesting period, such that at the end of the period, the expenses correspond precisely to the vested benefits. The bearer shares required to fund the ownership scheme are supplied either from VP Bank Group treasury shares or purchased on the open market. Previous management ownership schemes (2012 – 2014; 2013 – 2015) remain in effect until their respective expiration dates. Personnel expenses totalling CHF 2.9 million were recognised in connection with all VP Bank Group variable management compensation schemes during the reporting period.

Events subsequent to the balance-sheet date

There have been no events subsequent to the 30 June 2014 balance-sheet date that could have a material impact on the income statement or balance sheet.

At its 21 August 2014 meeting, the Board of Directors addressed and approved the semi-annual report and authorised its publication.

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	
	30/06/2014	30/06/2013	31/12/2013	1st HY 2014	1st HY 2013	2013	actual year	previous year	actual year	previous year
USD/CHF	0.8868	0.9462	0.8894	0.8909	0.9363	0.9268	0%	–6%	–4%	–5%
EUR/CHF	1.2142	1.2299	1.2255	1.2213	1.2296	1.2308	–1%	–1%	–1%	–1%
SGD/CHF	0.7113	0.7460	0.7044	0.7067	0.7531	0.7407	1%	–5%	–5%	–6%
HKD/CHF	0.1144	0.1220	0.1147	0.1149	0.1207	0.1195	0%	–6%	–4%	–5%
GBP/CHF	1.5163	1.4350	1.4730	1.4871	1.4451	1.4493	3%	6%	3%	3%

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

1 Interest income

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Interest and discount income	32	0	32	n.a.
Interest income from banks	6,383	8,056	–1,673	–20.8
Interest income from customers	33,725	33,798	–73	–0.2
Interest income from financial instruments measured at amortised cost	7,385	5,804	1,581	27.2
Interest-rate instruments	–8,355	8,238	–16,593	–201.4
Loan commissions with the character of interest	382	549	–167	–30.4
Total interest income	**39,552**	**56,445**	**–16,893**	**–29.9**
Interest expenses on amounts due to banks	75	981	–906	–92.4
Interest expenses on amounts due to customers	3,893	3,686	207	5.6
Interest expenses on medium-term notes	1,340	1,765	–425	–24.1
Interest expenses on debentures issued	2,734	2,731	3	0.1
Total interest expenses	**8,042**	**9,163**	**–1,121**	**–12.2**
Net interest income	**31,510**	**47,282**	**–15,772**	**–33.4**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

2 Income from commission business and services

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Commission income from credit business	492	424	68	16.0
Asset management and investment business[2]	19,368	19,476	–108	–0.6
Brokerage fees	20,542	20,076	466	2.3
Securities account fees	7,435	7,572	–137	–1.8
Fund management fees	32,066	27,598	4,468	16.2
Fiduciary commissions	277	357	–80	–22.4
Commission income from other services	8,091	6,514	1,577	24.2
Total income from commission business and services	**88,271**	**82,017**	**6,254**	**7.6**
Brokerage expenses	2,953	2,193	760	34.7
Other commission- and service-related expenses	25,265	20,796	4,469	21.5
Total expenses from commission business and services	**28,218**	**22,989**	**5,229**	**22.7**
Net income from commission business and services	**60,053**	**59,028**	**1,025**	**1.7**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.
[2] Income securities processing, asset management commissions, investment advisory, all-in fees, securities lending and borrowing.

3 Income from trading activities

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Securities trading[2]	–2,573	–4,075	1,502	n.a.
Interest income from trading portfolios	0	0	0	n.a.
Dividend income from trading portfolios	0	0	0	n.a.
Foreign currency	13,528	11,673	1,855	15.9
Banknotes, precious metals and other	682	1,393	–711	–51.0
Net income from trading activities	**11,637**	**8,991**	**2,646**	**29.4**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.
[2] The results from derivatives for risk minimisation are included in this item.

4 Income from financial instruments

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Income from financial instruments at fair value	6,778	7,991	–1,213	–15.2
Income from financial instruments measured at amortised cost	94	143	–49	–34.3
Total income from financial instruments	**6,872**	**8,134**	**–1,262**	**–15.5**
Income from financial instruments at fair value				
Income from financial instruments at fair value	3,302	3,538	–236	–6.7
Interest income from financial instruments at fair value	2,197	2,358	–161	–6.8
Dividend income from financial instruments at fair value	365	182	183	100.5
Dividend income from FVTOCI financial instruments	914	1,913	–999	–52.2
thereof from derecognised FVTOCI financial instruments	0	0	0	n.a.
Income from liabilities designated at fair value	0	0	0	n.a.
Total	**6,778**	**7,991**	**–1,213**	**–15.2**
Income from financial instruments measured at amortised cost				
Income from financial instruments	231	–113	344	n.a.
Realised gains on financial instruments	–137	256	–393	–153.5
Total	**94**	**143**	**–49**	**–34.3**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

5 Other income

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Income from real estate	81	74	7	9.5
Gains of associated companies	15	1	14	n.a.
Miscellaneous other income	377	739	–362	–49.0
Total other income	**473**	**814**	**–341**	**–41.9**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

6 Personnel expenses

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Salaries and wages	49,487	46,550	2,937	6.3
Social contributions required by law	4,170	3,873	297	7.7
Contributions to pension plans / defined-benefit plans	5,558	5,526	32	0.6
Contributions to pension plans / defined-contribution plans	461	442	19	4.3
Other personnel expenses	1,974	1,920	54	2.8
Total personnel expenses	**61,650**	**58,311**	**3,339**	**5.7**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

7 General and administrative expenses

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Occupancy expenses	3,912	3,962	–50	–1.3
Insurance	451	444	7	1.6
Professional fees	4,494	2,864	1,630	56.9
Financial information procurement	2,655	2,822	–167	–5.9
Telecommunication and postage	503	543	–40	–7.4
IT systems	6,415	6,460	–45	–0.7
Marketing and public relations	1,646	1,614	32	2.0
Capital taxes	46	55	–9	–16.4
Other general and administrative expenses	2,710	2,900	–190	–6.6
Total general and administrative expenses	**22,832**	**21,664**	**1,168**	**5.4**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

8 Depreciation and amortisation

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	5,353	5,169	184	3.6
Amortisation of intangible assets	9,358	8,198	1,160	14.1
Total depreciation and amortisation	**14,711**	**13,367**	**1,344**	**10.1**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

9 Valuation allowances, provisions and losses

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Credit risks	961	612	349	55.0
Legal and litigation risks	–1,035	64	–1,099	n.a.
Other	419	529	110	–20.8
Total valuation allowances, provisions and losses	**345**	**1,205**	**–860**	**–71.4**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

10 Taxes on income

in CHF 1,000	01/01–30/06/2014	01/01–30/06/2013 adjusted[1]	Variance absolute	Variance in %
Total current taxes	779	1,419	–640	–45.1
Total deferred taxes	–905	1,179	–2,084	–176.8
Total taxes on income	**–126**	**2,598**	**–2,724**	**–104.8**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 17.

11 Earnings per share

	30/06/2014	30/06/2013
Consolidated earnings per share of VP Bank Ltd, Vaduz		
Net income (in CHF 1,000)	11,133	28,305
Weighted average of bearer shares	5,208,917	5,189,696
Weighted average of registered shares	5,974,079	5,961,612
Total weighted average number of bearer shares	5,806,325	5,785,857
Undiluted consolidated earnings per bearer share	1.92	4.89
Undiluted consolidated earnings per registered share	0.19	0.49
Fully diluted consolidated earnings per share of VP Bank Ltd, Vaduz		
Net income (in CHF 1,000)	11,133	28,305
Adjusted consolidated net income (in CHF 1,000)	11,133	28,305
Number of shares used to compute the fully diluted consolidated net income	5,806,325	5,785,857
Fully diluted consolidated earnings per bearer share	1.92	4.89
Fully diluted consolidated earnings per registered share	0.19	0.49

12 Debentures, VP Bank Ltd, Vaduz

in CHF 1,000						30/06/2014	31/12/2013
VP Bank Ltd, Vaduz							
Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	Total	Total
2010	CH0112734469	2.5	CHF	27/05/2016	200,000	199,150	198,936

Debt securities issued are recorded at fair value plus transaction costs upon initial recognition. Fair value corresponds to the consideration received. Subsequently, they are re-measured at amortised cost. The difference between issue price and redemption price of the security is amortised over the duration of the debt security using the effective interest method (2.73 per cent).

13 Share capital

	No. of shares 30/06/2014	Nominal CHF 30/06/2014	No. of shares 31/12/2013	Nominal CHF 31/12/2013
Registered shares of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares of CHF 10.00 nominal value	5,314,347	53,143,470	5,314,347	53,143,470
Total share capital		**59,147,637**		**59,147,637**

All shares are fully paid up.

14 Treasury shares

	No. of shares 30/06/2014	in CHF 1,000 30/06/2014	No. of shares 31/12/2013	in CHF 1,000 31/12/2013
Registered shares at the beginning of the financial year	**30,659**	**367**	**45,084**	**572**
Purchases	0	0	4,325	30
Sales	–2,000	–25	–18,750	–235
Balance of registered shares as of balance-sheet date	**28,659**	**342**	**30,659**	**367**
Bearer shares at the beginning of the financial year	**107,795**	**25,536**	**130,207**	**32,921**
Purchases	64,143	5,830	189,396	15,895
Sales	–77,240	–11,633	–211,808	–23,280
Balance of bearer shares as of balance-sheet date	**94,698**	**19,733**	**107,795**	**25,536**

15 Dividend

	2014	2013
Approved and paid dividend of VP Bank Ltd, Vaduz		
Dividend (in CHF 1,000) for the financial year 2013 (2012)	20,702	14,787
Dividend per bearer share	3.50	2.50
Dividend per registered share	0.35	0.25
Payout ratio (in %)	53.2	29.9

16 Financial instruments

Fair value of financial instruments

The following table shows the fair values of financial instruments based on the valuation methods and assumptions set out below. This table is presented because not all financial instruments are disclosed at their fair values in the consolidated financial statements. Fair value equates to the price that would be realised in an orderly transaction between market participants at the date of measurement upon sale of the asset or would be paid in transferring the liability.

in CHF million	Carrying value 30/06/2014	Fair value 30/06/2014	Variance	Carrying value 31/12/2013	Fair value 31/12/2013	Variance
Assets						
Cash and cash equivalents	2,038	2,038	0	1,377	1,377	0
Receivables arising from money-market paper	22	22	0	23	23	0
Due from banks	3,480	3,480	0	4,502	4,502	0
Due from customers	4,099	4,210	111	3,927	4,001	74
Trading portfolios	0	0	0	3	3	0
Derivative financial instruments	15	15	0	36	36	0
Financial instruments at fair value	381	381	0	346	346	0
Financial instruments measured at amortised cost	990	1,012	22	776	788	12
Subtotal			**133**			**86**
Liabilities						
Due to banks	404	404	0	224	224	0
Due to customers	9,382	9,371	12	9,405	9,402	3
Derivative financial instruments	51	51	0	53	53	0
Medium-term notes	207	211	–4	244	247	–3
Debenture issue	199	209	–10	199	211	–12
Subtotal			**–2**			**–12**
Total variance			**131**			**74**

The following valuation methods are used to determine the fair value of on-balance-sheet financial instruments:

Cash and cash equivalents, money-market paper

For the balance-sheet items "Cash and cash equivalents" and "Receivables arising from money-market paper", which do not have a published market value on a recognised stock exchange or on a representative market, the fair value corresponds to the amount payable at the balance-sheet date.

Due from/to banks and customers, medium-term notes, debenture issues

In determining the fair value of amounts due from/to banks, due from/to customers (including mortgage receivables and amounts due to customers in the form of savings and deposits), as well as of medium-term notes and debenture issues with a fixed maturity or a refinancing profile, the net present value method is applied (discounting of monetary flows with swap rates corresponding to the respective term). For products whose interest or payment flows cannot be determined in advance, replicating portfolios are used.

Trading portfolios, trading portfolios pledged as security, financial instruments at fair value

Fair value corresponds to market value for the majority of these financial instruments. The fair value of non-exchange-listed financial instruments is determined only on the basis of external traders' prices or pricing models which are based on prices and interest rates in an observable, active and liquid market.

Derivative financial instruments

For the majority of the positive and negative replacement values, the fair value equates to the market value. The fair value for derivative instruments without market value is determined using uniform models. These valuation models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

Valuation methods for financial instruments

The fair value of listed securities held for trading purposes or as financial instruments, as well as that of listed derivatives and other financial instruments with a price established in an active market, is determined on the basis of current market value (Level 1). Valuation methods or pricing models are used to determine the fair value of financial instruments if no direct market prices are available. If possible, the underlying assumptions are based on observed market prices or other market indicators as at the balance-sheet date (Level 2). For most of the derivatives traded over the counter, as well as for other financial instruments that are not traded in an active market, fair value is determined by means of valuation methods or pricing models. Among the most frequently applied of those methods and models are cash-value-based forward pricing and swap models, as well as options pricing models such as the Black-Scholes model or derivations thereof. The fair values arrived at on the basis of these methods and models are influenced to a significant degree by the choice of the specific valuation model and the underlying assumptions applied, for example the amounts and time sequence of future cash flows, discount rates, volatilities and/or credit risks. If neither current market prices nor valuation methods/models based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods or pricing models supported by realistic assumptions derived from actual market data are used (Level 3). Level 3 inputs consist mainly in funds for which a mandatory net asset value is not published at least on a quarterly basis. The fair value of these positions is typically measured through independent expert appraisals based on the amount of future distributions of fund shares or corresponds to the purchase cost of the securities less any possible impairment.

Valuation methods for financial instruments

in CHF million at fair value	Quoted market prices Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3	Total
Assets 30/06/2014				
Cash and cash equivalents		2,038		**2,038**
Receivables arising from money-market paper	22			**22**
Due from banks		3,480		**3,480**
Due from customers		4,210		**4,210**
Trading portfolios				**0**
Derivative financial instruments		15		**15**
Financial instruments at fair value	350	28	3	**381**
Financial instruments measured at amortised cost	1,012			**1,012**
Liabilities 30/06/2014				
Due from banks		404		**404**
Due from customers		9,371		**9,371**
Derivative financial instruments		51		**51**
Medium-term notes		211		**211**
Debenture	209			**209**

In the financial year 2014, positions with a fair value of CHF 0.0 million (2013: CHF 0.0 million) were reclassified from Level 1 (quoted market prices) to Level 2 (valuation methods based on market data) and positions with a fair value of CHF 0.0 million (2013: CHF 0.0 million) were reclassified from Level 2 to Level 3 (valuation methods not based on market data). The reclassifications are made as of the end of the reporting period in the case of changes in the availability of market prices (market liquidity).

Valuation methods for financial instruments (continued)

in CHF million at fair value	Quoted market prices Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3	Total
Assets 31/12/2013				
Cash and cash equivalents		1,377		**1,377**
Receivables arising from money-market paper	23			**23**
Due from banks		4,502		**4,502**
Due from customers		4,001		**4,001**
Trading portfolios	3			**3**
Derivative financial instruments		36		**36**
Financial instruments at fair value	312	30	4	**346**
Financial instruments measured at amortised cost	788			**788**
Liabilities 31/12/2013				
Due from banks		224		**224**
Due from customers		9,402		**9,402**
Derivative financial instruments		53		**53**
Medium-term notes		247		**247**
Debenture	211			**211**

Level 3 financial instruments in CHF million	30/06/2014	31/12/2013
Balance sheet		
Holdings at the beginning of the year	4.1	5.8
Investments	0.0	0.0
Disposals	0.0	0.0
Issues	0.0	0.0
Redemptions	–1.8	–1.3
Losses recognised in the income statement	0.0	0.0
Losses recognised as other comprehensive income	0.0	–0.4
Gains recognised in the income statement	0.2	0.0
Gains recognised as other comprehensive income	0.0	0.0
Reclassification to Level 3	0.0	0.0
Reclassification from Level 3	0.0	0.0
Translation differences	0.0	–0.1
Total book value at balance-sheet date	**2.5**	**4.1**
Income on holdings on balance-sheet date		
Unrealised losses recognised in the income statement	0.0	0.0
Unrealised losses recognised as other comprehensive income	0.0	–0.4
Unrealised gains recognised in the income statement	0.2	0.0
Unrealised gains recognised as other comprehensive income	0.0	0.0

No deferred Day 1 profit or loss (difference between the transaction price and the fair value calculated on the transaction day) was reported for Level 3 positions as of 30 June 2014 or 31 December 2013.

Fair value sensitivity of Level 3 financial instruments:

Changes in net asset values of investment funds lead to corresponding changes in the fair value of these financial instruments. A reasonable change in the basic assumptions or estimated value has no material impact on profit and loss or other comprehensive income as well as on VP Bank's shareholder's equity.

17 Discontinued operations

In the summer of 2012, the Board of Directors of VP Bank Group resolved to focus strategically on the middle private-banking segment as well as the business with intermediaries. Market-development activities, the whole distribution and all supporting units were redirected on target clients in defined markets in Europe and Asia. The primary goal is to grow as a group in a profitable manner. Markets, client segments as well as products and services were all subjected to in-depth analysis.

During the process of strategic redirection, the Board of Directors decided to dispose of the Group's own trust and fiduciary companies. The subsidiary company IGT Intergestions Trust reg. in Vaduz was disposed of by VP Bank Group as part of a management buyout; all employees were transferred to the existing company.

VP Bank Group also simplified the structures of its umbrella holding company VP Bank and Trust Company (BVI) Limited in Tortola on the British Virgin Islands, which was a joint venture with the Liechtenstein-based Allgemeines Treuunternehmen (ATU), Vaduz. VP Bank Group acquired the entire capital of VP Bank (BVI) Limited (note 46), and the remaining participations were transferred to ATU.

in CHF 1,000	01/01/–30/06/2014	01/01/–30/06/2013
Interest income	0	0
Interest expense	0	41
Total interest income	**0**	**–41**
Commission income	0	3,961
Commission expense	0	427
Total income from commission business and services	**0**	**3,534**
Trading income	0	0
Income from financial investments	0	–1
Other income	0	165
Total operating income	**0**	**3,657**
Personnel expense	0	1,663
General and administrative expenses	0	733
Operating expenses	**0**	**2,396**
Gross profit	**0**	**1,261**
Depreciation and amortisation	0	1
Valuation allowances, provisions and losses	0	–37
Pre-tax profit from discontinued operations	**0**	**1,297**
Taxes on income	0	96
Group net income from discontinued operations	**0**	**1,201**
Attributable to:		
Shareholders of VP Bank Ltd, Vaduz	0	937
Non-controlling interests	0	264
Gain on disposal of discontinued operations	0	0
Total Group net income from discontinued operations	**0**	**1,201**
Earnings per share in CHF		
Undiluted group net income per bearer share from discontinued operations	0.00	0.21
Undiluted group net income per registered share from discontinued operations	0.00	0.02
Diluted group net income per bearer share from discontinued operations	0.00	0.21
Diluted group net income per registered share from discontinued operations	0.00	0.02

Consolidated off-balance-sheet positions

in CHF 1,000	30/06/2014	31/12/2013
Total contingent liabilities	106,584	86,935
Irrevocable facilities granted	46,542	20,704
Total fiduciary transactions	692,217	674,593
Contract volumes of derivative financial instruments	5,358,374	5,232,001
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	256,342	335,739
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	377,221	360,667
of which securities where the unlimited right to sell on or pledge has been granted	322,055	244,821
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	648,099	719,688
of which securities which have been resold or repledged	57,506	106,593

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

Client assets

in CHF million	30/06/2014	31/12/2013	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	5,842.4	5,242.2	600.2	11.4
Assets in discretionary asset-management accounts	2,894.4	2,975.9	−81.5	−2.7
Other client assets under management	22,664.8	22,366.8	298.0	1.3
Total client assets under management (including amounts counted twice)	**31,401.6**	**30,584.9**	**816.7**	**2.7**
of which: amounts counted twice	1,814.1	1,634.8	179.3	11.0
Custody assets	**8,549.2**	**9,003.5**	**−454.3**	**−5.0**
Total client assets				
Total client assets under management (including amounts counted twice)	31,401.6	30,584.9	816.7	2.7
Custody assets	8,549.2	9,003.5	−454.3	−5.0
Total client assets	**39,950.8**	**39,588.4**	**362.4**	**0.9**

in CHF million	01/01–30/06/2014	01/01–30/06/2013	Variance absolute	Variance in %
Net new money	**235.5**	**−438.7**	**674.2**	**n.a.**

Capital-adequacy computation

in CHF 1,000	30/06/2014	31/12/2013
Core capital (unadjusted)	869,240	877,082
Eligible core capital (tier 1)	847,777	842,319
Eligible core capital (adjusted)	847,667	840,826
Total required equity	328,356	330,202
Ratio eligible (adjusted) / required equity[1]	258.2%	254.6%
Eligible (adjusted) core capital (including "innovative" instruments)	20.7%	20.4%
Eligible equity tier 1[2]	20.7%	20.4%

[1] Eligible equity (as adjusted) as a percentage of required equity (net).
[2] Eligible core capital (tier 1) as a percentage of the risk-weighted positions plus the required equity for market risks, operational risks and for unsettled transaction positions, converted into equivalent units by multiplying by 12.5.

VP Bank Group

VP Bank Ltd is a bank domiciled in Liechtenstein and is subject to the Financial Market Authority Liechtenstein (FMA), Landstrasse 109, PO Box 279, 9490 Vaduz, www.fma-li.li

VP Bank Ltd	Aeulestrasse 6 9490 Vaduz · Liechtenstein T +423 235 66 55 · F +423 235 65 00 info@vpbank.com · www.vpbank.com VAT No. 51.263 · Reg. No. FL-0001.007.080
VP Bank (Switzerland) Ltd	Bahnhofstrasse 3 · PO Box 2993 8022 Zurich 22 · Switzerland T +41 44 226 24 24 · F +41 44 226 25 24 · info.ch@vpbank.com
VP Bank (Luxembourg) SA	26, Avenue de la Liberté L-1930 Luxembourg · Luxembourg T +352 404 770-1 · F +352 481 117 · info.lu@vpbank.com
VP Bank (BVI) Ltd	VP Bank House · 156 Main Street · PO Box 3463 Road Town · Tortola VG1110 · British Virgin Islands T +1 284 494 11 00 · F +1 284 494 11 44 · info.bvi@vpbank.com
VP Bank (Singapore) Ltd.	9 Raffles Place · #49-01 Republic Plaza Singapore 048619 · Singapore T +65 6305 0050 · F +65 6305 0051 · info.sg@vpbank.com
VP Wealth Management (Hong Kong) Ltd.	33/F · Suite 3305 · Two Exchange Square 8 Connaught Place · Central · Hong Kong T +852 3628 99 00 · F +852 3628 99 55 · info.hkwm@vpbank.com
VP Bank Ltd Hong Kong Representative Office	33/F · Suite 3305 · Two Exchange Square 8 Connaught Place · Central · Hong Kong T +852 3628 99 99 · F +852 3628 99 11 · info.hk@vpbank.com
VP Bank (Switzerland) Ltd Moscow Representative Office	World Trade Center · Office building 2 · Entrance 7 · 5th Floor · Office 511 12 Krasnopresnenskaya Embankment · 123610 Moscow · Russian Federation T +7 495 967 00 95 · F +7 495 967 00 98 · info.ru@vpbank.com
VPB Finance S.A.	26, Avenue de la Liberté L-1930 Luxembourg · Luxembourg T +352 404 777 260 · F +352 404 777 283 · vpbfinance@vpbank.com
IFOS Internationale Fonds Service Aktiengesellschaft	Aeulestrasse 6 9490 Vaduz · Liechtenstein T +423 235 67 67 · F +423 235 67 77 · ifos@vpbank.com · www.ifos.li

Shareholder information

Tuesday, 3 March 2015
Media and analyst conference, financial result 2014

Tuesday, 17 March 2015
Publication financial report 2014

Friday, 24 April 2015
Annual general meeting of shareholders 2015

Tuesday, 25 August 2015
Semi-annual results 2015

Core data on shares
Bearer shares listed on SIX Swiss Exchange

Symbol on SIX	VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216