1956
2016

# 60 Years of VP Bank

Semi-annual Report 2016

VP BANK

finds fame with "Hound Dog" • Global population reaches 2.8 billion • • • **1957** • The world enters the age of space exploration with the launch of the first artificial earth-orbiting satell
essful, and Fidel Castro becomes President • Tibetan uprising: China annexes Tibet, and the Dalai Lama flees to India • A referendum in Switzerland on women's suffrage is rejected • • •
akfast at Tiffany's • • • **1962** • The Cuban Missile Crisis between the USA and the USSR is caused by the deployment of Soviet ballistic missiles • Second Vatican Council opens in Rome
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orolla, the world's best-selling car, is launched • "Yellow Submarine" is released by the Beatles • • • **1967** • The age of the colour television begins • The world's first cash machine is put
• **1969** • Apollo 11 lands the first humans on the moon • Payment transactions are revolutionised by the introduction of the chip/debit card • The hippie movement reaches a climax wit
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born at Stanford University • General Pinochet seizes power in a military coup in Chile • • • **1974** • The Watergate scandal sees the resignation of US President Richard Nixon • • • **19**
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f government in Europe • Mother Teresa receives the Nobel Peace Prize • The Sony Walkman is launched • The Islamic Republic is proclaimed by the Ayatollah Khomeini • • • **1980** • T
married • The Columbia space shuttle makes its maiden flight • Premiere of the musical Cats • • • **1982** • Helmut Kohl becomes Chancellor of Germany • Michael Jackson releases Thril
ld Boris Becker wins Wimbledon • A colour version of the game Tetris is launched on the market • The band Queen gives its legendary Live Aid performance • • • **1986** • A catastrophi
rom Afghanistan • The first digital compact photo camera with a floppy disk for 50 photos is launched by Sony • • • **1989** • The Berlin Wall comes down • A massacre takes place on Tia
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t comes into effect • • • **1996** • Dolly, the first cloned sheep, is born • The BSE crisis hits the UK • • • **1997** • Lady Diana and Mother Teresa pass away • Hong Kong returns to China
-Claude Killy (skiing), Pelé (football), Steffi Graf (tennis) and Muhammad Ali (boxing) • • • **2000** • Vladimir Putin becomes President of Russia • None of the computer crashes feared at t
tional Criminal Tribunal in The Hague • Queen Elizabeth The Queen Mother dies at the age of 101 • • • **2003** • The US intervention in Iraq begins • Saddam Hussein is toppled from pow
• • **2006** • A Mozart Year is held to mark the 250th anniversary of the birth of Wolfgang Amadeus Mozart • Silvio Berlusconi is defeated in parliamentary elections and succeeded by R
omes the first black president of the United States • Usain Bolt runs 100 metres in 9.58 seconds – creating a new world record • The electrically driven Segway is approved in Germany • • •
Syria • Osama bin Laden is killed • Amy Winehouse commits suicide • • • **2012** • The global population passes the seven-billion mark • The swimmer Michael Phelps becomes the most
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## Statement



## VP Bank Group



## Financial report of VP Bank Group

# Statement by the Chairman of the Board and Chief Executive Officer

Dear shareholders,
Ladies and gentlemen,

2016 began with considerable equity market volatility, which reflected concerns over future economic growth. The US Federal Reserve postponed further interest rate increases while the European Central Bank implemented extensive monetary stimulus measures, including lowering its benchmark rate to 0 per cent. In June, the UK referendum in favour of Brexit created additional turbulence for financial markets. In this environment VP Bank Group had to prove its mettle during the first half of 2016.

## Solid first-half results

VP Bank Group recorded net consolidated income of CHF 24.4 million for the first half of 2016, as compared with CHF 40.9 million for the first half of 2015. After adjusting for the non-recurring impact arising in 2015 from the merger with Centrum Bank (CHF 25 million), however, net income for the first half year was actually up by CHF 8.5 million, or 53.2 per cent, from that of the previous half year.

Total operating income fell by CHF 42.7 million from CHF 172.5 million to CHF 129.8 million. After eliminating the one-off effect of the prior year's merger with Centrum Bank, however, total operating income increased by CHF 7.3 million.

In the first half of 2016, we reduced operating expenses by CHF 7.3 million, or 7.6 per cent, from CHF 96.8 million to CHF 89.4 million.

VP Bank's net new money improved in the first half of 2016 over that of the comparable prior-year period. Intensive market development efforts, notably in Asia and in the funds' business, enabled us to generate significant inflows of net new money.

## VP Bank's 60-year anniversary

VP Bank celebrated its 60-year anniversary in April 2016. Founded in Liechtenstein in 1956 by Guido Feger, a successful entrepreneur and trustee, the bank has since grown into a global player with seven sites in financial centres.

This anniversary was featured in several events during the spring. The history of VP Bank, complete with illustrations and retrospectives, was the theme of the 2015 annual report published in March 2016. In April we also published the anniversary book "A journey through time – 60 years of VP Bank". The book pays tribute to the many people who contributed to the successful development of our company in so many different ways and at so many levels.

In addition to the anniversary book, interested readers can also view a comprehensive online retrospective at "60years.vpbank.com".

In July, VP Bank employees also had an opportunity to celebrate VP Bank's milestone anniversary at a lively summer party, where they and management could look forward to their common future.

## Key first-half events

We completed the full integration of Centrum Bank within VP Bank at the start of 2016. This successful merger demonstrated that we can generate profitable growth while maintaining our strong capital position.

In the first half, we invested in the quality of our services and products and implemented further efficiency improvements and cost reduction measures. We are particularly pleased to have generated further growth in Asia.

The intermediaries business continues to grow in importance thanks to the expansion of VP Bank Group's international sites and the merger with Centrum Bank. In the light of these circumstances, we decided to restructure the "Intermediaries" business unit and selectively expand the range of services for this key client segment. The new organisation strengthens our market and client-oriented positioning in the highly competitive market.

## Spotlight on the company culture

VP Bank's company culture, which is firmly embedded in the "Strategy 2020" business plan, is highly valued. Meanwhile, the results of the employee survey conducted in late 2015 are in. All business segments were notified of the results in February 2016, both in writing and through personal discussions, and they were encouraged to define concrete measures and implement them during the current year.

Developing management talent will be a key focal point in 2016. The information gleaned from the company-wide feedback led to comprehensive measures in the leadership development area. We are planning various training sessions and workshops for management talent in all segments and at all sites. Strengthening the sales culture is another high priority area along with developing management talent.

Other measures aimed at promoting a performance culture include bolstering the bank's advisory skills. In the first half of 2016, our client advisor teams completed cross-border advisory training programmes and expanded their know-how through certifications.

## Personnel changes

At the VP Bank 53rd annual general meeting, shareholders were asked to renew the terms of existing directors and appoint new ones. Dr Guido Meier – representing the largest shareholder, the "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation – announced that he would not stand for re-election and stepped down from the VP Bank Board of Directors. In his 27-year tenure on the Board, including 15 years as Vice Chairman, Dr Guido Meier always acted to promote the well-being of the bank in accordance with the will of the founder Guido Feger.

Lic. oec. Markus T. Hilti was re-elected to a three-year term on VP Bank's Board of Directors. At the special Board meeting held immediately after the annual general meeting, he was appointed Vice Chairman of the Board. Dr Christian Camenzind, Ursula Lang and Dr Gabriela Maria Payer were elected to the Board for the first time. The Board has thereby strengthened its specific skill set and ensured long-term succession planning in the bank's highest governance body.

Key changes were also made at the management team level. As from 1 January 2016, Martin C. Beinhoff was appointed Chief Operating Officer as well as an Executive Board member for the Group Information Technology, Group Operations, Group Treasury & Execution and Group Credit business segments. Concurrent with that appointment, Chief Financial Officer Siegbert Näscher took on the added position of Chief Risk Officer of VP Bank Group in accordance with the requirements set forth in the Basel III regulations. After Group Finance & Risk was split into two business segments, Dr Marcel Beutler became the Head of Group Risk as from 1 January 2016. Claus Hug was named Head of Group Treasury & Execution as from 1 March 2016. At end-April 2016, Antoine Baronnet stepped down from the Executive Board of VP Bank (Luxembourg) SA. As from 1 May 2016, Stefan Schwitter took up the position as Head of Group Investment, Product & Market Management. In June 2016, Antony Lassanianos was appointed CEO of VP Bank (Switzerland) AG while Stefan Wernli was appointed to the Executive Board of VP Bank (Switzerland) AG.

## Organisational structure

At the beginning of the year, reporting lines for the front office and middle and back office functions of the commercial banking segment were divided up. The credit processing functions are now managed by the Group Credit division of the Chief Operating Officer segment, while the client advisory functions are managed by the client business unit in the Domestic Commercial Banking division.

As part of our efforts to enhance the service offerings of our valuable intermediaries business and provide comprehensive advisory services under one roof, this division was integrated into the Intermediaries business unit during the second quarter. This move further supports our services on behalf of regional credit clients and in particular helps to expand our presence in the Strategic Clients segment. This segment includes medium-sized and large asset managers as well as internationally oriented trust companies, both of which offer substantial growth potential. We intend to enter into strategic partnerships in this segment in order to ensure a highly personalised and customised client relationship model based on our key account management advisory approach.

## VP Bank shares

The trend in corporate governance at the international level now calls for greater transparency as regards ownership relationships among legal persons. In that regard, shareholders voted to approve the resolution proposed by the Board of Directors to convert VP Bank's listed bearer shares with a par value of CHF 10.00 into new registered shares A with an identical par value. The existing unlisted registered shares with a par value of CHF 1.00 will remain unchanged as class B registered shares and continue to be unlisted. The first trading day for the registered shares A was 6 May 2016.

In June 2016, VP Bank AG launched a public share buyback programme involving up to 120,000 listed registered shares A, which may be repurchased for one year on the regular trading line on the SIX Swiss Exchange. The repurchased registered shares A are to be used for future acquisitions or treasury management purposes. By 30 June 2016, a total of 12,132 registered shares A had been repurchased through this buyback programme. A daily overview of all share repurchase transactions is available on our website under "Investors & Media / Shareholder information / Share buyback".

The annual general meeting approved a higher dividend pay-out of CHF 4.00 per registered shares A and CHF 0.40 per registered shares B. The payment date was 6 May 2016.

VP Bank shares trended favourably in the first half of 2016. They began the year at CHF 80.70 and reached a closing price of CHF 89.30 at 30 June 2016. Since 1 January 2016, bank shares in the European Stoxx 600 equity index are down about one third. With a nearly 9 per cent gain, VP Bank shares once again stood out as a solid investment compared with those of other banks in the first six months of the year.

## Digitalisation strategy

Our strategic initiatives include making targeted progress in the areas of client-oriented digitalisation and fully automated processing. Our digitalisation strategy addresses a key future development challenge. The Board of Directors has therefore established the "Strategy & Digitalisation Committee", which supports and advises the Board on strategic topics and projects. It ensures a continuous strategic planning process, oversees its implementation and addresses overarching issues involving the bank's positioning. Digitalisation thus represents a critical area of interest.

To implement the digitalisation programme, a "Digitalisation Project Team" was created with the goal of improving our service quality, competitiveness and new business opportunities. The team is supported by external specialists. We have already initiated numerous projects. In the area of human resources management, for example, we launched the "e-recruiting" (automated job application process) and "employee self service" (electronic management of employees' personal data) projects.

## Sustainability

VP Bank Group is committed to the principle of sustainable action. The focus on sustainable company management and social responsibility is a key factor in VP Bank's successful entrepreneurial activity. This commitment is evident in several areas.

"Volunteering Day" is one such activity. VP Bank enables its employees in Liechtenstein and Switzerland to spend a day doing volunteer work at non-profit social services organisations, training programmes or environmental organisations. In late April, for example, management members and employees spent a day working vigorously outdoors while helping the foresters of the Vaduz Municipal Forestry Service. Other employees volunteered to support projects involving the Special Olympics and "Housing and Care for the Elderly".

Since May of this year, VP Bank has made e-bicycles available at no cost to its employees at the Vaduz and Triesen sites. This measure not only enables employees to stay active but also offers an environmentally friendly alternative to motorised transport.

In January 2016, VP Bank announced that it would adhere to the United Nations Global Compact, a worldwide agreement between companies and the United Nations to make globalisation more socially and environmentally responsible. The UN Global Compact is the world's largest sustainability initiative, with more than 12,000 signatories in 170 countries, including 8,000 companies. By adhering to the Compact, VP Bank is committed to upholding certain social and environmental standards in the future. The 2016 annual report will include an account of compliance with these standards for the first time.

A CSR working group will strengthen the issue of sustainability at VP Bank through internal awareness training, memberships with relevant organisations and enhanced networking.

## Outlook

This year, VP Bank has demonstrated once again that it is well positioned. At end-July 2016, the rating agency Standard & Poor's confirmed VP Bank's excellent "A–" rating and raised its outlook for the bank from "negative" to "stable". This good rating and improved outlook take into account VP Bank's operational gains and prudent risk management as well as the strong capitalisation and successful integration of Centrum Bank. Since mid-2014, VP Bank has had at least an "A–/Stable/A–2" rating.

A study of European banks by the German consulting firm ZEB in early July 2016 focused on the profitability of the 50 leading banks. According to the study, the return on equity for the largest banks in the euro zone was 4.5 per cent in 2015. By comparison, VP Bank's return on equity was higher (7.3 per cent at year-end 2015 and 5.5 per cent at 30 June 2016), again demonstrating the soundness of its business model. With a 25.7 per cent Tier 1 ratio, we also have one of the strongest capitalisations of any bank, which enables us to exploit the ongoing transformation of the financial industry.

Growth will remain a key concern in the years ahead. Accordingly, we will continue to strengthen the quality of our client relationships. We will also take advantage of market opportunities by selectively investing in growth through acquisitions while at the same time promoting organic growth. Our plan calls for recruiting around 25 additional front office employees annually over the next three years, with these new hires spread amongst our various bank sites.

This year, VP Bank is focusing in particular on the continued development of its fund business, strengthening its positioning in the Intermediaries business and developing new digital services in the payments, trading and client relations areas.

As regards the expansion of our international business, we will increase the number of client advisors and advisory teams at our international sites in order to promote organic growth. Our medium-term goal is to raise the earnings contribution from our foreign target markets from the current 28 per cent to 50 per cent.

## Acknowledgements

We have successfully completed an eventful first half in a challenging environment marked by extensive organisational and strategic changes. We would therefore like to give special thanks to our employees for their energetic support and we look forward to a successful second half working together in 2016.

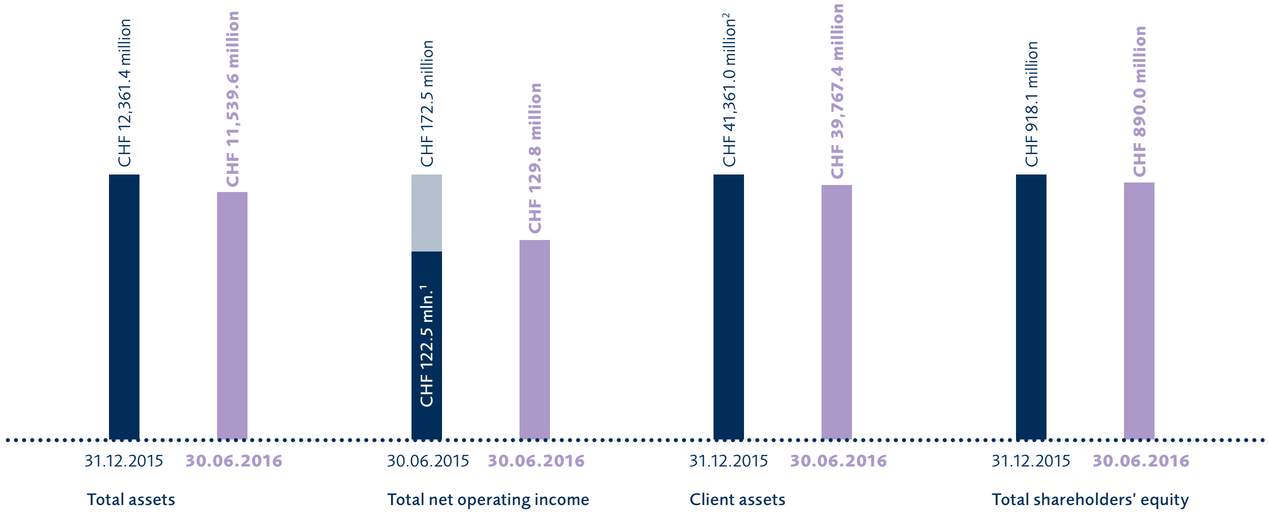
We would also like to thank our clients and shareholders for their trust in VP Bank.

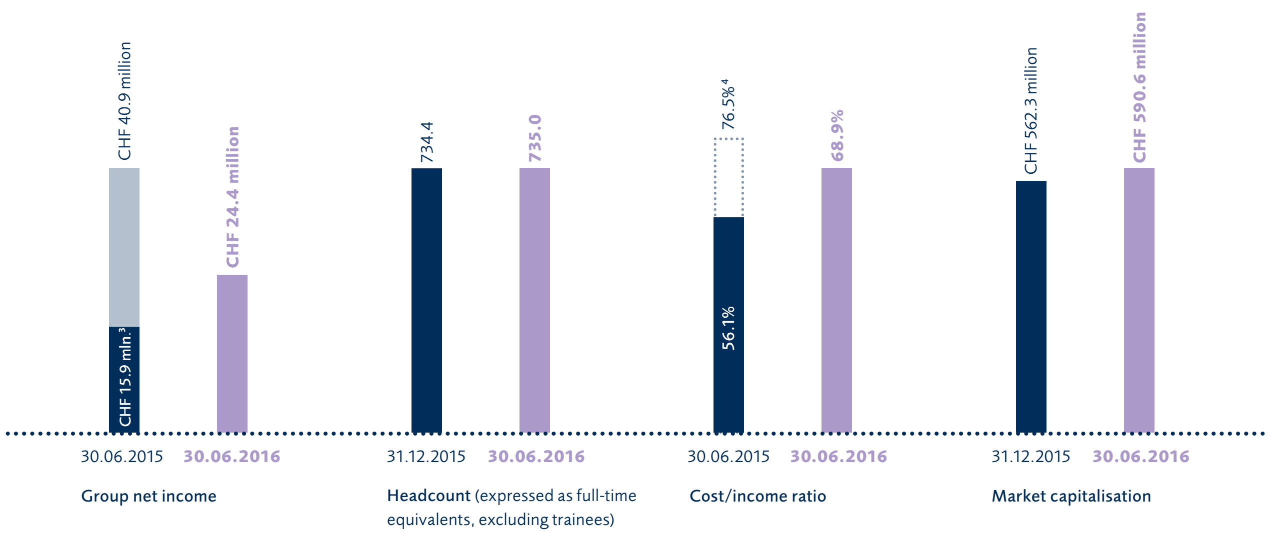
**Fredy Vogt**
Chairman of the Board of Directors

**Alfred W. Moeckli**
Chief Executive Officer

VP Bank Group

# Key figures of VP Bank Group




[1] 2015 total operating income excl. one-time item (CHF 50 m.) from Centrum Bank merger: CHF 122.5 m.
[2] Adjusted (custody assets)
[3] 2015 consolidated net income 2015 excl. one-time item (CHF 25.0 m.) from Centrum Bank merger: CHF 15.9 m.
[4] 2015 cost/income ratio excl. one-time item from Centrum Bank merger: 76.5%
One-time item

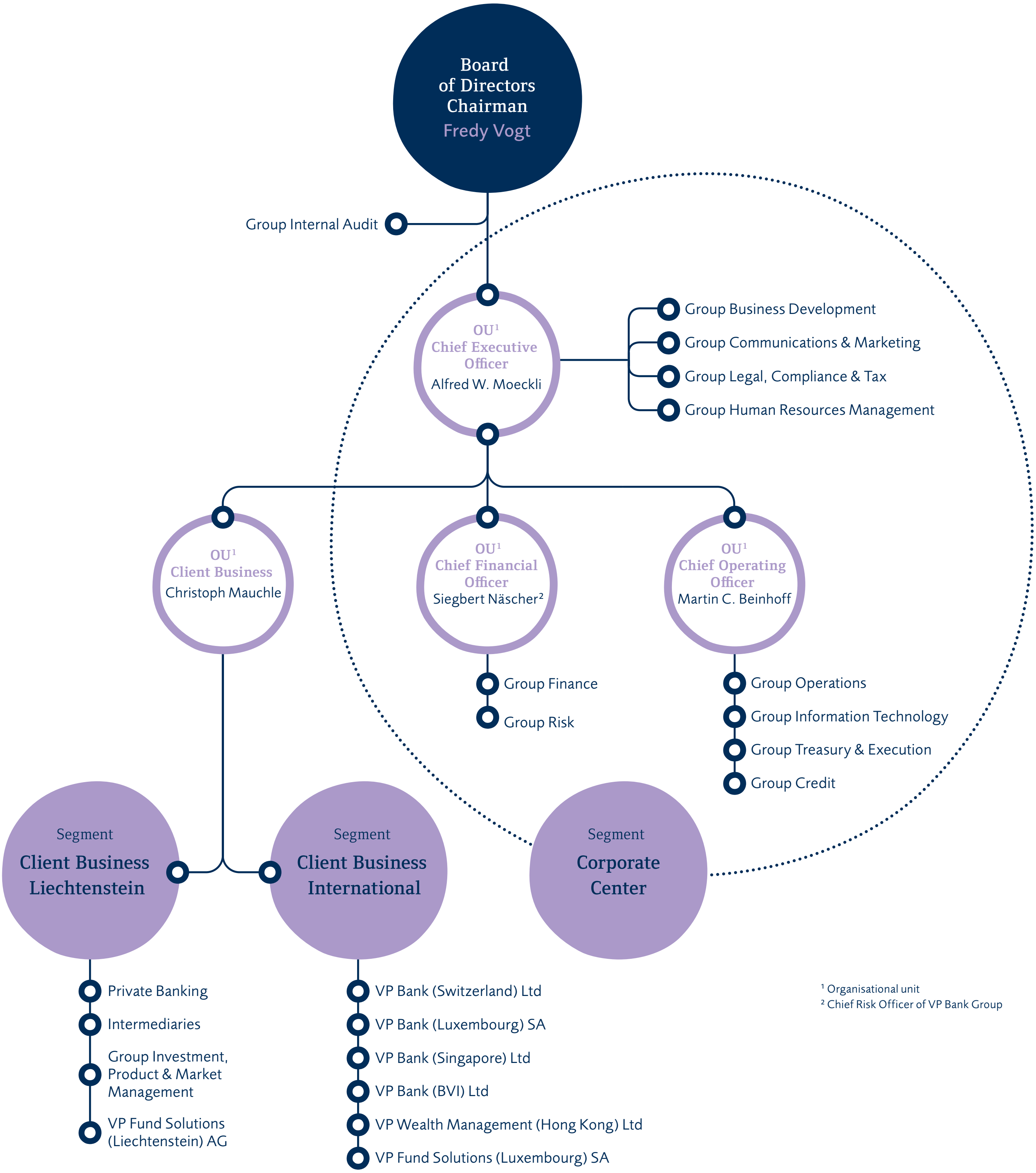
## Key figures of VP Bank Group

| | 30.06.2016 unaudited | 30.06.2015 audited | 31.12.2015 audited | Variance to 30.06.2015 in % |
|---|---|---|---|---|
| **Key income statement data in CHF million[1, 2]** | | | | |
| Total net operating income | 129.8 | 172.5 | 306.6 | –24.7 |
| Total net interest income | 49.5 | 42.4 | 84.5 | 16.8 |
| Total net income from commission business and services | 60.7 | 65.9 | 126.4 | –8.0 |
| Income from trading activities | 17.7 | 19.0 | 46.1 | –7.0 |
| Operating expenses | 89.4 | 96.8 | 182.1 | –7.6 |
| Group net income | 24.4 | 40.9 | 64.1 | –40.4 |

| | 30.06.2016 unaudited | 30.06.2015 audited | 31.12.2015 audited | Variance to 31.12.2015 in % |
|---|---|---|---|---|
| **Key balance-sheet data in CHF million[1, 2]** | | | | |
| Total assets | 11,539.6 | 12,623.1 | 12,361.4 | –6.6 |
| Due from banks | 1,154.2 | 3,598.8 | 2,060.3 | –44.0 |
| Due from customers | 5,080.6 | 4,921.5 | 5,007.0 | 1.5 |
| Due to customers | 9,576.4 | 10,561.9 | 10,546.4 | –9.2 |
| Total shareholders' equity | 890.0 | 922.3 | 918.1 | –3.1 |
| Equity ratio (in %) | 7.7 | 7.3 | 7.4 | 3.8 |
| Tier 1 ratio (in %) | 25.7 | 21.9 | 24.4 | 5.2 |
| Leverage ratio in accordance with Basel III (in %) | 7.4 | n.a. | 7.0 | 5.7 |
| **Client assets in CHF billion[2, 8]** | **39,767.4** | **40,698.0** | **41,361.0** | **–3.9** |
| On-balance-sheet customer deposits (excluding custody assets) | 9,380.3 | 10,220.4 | 10,062.1 | –6.8 |
| Fiduciary deposits (excluding custody assets) | 555.8 | 535.7 | 512.7 | 8.4 |
| Client securities accounts | 24,104.0 | 23,826.3 | 24,193.8 | –0.4 |
| Custody assets[8] | 5,727.3 | 6,115.7 | 6,592.3 | –13.1 |
| Net new money | –218.5 | 6,154.8 | 6,045.5 | n.a. |
| **Key operating indicators[2]** | | | | |
| Return on equity (in %)[1, 3] | 5.5 | 9.2 | 7.3 | |
| Cost/income ratio (in %)[4] | 68.9 | 56.1 | 59.4 | |
| Headcount (expressed as full-time equivalents, excluding student apprentices)[5] | 735.0 | 746.0 | 734.4 | |
| Total net operating income per employee (in CHF 1,000) | 176.6 | 231.3 | 417.4 | |
| Total operating expenses per employee (in CHF 1,000) | 121.7 | 129.7 | 248.0 | |
| Group net income per employee (in CHF 1,000) | 33.2 | 54.9 | 87.2 | |
| **Key indicators related to shares of VP Bank in CHF[1, 9]** | | | | |
| Group net income per registered share A[6] | 4.04 | 6.37 | 10.17 | |
| Group net income per registered share B[6] | 0.40 | 0.64 | 1.02 | |
| Shareholders' equity per registered share A on the balance-sheet date | 147.48 | 139.47 | 154.01 | |
| Shareholders' equity per registered share B on the balance-sheet date | 13.74 | 13.95 | 14.18 | |
| Quoted price per registered share A | 89.30 | 81.75 | 82.00 | |
| Quoted price per registered share B | 8.90 | 8.18 | 8.20 | |
| Market capitalisation (in CHF million)[7] | 591 | 541 | 542 | |
| Price/earnings ratio per registered share A | 11.04 | 6.09 | 8.06 | |
| Price/earnings ratio per registered share B | 11.00 | 6.09 | 8.06 | |
| **Rating Standard & Poor's** | **A–/Stable/A–2** | **A–/Negative/A–2** | **A–/Negative/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 the shareholders of VP Bank Ltd, Vaduz.
2 Details in the notes to the consolidated income statement and consolidated balance sheet.
3 Net income / average shareholders' equity less dividend.
4 Total operating expenses / total net operating income.
5 In accordance with legal requirements, apprentices are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
6 Based on the weighted average number of shares (registered share A) (note 11).
7 Including registered shares B.
8 Adjusted (custody assets, see also note client assets).
9 Conversion of bearer shares into registered shares A (note 13).

# Structure of VP Bank Group




[1] Organisational unit
[2] Chief Risk Officer of VP Bank Group

Organisational chart as of 30.06.2016

# Financial report of VP Bank Group

# Consolidated semi-annual report of VP Bank Group

## Consolidated results

In a challenging stock-market and interest-rate environment, VP Bank Group generated good business results for the first semester of 2016. In accordance with International Financial Reporting Standards (IFRS), VP Bank Group realised a consolidated net income of CHF 24.4 million for the first half of 2016. In the comparative prior-year period, a net income of CHF 40.9 million was realised due to a positive one-time item arising from the Centrum Bank merger. Excluding the effect of this one-time item (CHF 25 million), the 2016 half-year net income exceeds that of the prior period by CHF 8.5 million or 53.2 per cent.

## Medium-term goals 2020

The Board of Directors of VP Bank Group has defined the following target values for 2020:

- assets under management of CHF 50 billion
- annual consolidated net income of CHF 80 million
- cost/income ratio under 70 per cent

Following the successful acquisition of the private banking activities of HSBC Trinkaus & Burkhardt (International) SA and that part of the investment-fund business of HSBC Trinkaus Investment Managers SA relating to private banking in Luxembourg in 2013 as well as the merger with Centrum Bank in the prior year, VP Bank Group markedly increased its client assets under management and strengthened its earnings performance. VP Bank plans further acquisitions of banks or whole teams in its target markets, which, in line with its business model, ideally complement VP Bank Group with comparable core competencies, target markets and client structures. In order to promote organic growth, it is planned to hire an additional 25 senior client relationship officers per annum during the next three years as part of a recruitment offensive. In addition, VP Bank is working at high pressure on developing new innovative services as part of a digitalisation strategy and makes targeted investments in digital tools.

. The cost/income ratio as of 30 June 2016 was 68.9 per cent. Through the selective exploitation of its growth and synergy potential as well as a strict cost control, VP Bank Group is convinced that it will attain the defined targets in 2020. The solid level of equity of VP Bank Group supports the achievement of its targets.

As of 30 June 2016, VP Bank Group had a tier 1 ratio of 25.7 per cent and therefore has sufficient capital available for an acquisition. On 25 July 2016, Standard & Poor's confirmed the exellent rating of A– and raised the outlook from "negative" to "stable". The strong equity base as well as the solid and successful business model of VP Bank forms an excellent basis to enable it to assume an active role in the process of bank consolidation.

## Assets under management

At 30 June 2016, client assets under management of VP Bank Group aggregated CHF 34.0 billion. In comparison to the position as of 31 December 2015 of CHF 34.8 billion, this represents a reduction of 2.1 per cent (CHF –0.7 billion). CHF 0.5 billion of this amount relates to the performance-related decline in assets.

In the first half-year of 2016, the development of net new money could be improved compared to prior-year period. In the prior year, net outflows (excluding acquisitions) added up to CHF 0.5 billion, in the first half-year of 2016 the net outflow of client assets fell to CHF 0.2 billion. As a result of market development activities, appreciable inflows of client money could be achieved, primarily in Asia and in the area of investment funds. In Europe, against the backdrop of the regulatory environment, outflows of client money continued unabated. In addition, VP Bank Group actively managed on-balance-sheet client monies which led to a decline in customer deposits. This decline in part adversely impacted inflows of net new money.

Custody assets as at 30 June 2016 totalled CHF 5.7 billion. As of 30 June 2016, client assets including custody assets aggregated CHF 39.8 billion (31 December 2015: CHF 41.4 billion).

## Profit and loss account

### Total operating income

Compared to the first half-year results of 2015, total operating income fell by CHF 42.7 million to CHF 129.8 million (prior-year period: CHF 172.5 million). Ignoring the one-time prior-year item (bargain purchase from the merger with Centrum Bank), total operating income increased in the reporting period by CHF 7.3 million.

Interest income rose by CHF 7.1 million or 16.8 per cent to CHF 49.5 million in comparison to the prior-year period. This increase is to be ascribed to the active management of the balance sheet, adjustments to margins and volume increases. Foreign-currency-denominated client deposits in part were no longer invested in the inter-bank market based upon risk/return considerations. VP Bank swapped these monies into Swiss francs using foreign-currency swaps and deposited them with the Swiss National Bank (SNB).

The income from the interest component of the foreign-currency swap and the offsetting of negative interest exceeded the expense of SNB negative interest and lower bank interest income. The application of IFRS hedge accounting also positively impacted interest income in comparison to the prior-year period. The increase in interest income on client-related activities is due to margin adjustments and volume increases. Interest income from financial instruments also increased because of higher volumes.

As regards income from commissions and services, a fall of 8.0 per cent to CHF 60.7 million (prior-year period: CHF 65.9 million) was recorded in the first half-year of 2016. The volatile market environment in the first six months of 2016 reduced the risk appetite of clients which in turn led to lower levels of client activities in securities' trading. This is particularly evident with brokerage income of CHF 14.7 million, net (minus 14.5 per cent). The retreat in prices on equity markets occurring in the first half-year of 2016 led to a reduction in portfolio-based income such as in asset management and investment activities as well as custodian fee income of VP Bank Group by 10.5 per cent from CHF 33.5 million in the prior year to CHF 30.0 million in the current period. Investment-fund management fees developed positively. These grew by 7.0 per cent to CHF 29.5 million (prior year: CHF 27.6 million). In line with this trend, other commission and service expense rose by CHF 1.4 million to CHF 23.2 million.

Income from trading activities of CHF 17.7 million was CHF 1.3 million lower (minus 7.0 per cent) than that of the comparative half-year period of 2015. Income from trading for clients rose by 5.5 per cent to CHF 21.0 million. Realised and unrealised revaluation differences from hedging operations in respect of financial investments are recorded under securities' trading. Because of the negative market environment, the results were hit by a negative result of minus CHF 3.4 million (prior year: minus 0.9 million).

A gain of CHF 1.2 million was recognised on financial investments in the first half-year of 2016 (prior-year period: minus CHF 5.7 million). This positive development compared with the prior-year period resulted primarily from revaluation losses on foreign-currency positions triggered by the decision of the SNB on 15 January 2015 to discontinue the policy of maintaining a minimum exchange rate of the euro to the Swiss Franc. The decline in other income is due to the one-time item in the prior period in connection with the Centrum Bank merger. In this connection, a gain ("bargain purchase") of CHF 50.0 million was recognised resulting from the "purchase price allocation".

## Operating expenses

In the first half of 2016, operating expenses could be reduced by CHF 7.3 million from CHF 96.8 million to CHF 89.4 million (minus 7.6 per cent).

This reduction reflects very much the expectations surrounding the Centrum Bank merger and the related one-off costs in the prior year. The integration of Centrum Bank was consummated successfully and realised synergies are already visible in lower operating expenses.

Compared to 30 June 2015, the employee headcount was reduced by 11 employees (reduction of 1.5 per cent) due to the elimination of duplications realised in the wake of the Centrum Bank merger. At the end of June 2016, VP Bank Group employed 735 individuals, expressed in terms of full-time equivalents. Personnel expenses could be reduced by 3.3 per cent (minus CHF 2.2 million) from CHF 67.2 million to CHF 65.0 million thanks to cost discipline.

General and administrative expenses fell by 17.3 per cent to CHF 24.4 million (prior-year period: CHF 29.5 million) which is also a result of the Centrum Bank merger and the running of parallel operations in the prior year for a limited time. Synergies were successively exploited with the integration into the existing infrastructure and process landscape and accompanying costs reduced in 2016. In particular, external advisory costs in the income-statement caption "professional fees" could be reduced by CHF 2.8 million or 44.6 per cent to CHF 3.5 million during 2016.

## Depreciation and amortisation, valuation allowances, provisions and losses

Depreciation and amortisation was CHF 7.7 million (40.6 per cent) lower than the prior year and amounted to CHF 11.3 million as of 30 June 2016. This decline is related principally to the one-time amortisation of intangible assets in the prior year arising in connection with the Centrum Ban k merger. In addition, no amortisation for the initial investment costs of the Avaloq banking platform is charged any longer as from 2016 onwards as they are fully amortised.

Charges for "valuation allowances, provisions and losses" in the first half-year of 2016 totalled CHF 0.7 million (prior-year period: CHF 17.4 million). This decrease of CHF 16.7 million is to be explained by two one-time items in the prior year. Firstly, a valuation allowance was established in the prior year on one client loan, and secondly, restructuring provisions of CHF 12.3 million were raised in connection with the Centrum Bank merger.

### Taxes on income

Taxes on income in the first half-year of 2016 totalled CHF 3.9 million and were thus CHF 5.6 million higher than in the prior-year period in which a minus expense of CHF 1.7 million had been recorded. This latter arises in connection with movements in deferred taxes as well as tax-exempt gains arising from the Centrum Bank merger.

### Consolidated net income

Consolidated net income for the first six months of 2016 amounted to CHF 24.4 million (prior-year period: CHF 40.9 million, excluding one-time items: CHF 15.9 million). Consolidated net income per registered share A was CHF 4.04 (30 June 2015: CHF 6.37).

### Balance sheet

Compared to 31 December 2015, total assets fell by CHF 0.8 billion to CHF 11.5 billion as of 30 June 2016. This reduction in total assets is the result of the active management of client deposits under "other liabilities due to customers".

With CHF 3.0 billion of cash and cash equivalents, VP Bank Group possesses a very comfortable liquidity situation. As indicated under interest income and as a result of the active management of risks and returns, increased amounts of client monies were deposited with the SNB in order to optimise interest-bearing activities with the consequence that amounts due from banks and thus their counterparty risks could be reduced from CHF 2.1 billion to CHF 1.2 billion since 1 January 2016.

Since the beginning of the year, client loans have increased marginally by CHF 73.6 million (1.5 per cent) to CHF 5.1 billion as at 30 June 2016. This increase results primarily from lombard loans. In this respect, VP Bank continues to maintain a high level of discipline and control in credit-granting activities which is in line with the current situation on the real estate market and on financial markets.

On the liabilities' side, client deposits and medium-term notes fell since the beginning of 2016 by CHF 1.0 billion (9.6 per cent) to CHF 9.0 billion at 30 June 2016. As a result of the repayment of a maturing debenture bond, the balance-sheet caption "Bonds" declined since 31 December 2015 by CHF 149.2 million to CHF 200.8 million as of 30 June 2016.

Within the scope of the authorisation granted at the shareholders' meeting of 24 April 2015, VP Bank Ltd has launched a further equity-share buyback programme, thus continuing the two successful programmes from 2015. Repurchases of registered shares A will be made during the period from 7 June 2016 through 31 May 2017, at the latest, and will take place over the regular trading line of the SIX Swiss Exchange. Within the framework of the public equity-share buyback programme, VP Bank Ltd is ready to repurchase up to 120,000 registered shares A. This matter was recognised by establishing a corresponding liability in the full amount which is deducted from equity. The registered shares A so repurchased are designed to be used for future acquisitions or for treasury-management purposes.

As of the end of June 2016, the balance-sheet equity totalled CHF 890 million (31 December 2015: CHF 918.1 million).

The tier 1 ratio, computed in accordance with the new Basel III rules, amounted to 25.7 per cent at 30 June 2016 which, compared to other banks, may be described as outstanding (31 December 2015: 24.4 per cent). This represents a solid equity base and constitutes an excellent strategic starting point in order to be able to assume an active future role in the process of bank consolidation.

### Outlook

We anticipate a continuing volatile market environment in the second half of the year which may impact the business operations and results of VP Bank Group. Developments in the field of tax transparency and exchange of information will continue to forge ahead and will directly impact clients and the business areas of VP Bank Group as well as the Liechtenstein financial marketplace. With digitalisation, the financial sector is confronted with great challenges but also with promising opportunities. VP Bank is well equipped to take on these challenges, has launched projects in reaction thereto and continues to pursue its sustainable growth strategy. VP Bank Group's high level of equity resources constitutes a healthy basis for a successful future.

# Consolidated income statement

| in CHF 1,000 | Note | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|---|
| Interest income | | 61,315 | 48,851 | 12,464 | 25.5 |
| Interest expense | | 11,815 | 6,469 | 5,346 | 82.6 |
| **Total net interest income** | 1 | 49,499 | **42,382** | **7,117** | **16.8** |
| Commission income | | 84,792 | 88,735 | –3,943 | –4.4 |
| Commission expenses | | 24,104 | 22,797 | 1,307 | 5.7 |
| **Total net income from commission business and services** | 2 | 60,688 | **65,938** | **–5,250** | **–8.0** |
| Income from trading activities | 3 | 17,661 | 18,999 | –1,338 | –7.0 |
| Income from financial instruments | 4 | 1,246 | –5,705 | 6,951 | n.a. |
| Other income | 5 | 731 | 50,902 | –50,171 | –98.6 |
| **Total net operating income** | | 129,826 | **172,516** | **–42,690** | **–24.7** |
| Personnel expenses | 6 | 65,001 | 67,231 | –2,230 | –3.3 |
| General and administrative expenses | 7 | 24,433 | 29,548 | –5,115 | –17.3 |
| Operating expenses | | 89,434 | 96,779 | –7,345 | –7.6 |
| **Gross income** | | 40,391 | **75,737** | **–35,346** | **–46.7** |
| Depreciation and amortisation | 8 | 11,315 | 19,060 | –7,745 | –40.6 |
| Valuation allowances, provisions and losses | 9 | 740 | 17,404 | –16,664 | –95.7 |
| **Earnings before income tax** | | 28,336 | **39,273** | **–10,937** | **–27.8** |
| Taxes on income | 10 | 3,920 | –1,667 | 5,587 | n.a. |
| **Group net income** | | 24,416 | **40,940** | **–16,524** | **–40.4** |
| **Share information**[1] | | | | | |
| Undiluted group net income per registered share A | | 4.04 | 6.37 | | |
| Undiluted group net income per registered share B | | 0.40 | 0.64 | | |
| Diluted group net income per registered share A | | 4.04 | 6.37 | | |
| Diluted group net income per registered share B | | 0.40 | 0.64 | | |

[1] Conversion of bearer shares into registered shares A (note 13).

# Consolidated statement of comprehensive income

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2016 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Group net income | 24,416 | 40,940 | –16,524 | –40.4 |
| **Other comprehensive income, net of tax** | | | | |
| Other comprehensive income which will be transferred to the income statement upon realisation | | | | |
| • Changes in foreign-currency translation differences | –2,405 | –4,814 | 2,409 | n.a. |
| • 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** | **–2,405** | **–4,814** | **2,409** | **n.a.** |
| Other comprehensive income which will not be transferred subsequent to the income statement | | | | |
| • Changes in value of FVTOCI financial instruments | –1,874 | –1,046 | –828 | n.a. |
| • Actuarial gains/losses from defined-benefit pension plans | –19,489 | 39 | –19,528 | n.a. |
| **Total other comprehensive income which will not be transferred subsequent to the income statement** | **–21,363** | **–1,007** | **–20,356** | **n.a.** |
| **Total comprehensive income in shareholders' equity** | **–23,768** | **–5,821** | **–17,947** | **n.a.** |
| **Total comprehensive income in income statement and shareholders' equity** | **648** | **35,119** | **–34,471** | **–98.2** |
| Attributable to shareholders of VP Bank Ltd, Vaduz | 648 | 35,119 | –34,471 | –98.2 |

# Consolidated balance sheet

## Assets

| in CHF 1,000 | Note | 30.06.2016 unaudited | 31.12.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|---|
| Cash and cash equivalents | | 3,017,491 | 2,955,527 | 61,964 | 2.1 |
| Receivables arising from money market papers | | 12,071 | 14,652 | –2,581 | –17.6 |
| Due from banks | | 1,154,206 | 2,060,270 | –906,064 | –44.0 |
| Due from customers | | 5,080,587 | 5,007,009 | 73,578 | 1.5 |
| Trading portfolios | | 251 | 154 | 97 | 62.8 |
| Derivative financial instruments | | 33,801 | 36,883 | –3,082 | –8.4 |
| Financial instruments at fair value | 16 | 316,508 | 396,877 | –80,369 | –20.3 |
| Financial instruments measured at amortised cost | 16 | 1,719,014 | 1,665,607 | 53,407 | 3.2 |
| Associated companies | | 74 | 56 | 18 | 31.9 |
| Property and equipment | | 85,522 | 89,611 | –4,089 | –4.6 |
| Goodwill and other intangible assets | | 54,374 | 57,968 | –3,594 | –6.2 |
| Tax receivables | | 1,774 | 1,760 | 14 | 0.8 |
| Deferred tax assets | | 21,704 | 23,878 | –2,174 | –9.1 |
| Accrued receivables and prepaid expenses | | 22,182 | 25,081 | –2,899 | –11.6 |
| Assets held for sale | | 0 | 15,000 | –15,000 | –100.0 |
| Other assets | | 20,071 | 11,083 | 8,988 | 81.1 |
| **Total assets** | | **11,539,630** | **12,361,416** | **–821,786** | **–6.6** |

## Liabilities and shareholders' equity

| in CHF 1,000 | Note | 30.06.2016 unaudited | 31.12.2015 audited | variance absolute | Variance in % |
|---|---|---|---|---|---|
| Due to banks | | 387,756 | 100,156 | 287,600 | 287.2 |
| Due to customers – savings and deposits | | 745,364 | 757,294 | –11,930 | –1.6 |
| Due to customers – other liabilities | | 8,831,073 | 9,789,069 | –957,996 | –9.8 |
| Derivative financial instruments | | 67,412 | 53,235 | 14,177 | 26.6 |
| Medium-term notes | | 214,514 | 215,486 | –972 | –0.5 |
| Debentures issued | 12 | 200,781 | 349,961 | –149,180 | –42.6 |
| Tax liabilities | | 5,023 | 2,641 | 2,382 | 90.2 |
| Deferred tax liabilities | | 10,120 | 14,153 | –4,033 | –28.5 |
| Accrued liabilities and deferred items | | 17,869 | 30,059 | –12,190 | –40.6 |
| Other liabilities | | 160,169 | 116,845 | 43,324 | 37.1 |
| Provisions | | 9,554 | 14,393 | –4,839 | –33.6 |
| **Total liabilities** | | **10,649,634** | **11,443,292** | **–793,658** | **–6.9** |
| Share capital | 13 | 66,154 | 66,154 | 0 | 0.0 |
| Less: treasury shares | 14 | –51,620 | –50,499 | –1,121 | –2.2 |
| Capital reserves | | 19,498 | 22,857 | –3,359 | –14.7 |
| Income reserves | | 888,471 | 907,841 | –19,370 | –2.1 |
| Unrealised gains/losses on FVTOCI financial instruments | | –12,693 | –10,819 | –1,874 | –17.3 |
| Foreign-currency translation differences | | –19,815 | –17,410 | –2,405 | –13.8 |
| **Total shareholders' equity** | | **889,996** | **918,124** | **–28,128** | **–3.1** |
| **Total liabilities and shareholders' equity** | | **11,539,630** | **12,361,416** | **–821,786** | **–6.6** |

# Consolidated changes in shareholders' equity

| in CHF 1,000<br><br>(unaudited) | Share capital | Treasury shares | Capital reserves | Income reserves | Unrealised FVTOCI gains/losses | Actuarial gains/losses from defined-benefit pension plans | Foreign-currency translation differences | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|
| **Total shareholders' equity 01.01.2016** | **66,154** | **–50,499** | **22,857** | **977,101** | **–10,819** | **–69,260** | **–17,410** | **918,124** |
| **Other comprehensive income, after income tax** | | | | | | | | |
| Foreign-currency translation differences | | | | | | 0 | –2,405 | –2,405 |
| Changes in value transferred to profit reserves | | | | | | | | 0 |
| Changes in value of FVTOCI financial instruments | | | | | –1,874 | | | –1,874 |
| Actuarial gains/losses from defined-benefit pension plans | | | | | | –19,489 | | –19,489 |
| Group net income | | | | 24,416 | | | | 24,416 |
| **Total reported result 30.06.2016** | **0** | **0** | **0** | **24,416** | **–1,874** | **–19,489** | **–2,405** | **648** |
| Dividends 2015 | | | | –24,297 | | | | –24,297 |
| Management equity participation plan (LTI) | | | –2,619 | | | | | –2,619 |
| Public tender own shares | | –6,567 | | | | | | –6,567 |
| Movement in treasury shares[1] | | 5,446 | –740 | | | | | 4,706 |
| **Total shareholders' equity 30.06.2016** | **66,154** | **–51,620** | **19,498** | **977,220** | **–12,693** | **–88,749** | **–19,815** | **889,995** |

| (audited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total shareholders' equity 01.01.2015** | **59,148** | **–21,017** | **–17,173** | **932,856** | **–9,793** | **–57,616** | **–17,948** | **868,457** |
| **Other comprehensive income, after income tax** | | | | | | | | |
| Foreign-currency translation differences | | | | | | | –4,814 | –4,814 |
| Changes in value transferred to profit reserves | | | | | | | | 0 |
| Changes in value of FVTOCI financial instruments | | | | | –1,046 | | | –1,046 |
| Actuarial gains/losses from defined-benefit pension plans | | | | | | 39 | | 39 |
| Group net income | | | | 40,940 | | | | 40,940 |
| **Total reported result 30.06.2015** | **0** | **0** | **0** | **40,940** | **–1,046** | **39** | **–4,814** | **35,119** |
| Dividends 2014 | | | | –19,811 | | | | –19,811 |
| Management equity participation plan (LTI) | | | –3,180 | | | | | –3,180 |
| Acquisition-related changes[2] | 7,006 | 13,990 | 43,923 | | | | | 64,919 |
| Public tender own shares | | –27,823 | | | | | | –27,823 |
| Movement in treasury shares[1] | | 6,827 | –2,232 | | | | | 4,595 |
| **Total shareholders' equity 30.06.2015** | **66,154** | **–28,023** | **21,338** | **953,985** | **–10,839** | **–57,577** | **–22,762** | **922,276** |

1 Details on transactions with treasury shares can be found in note 14 and 17.
2 Details on transactions can be found in note 17.

# Consolidated statement of cash flow

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited |
|---|---|---|
| Cash flow from operating activities | | |
| Group net income | 24,416 | 40,940 |
| Non-cash-related positions in Group results | 33,043 | 18,800 |
| Net increase/reduction in banking activities | 464,587 | –340,997 |
| Other cash flow from operating activities | 10,741 | –24,226 |
| **Net cash flow from operating activities** | 532,787 | **–305,483** |
| Cash flow from investment activities | | |
| Cash flow financial instruments | –5,604 | –296,152 |
| Acquisition of subsidiaries less cash and cash equivalents acquired | 0 | 348,387 |
| Assets held for sale | 15,000 | 0 |
| Other investment activities | –3,608 | –4,231 |
| **Net cash flow from investment activities** | 5,788 | **48,004** |
| Cash flow from financing activities | | |
| Dividend distributions | –24,297 | –19,811 |
| Issuance/redemption of debentures and medium-term notes | –150,252 | 202,119 |
| Other financing activities | –605 | 3,846 |
| **Net cash flow from financing activities** | –175,154 | **186,154** |
| Foreign-currency translation impact | –2,935 | –1,345 |
| **Net increase/reduction in cash and cash equivalents** | 360,486 | **–72,670** |
| Cash and cash equivalents at the beginning of the financial year | 3,415,841 | 2,614,467 |
| Cash and cash equivalents at the end of the financial year | 3,776,327 | 2,541,797 |
| **Net increase/reduction in cash and cash equivalents** | 360,486 | **–72,670** |
| Cash and cash equivalents are represented by | | |
| Cash | 3,017,491 | 1,926,668 |
| Receivables arising from money market paper | 12,071 | 19,956 |
| Due from banks – at-sight balances | 746,765 | 595,173 |
| **Total cash and cash equivalents** | 3,776,327 | **2,541,797** |

# Principles underlying financial statement reporting and comments

The interim financial reporting was prepared in accordance with International Financial Reporting Standards (IAS 34). The half-year financial statements were prepared using the accounting polices applied to the 2015 financial statements, with the exception of forward elements of certain currency forward contracts, which are now shown under net interest income (previously income from trading activities). Also, given the growing importance of negative interest rates, they are now presented separately under interest income as "interest income from financial liabilities" and under interest expense as "interest expense on financial assets". The comparison data from previous reporting periods was adjusted accordingly. Following the reclassification of the above-mentioned currency forward contracts, net interest income increased by CHF 0.8 million during the previous 2015 period, while income from trading operations decreased commensurately during the same period. The corresponding accounting principles may be found in the 2015 annual report on pages 98 et seq.

This 2016 half-year financial report was not audited. The 2015 half-year financial report was audited by Ernst & Young AG, with the audited information and tables in the report marked as "audited".

## New and revised International Financial Reporting Standards

Since 1 January 2016, the following new and revised standards and interpretations have been in effect:

### Improvements to IFRS 2012–2014 cycles

In September 2014, the IASB published several changes to existing IFRS through its Annual Improvements cycle. These amendments include changes to various IFRS affecting both estimates, valuations and recognition of business transactions as well as terminology and drafting corrections. The changes have no material impact on the consolidated financial statements.

### IFRS 11 – Joint Arrangements (Amendments to IFRS 11)

Accounting for acquisitions of interests in joint operations (Amendment to IFRS 11) modifies IFRS 11 such that the acquirer of interests in a joint operation that constitutes a business as defined by IFRS 3 are to apply the relevant principles on business combination accounting in IFRS 3 and other IFRS as long as they do not conflict with the guiding principles of IFRS 11. The amendments have no material impact on the consolidated financial statements.

### IAS 1

In December 2014, as part of an initiative to improve financial statements presentation and disclosures, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" ("IAS 1"). These amendments make clear that the principle of materiality should be applied to the financial statements as a whole, that professional judgment be used in determining which information to disclose and that the use of immaterial information can lead to reduced effectiveness of disclosures. The amendments affect only the notes to the consolidated financial statements.

## Conversion of bearer shares to registered shares

At VP Bank's 53rd annual general meeting in Vaduz on 29 April 2016, all of management's proposed resolutions were approved. The annual general meeting approved the Board of Director's proposal to convert bearer shares into registered shares. The trend in corporate governance at the international level now calls for greater transparency as regards ownership relationships among legal persons. For that reason, the Board of Directors proposed converting VP Bank bearer shares with a par value of CHF 10.00 into registered shares A with an identical par value. The existing unlisted registered shares with a par value of CHF 1.00 will remain unchanged as registered shares B and continue to be unlisted. The first trading day for the registered shares A was 6 May 2016.

## Share buyback

Pursuant to the authorisation given by the annual general meeting of 24 April 2015, VP Bank AG decided to increase the number of its own shares through another share buyback of up to 10 per cent of the share capital. VP Bank AG thereby builds on the two successful share buyback programmes of 2015. The repurchase of registered shares A, which lasts from 7 June 2016 through 31 May 2017, will occur through the regular trading line on the SIX Swiss Exchange.

VP Bank AG is prepared to repurchase up to 120,000 registered shares A under the public share buyback programme. At no time, however, will it hold more registered shares A own shares than is allowed under the aforementioned authorisation from the annual general meeting (up to 601,500 shares, which corresponds to 10 per cent of all registered shares A).

The repurchased registered shares A are to be used for future acquisitions or treasury management purposes. VP Bank AG retained Zürcher Kantonalbank to implement the buyback of registered shares A.

By 30 June 2016, VP Bank AG had repurchased 12,132 registered shares A through the buyback programme. At 30 June 2016, VP Bank Group owned a total of 528,090 registered shares A and 127,312 registered shares B, representing 8.18 per cent of the total share capital outstanding and 5.45 per cent of the voting rights.

## Events after the end of the reporting period

At its 18 August 2016 meeting, the Board of Directors discussed and approved the interim financial report and released it for 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 30.06.2016 | 30.06.2015 | 31.12.2015 | 1H2016 | 1H2015 | 2015 | actual year | previous year | actual year | previous year |
| USD/CHF | 0.9742 | 0.9346 | 1.0010 | 0.9819 | 0.9476 | 0.9633 | –3% | 4% | 2% | 4% |
| EUR/CHF | 1.0823 | 1.0413 | 1.0874 | 1.0954 | 1.0572 | 1.0683 | 0% | 4% | 3% | 4% |
| SGD/CHF | 0.7238 | 0.6941 | 0.7056 | 0.7116 | 0.7018 | 0.7003 | 3% | 4% | 2% | 1% |
| HKD/CHF | 0.1256 | 0.1205 | 0.1292 | 0.1264 | 0.1222 | 0.1243 | –3% | 4% | 2% | 3% |
| GBP/CHF | 1.3023 | 1.4698 | 1.4754 | 1.4064 | 1.4435 | 1.4723 | –12% | –11% | –4% | –3% |

# Segment reporting

## 01.01.–30.06.2016 (unaudited)

| in CHF 1,000 | Client Business Liechtenstein | Client Business International | Corporate Center | Total Group |
|---|---|---|---|---|
| Total net interest income | 34,293 | 12,022 | 3,184 | 49,499 |
| Total net income from commission business and services | 45,238 | 17,813 | –2,363 | 60,688 |
| Income from trading activities | 8,654 | 3,071 | 5,937 | 17,661 |
| Income from financial instruments | 5 | 570 | 671 | 1,246 |
| Other income | 0 | 735 | –4 | 731 |
| **Total net operating income** | **88,190** | **34,210** | **7,426** | **129,826** |
| Personnel expenses | 16,620 | 18,326 | 30,055 | 65,001 |
| General and administrative expenses | 1,622 | 9,917 | 12,895 | 24,433 |
| Services to/from other segments | 19,982 | 0 | –19,982 | 0 |
| **Operating expenses** | **38,223** | **28,243** | **22,968** | **89,434** |
| **Gross income** | **49,967** | **5,967** | **–15,543** | **40,391** |
| Depreciation and amortisation | 1,838 | 1,686 | 7,791 | 11,315 |
| Valuation allowances, provisions and losses | 803 | 15 | –78 | 740 |
| **Earnings before income tax** | **47,325** | **4,265** | **–23,255** | **28,336** |
| Taxes on income | | | | 3,920 |
| **Group net income** | | | | **24,416** |
| | | | | |
| Segment assets (in CHF million) | 4,118 | 3,042 | 4,380 | 11,540 |
| Segment liabilities (in CHF million) | 7,202 | 2,618 | 830 | 10,650 |
| Client assets under management (in CHF billion)[1] | 23.6 | 10.4 | 0.0 | 34.0 |
| Net new money (in CHF billion) | –0.3 | 0.1 | 0.0 | –0.2 |
| Headcount (number of employees) | 181 | 253 | 366 | 800 |
| Headcount (expressed as full-time equivalents) | 170.5 | 238.9 | 325.6 | 735.0 |
| | | | | |
| **as of 31.12.2015** | | | | |
| Segment assets (in CHF million) | 4,467 | 3,247 | 4,647 | 12,361 |
| Segment liabilities (in CHF million) | 7,792 | 2,928 | 723 | 11,443 |
| Client assets under management (in CHF billion)[1,2] | 24.3 | 10.5 | 0.0 | 34.8 |
| Net new money (in CHF billion)[2] | 5.8 | 0.2 | 0.0 | 6.0 |
| Headcount (number of employees) | 171 | 245 | 382 | 798 |
| Headcount (expressed as full-time equivalents) | 161.5 | 233.4 | 339.5 | 734.4 |

[1] Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).
[2] Acquired client relationships (note 17) of CHF 6.7 billion are included in this position.

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.

## Structure

On 1 January 2016, VP Bank Group modified its organisational structure by creating a new organisational unit "Chief Operating Officer". Following a comprehensive review of the bases of credit-granting policies and related strategy by the Group Executive Management, the functions of the front and middle/back offices were segregated, and the units Middle and Back Office were transferred to the "Chief Operating Officer". The Front Office domain remains as part of the Client Business unit.
As already announced in the 2015 Annual Report of VP Bank Group (page 17), as from this date on, the management structure consists of four organisational units "Chief Executive Officer", "Client Business", "Chief Financial Officer" and "Chief Operating Officer".

In its segment reporting, the organisational unit "Client Business" is split into the two business segments, "Client Business Liechtenstein" and "Client Business International". The three organisational units "Chief Executive Officer", "Chief Financial Officer" and "Chief Operating Officer" are regrouped into the business segment "Corporate Center" for segment reporting purposes.

The prior-year segment reporting figures were restated to reflect the segregation of the front and middle/back office units.

### 01.01.–30.06.2015 (audited)

| in CHF 1,000 | Client Business Liechtenstein | Client Business International | Corporate Center | Total Group |
|---|---|---|---|---|
| Total net interest income | 25,159 | 10,569 | 6,654 | 42,382 |
| Total net income from commission business and services | 45,877 | 22,415 | –2,354 | 65,938 |
| Income from trading activities | 10,001 | 3,657 | 5,341 | 18,999 |
| Income from financial instruments | 9 | 232 | –5,946 | –5,705 |
| Other income[1] | 0 | 114 | 50,788 | 50,902 |
| **Total net operating income** | **81,046** | **36,987** | **54,483** | **172,516** |
| Personnel expenses[5] | 16,830 | 18,648 | 31,753 | 67,231 |
| General and administrative expenses[5] | 1,366 | 10,324 | 17,858 | 29,548 |
| Services to/from other segments[5] | 23,651 | 0 | –23,651 | 0 |
| **Operating expenses[5]** | **41,847** | **28,972** | **25,960** | **96,779** |
| **Gross income[4]** | **39,199** | **8,015** | **28,523** | **75,737** |
| Depreciation and amortisation | 1,835 | 2,245 | 14,980 | 19,060 |
| Valuation allowances, provisions and losses | 152 | 4,660 | 12,592 | 17,404 |
| **Earnings before income tax** | **37,212** | **1,110** | **951** | **39,273** |
| Taxes on income | | | | –1,667 |
| **Group net income** | | | | **40,940** |
| | | | | |
| Segment assets (in CHF million) | 4,698 | 3,116 | 4,809 | 12,623 |
| Segment liabilities (in CHF million) | 8,139 | 2,841 | 721 | 11,701 |
| Client assets under management (in CHF billion)[2, 3] | 24.4 | 10.2 | 0.0 | 34.6 |
| Net new money (in CHF billion)[4] | 6.2 | 0.0 | 0.0 | 6.2 |
| Headcount (number of employees)[5] | 173 | 252 | 385 | 810 |
| Headcount (expressed as full-time equivalents)[5] | 164.1 | 240.0 | 341.9 | 746.0 |

1 The non-recurring positive effect of the «bargain purchase» (badwill arising on acquisition) is disclosed in the Corporate Center.
2 Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).
3 Acquired client relationships (note 17) of CHF 6.7 billion are included in this position.
4 Centralisation of the investment management operations of VP Bank (Switzerland) Ltd in Liechtenstein as of 1 July 2015 (net CHF 2.7 billion).
5 Shift of organisational unit «Credit Processing» as of 1 January 2016 from Client Business Liechtenstein to Corporate Center (7 FTE; operating expenses CHF 0.1 billion).

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

# Client Business Liechtenstein

## Segment results

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total net interest income | 34,293 | 25,159 | 9,134 | 36.3 |
| Total net income from commission business and services | 45,238 | 45,877 | –639 | –1.4 |
| Income from trading activities | 8,654 | 10,001 | –1,347 | –13.5 |
| Income from financial instruments | 5 | 9 | –4 | –44.4 |
| Other income | 0 | 0 | 0 | 0.0 |
| **Total net operating income** | 88,190 | **81,046** | **7,144** | **8.8** |
| Personnel expenses | 16,620 | 16,830 | –210 | –1.3 |
| General and administrative expenses | 1,622 | 1,366 | 256 | 18.7 |
| Services to/from other segments | 19,982 | 23,651 | –3,669 | –15.5 |
| **Operating expenses** | 38,223 | **41,847** | **–3,624** | **–8.7** |
| **Gross income** | 49,967 | **39,199** | **10,768** | **27.5** |
| Depreciation and amortisation | 1,838 | 1,835 | 3 | 0.2 |
| Valuation allowances, provisions and losses | 803 | 152 | 651 | 428.4 |
| **Segment income before income tax** | 47,325 | **37,212** | **10,113** | **27.2** |
| | | | | |
| Additional information | | | | |
| Operating expenses excluding depreciation and amortisation / total operating income (in %) | 43.3 | 51.6 | | |
| Operating expenses including depreciation and amortisation / total operating income (in %) | 45.4 | 53.9 | | |
| Client assets under management (in CHF billion) | 23.6 | 24.4 | | |
| Change in client assets under management compared to 31.12. prior year (in %) | –2.7 | 25.0 | | |
| Net new money (in CHF billion) | –0.3 | 6.2 | | |
| Gross income / average client assets under management (bp)[1] | 73.6 | 73.8 | | |
| Segment result / average client assets under management (bp)[1] | 39.5 | 33.9 | | |
| Cost/income ratio operating income (in %)[2] | 43.3 | 51.6 | –8.3 | –16.1 |
| Headcount (number of employees) | 181 | 173 | 8.0 | 4.6 |
| Headcount (expressed as full-time equivalents) | 170.5 | 164.1 | 6.4 | 3.9 |

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

## Structure

The business segment "Client Business Liechtenstein" encompasses the international private banking business and the business with intermediaries located in Liechtenstein as well as the local universal banking and credit-granting businesses. It includes the units of VP Bank Ltd, Vaduz, which are in direct client contact. In addition, Group Investment, Product & Market Management and VP Fund Solutions (Liechtenstein) AG are allocated to this business segment.

## Segment results

The pre-tax segment results for the first semester of 2016 rose by CHF 10.1 million (27.2 per cent) over the comparable prior-year period. In the first half-year of 2016, total operating income grew, period-on-period, by CHF 7.1 million (8.8 per cent). This increase results from interest income from clients (+36.3 per cent). Interest-rate developments primarily in USD and EUR as well as increased margins on credit-granting activities contributed to this positive result. Operating expenses could be reduced by CHF 3.6 million (8.7 per cent) to CHF 38.2 million (prior-year period: CHF 41.8 million). This decline results primarily from lower recharges from other segments. The lower recharges reflect the synergy effects resulting from the Centrum Bank merger. Inter-segmental recharges in Client Business Liechtenstein are based upon fixed internal transfer prices. Indirect costs for internal services are reported in the business segment under the caption "services to/from other segment(s)". In the first semester of 2016, the charges for valuation allowances, provisions and losses rose by CHF 0.6 million to CHF 0.8 million (prior-year period: CHF 0.2 million). The gross margin could be maintained at 73.6 basis points (prior-year period: 73.8 basis points). The cost/income ratio improved from 51.6 per cent to 43.3 per cent.

The segment reported a minor outflow of net new money adding up to CHF 0.3 billion during the reporting period. New net money inflows resulting from market development activities were not able to fully offset money outflows resulting from the regulatory environment and tax-related issues. Client assets under management at 30 June 2016 added up to CHF 23.6 billion (31 December 2015: CHF 24.3 billion). The employee headcount increased from 164 positions (30 June 2015) to 171 positions.

# Client Business International

## Segment results

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total net interest income | 12,022 | 10,569 | 1,453 | 13.7 |
| Total net income from commission business and services | 17,813 | 22,415 | –4,602 | –20.5 |
| Income from trading activities | 3,071 | 3,657 | –586 | –16.0 |
| Income from financial instruments | 570 | 232 | 338 | 145.5 |
| Other income | 735 | 114 | 621 | n.a. |
| **Total net operating income** | 34,210 | **36,987** | **–2,777** | **–7.5** |
| Personnel expenses | 18,326 | 18,648 | –322 | –1.7 |
| General and administrative expenses | 9,917 | 10,324 | –407 | –3.9 |
| Services to/from other segments | 0 | 0 | 0 | 0.0 |
| **Operating expenses** | 28,243 | **28,972** | **–729** | **–2.5** |
| **Gross income** | 5,967 | **8,015** | **–2,048** | **–25.6** |
| Depreciation and amortisation | 1,686 | 2,245 | –559 | –24.9 |
| Valuation allowances, provisions and losses | 15 | 4,660 | –4,645 | –99.7 |
| **Segment income before income tax** | 4,265 | **1,110** | **3,155** | **284.3** |
| **Additional information** | | | | |
| Operating expenses excluding depreciation and amortisation / total operating income (in %) | 82.6 | 78.3 | | |
| Operating expenses including depreciation and amortisation / total operating income (in %) | 87.5 | 84.4 | | |
| Client assets under management (in CHF billion) | 10.4 | 10.2 | | |
| Change in client assets under management compared to 31.12. prior year (in %) | –0.7 | –10.8 | | |
| Net new money (in CHF billion) | 0.1 | 0.0 | | |
| Gross income / average client assets under management (bp)[1] | 65.5 | 68.5 | | |
| Segment result / average client assets under management (bp)[1] | 8.2 | 2.1 | | |
| Cost/income ratio operating income (in %)[2] | 85.8 | 79.1 | 6.8 | 8.6 |
| Headcount (number of employees) | 253 | 252 | 1.0 | 0.4 |
| Headcount (expressed as full-time equivalents) | 238.9 | 240.0 | –1.1 | –0.5 |

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

## Structure

The business segment "Client Business International" encompasses the private banking business in international locations. VP Bank (Switzerland) Ltd, VP Bank (Luxembourg) SA, VP Bank (BVI) Ltd, VP Bank (Singapore) Ltd, VP Wealth Management (Hong Kong) Ltd and VP Fund Solutions (Luxembourg) SA are allocated to this business segment.

## Segment results

Compared to the results of the first half-year of 2015, the pre-tax results in the first six months of 2016 improved by CHF 3.2 million. Total operating income fell by 7.5 per cent from CHF 37.0 million to CHF 34.2 million as a result of declining commission and service income as well as lower trading income. For the most part, this is due to the centralisation of investment management activities of VP Bank (Switzerland) Ltd within Liechtenstein which was implemented in the prior year. Interest income and gains/losses from financial investments developed positively and could be increased by CHF 1.5 million respectively CHF 0.3 million. Operating expenses could be reduced by CHF 0.7 million or 2.5 per cent to CHF 28.2 million. This decline results from personnel and general and administrative expenses due, in part, to the centralisation of investment management. In the business segment "Client Business International", the recharging of services is based on actual invoices and recorded under general and administrative expenses. Charges for valuation allowances, provisions and losses could be reduced significantly by CHF 4.6 million.

The gross margin fell to 65.5 basis points (prior-year period: 68.5 basis points). The cost/income ratio improved from 79.1 per cent to 85.8 per cent. Net new money in the first half-year of 2016 developed positively with CHF 0.1 billion. Net new money inflows could again be achieved in Asian markets. Other markets reported client money outflows triggered by the regulatory environment and tax-related issues. As at 30 June 2016, client assets under management aggregated CHF 10.4 billion (31 December 2015: CHF 10.5 billion). The employee headcount of 239 is comparable to that of the prior year (–1 position in comparison to 30 June 2015).

## Corporate Center

### Segment results

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total net interest income | 3,184 | 6,654 | –3,470 | –52.1 |
| Total net income from commission business and services | –2,363 | –2,354 | –9 | –0.4 |
| Income from trading activities | 5,937 | 5,341 | 596 | 11.1 |
| Income from financial instruments | 671 | –5,946 | 6,617 | 111.3 |
| Other income | –4 | 50,788 | –50,792 | –100.0 |
| **Total net operating income** | 7,426 | **54,483** | **–47,058** | **–86.4** |
| Personnel expenses | 30,055 | 31,753 | –1,698 | –5.3 |
| General and administrative expenses | 12,895 | 17,858 | –4,963 | –27.8 |
| Services to/from other segments | –19,982 | –23,651 | 3,669 | 15.5 |
| **Operating expenses** | 22,968 | **25,960** | **–2,992** | **–11.5** |
| **Gross income** | –15,543 | **28,523** | **–44,066** | **–154.5** |
| Depreciation and amortisation | 7,791 | 14,980 | –7,189 | –48.0 |
| Valuation allowances, provisions and losses | –78 | 12,592 | –12,670 | –100.6 |
| **Segment income before income tax** | –23,255 | **951** | **–24,206** | **n.a.** |
| | | | | |
| Additional information | | | | |
| Headcount (number of employees) | 366 | 385 | –19.0 | –4.9 |
| Headcount (expressed as full-time equivalents) | 325.6 | 341.9 | –16.3 | –4.8 |

## Structure

The business segment "Corporate Center" is of great importance for banking operations and the processing of business transactions. It encompasses the areas Group Operations, Group Information Technology, Group Credit, Group Treasury & Execution, Group Finance, Group Risk, Group Legal, Compliance & Tax, Group Human Resources Management, Group Communications & Marketing und Group Business Development. In addition, those revenues and expenses of VP Bank Ltd having no direct relationship to client-focussed operating divisions, as well as consolidation adjustments are reported under the Corporate Center. Revenue-generating business activities of the segment Corporate Center arise in connection with the Group Treasury Function. The results of the Group's own financial investments, the structural contribution and the changes in the value of interest-rate hedges are reported in this segment. In the prior year, the non-recurring positive effect of the "bargain purchase" arising from the merger with Centrum Bank (gain from the acquisition of Centrum Bank) as well as charges for restructuring costs (including social plan) and project costs were reported in the Corporate Center business segment.

## Segment results

In the first half-year of 2016, the pre-tax segment result amounted to minus CHF 23.3 million as opposed to CHF 1.0 million in the prior-year period.

Total operating income in the first half of 2016 declined period-on-period by CHF 47.1 million. This decline is largely a result of the non-recurring impact of the "bargain purchase" which was recognised last year under other income.

Interest income fell period-on-period by CHF 3.5 million, partially as a result of the negative interest-rate levels and, as a consequence, of the decline in interest revenues from maturity transformation (negative interest charged by the SNB). Income from commissions and services reflects a drop in income. This also includes third-party bank commissions which were invoiced to front business units by the service units through internal recharges.

Trading income includes the revenues of Group Treasury & Execution, inter alia. This relates to income generated from the execution of client trades. This caption also includes the results of derivatives employed to minimize risks as well as gains/losses from balance-sheet management activities.

Income from financial investments in the first half of 2016 totalled CHF 0.7 million. This improvement of CHF 6.6 million reflects principally the one-off prior-year impact of the decision by the SNB to discontinue the policy of maintaining the minimum exchange-rate of the Swiss franc to the euro which led to revaluation losses. Interest and dividend income disclose a minor increase.

The gain from the acquisition of Centrum Bank ("bargain purchase") was recognised in income last year in the caption other income.

Operating expenses in the reporting period could be reduced by CHF 3.0 million from CHF 26.0 million to CHF 23.0 million. On the one hand, this is due to synergy effects in personnel expense and general and administrative expenses resulting from the Centrum Bank merger. On the other hand, no integration costs were incurred during the current period. Because of lower operating expenses in the Corporate Center, a lower level of internal costs (CHF 20.0 million) were recharged than in the comparable prior-year period of 2015 (CHF 23.7 million). Depreciation and amortisation fell by CHF 7.2 million to CHF 7.8 million. auf CHF 7.8 million. The reason for this decrease is the fact that depreciation and amortisation is no longer charged on the Avaloq banking platform as well as one-time merger-related amortisation charges in the prior year.

The charges for valuation allowances, provisions and losses during the reporting period showed a merger-related decrease of CHF 12.7 million. The employee headcount could be reduced from 342 (30 June 2015) to 326 positions principally as a result of merger-related synergy effects.

# Notes to the consolidated income statement and consolidated balance sheet

## 1 Interest income

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Interest and discount income | 61 | 90 | –29 | –32.8 |
| Interest income from banks | 2,854 | 6,133 | –3,279 | –53.5 |
| Interest income from customers | 38,681 | 37,343 | 1,338 | 3.6 |
| Interest income from financial instruments measured at amortised cost | 9,156 | 8,037 | 1,119 | 13.9 |
| Interest income from financial liabilities | 1,073 | 354 | 719 | 203.1 |
| Interest-rate instruments | –1,214 | –4,394 | 3,180 | 72.4 |
| Trading derivatives (forward points)[1] | 9,696 | 770 | 8,926 | n.a. |
| Hedge accounting | 81 | –65 | 146 | 224.6 |
| Loan commissions with the character of interest | 927 | 583 | 344 | 58.9 |
| **Total interest income** | **61,315** | **48,851** | **12,464** | **25.5** |
| Interest expenses on amounts due to banks | 355 | 398 | –43 | –10.8 |
| Interest expenses on amounts due to customers | 1,932 | 2,054 | –122 | –5.9 |
| Interest expenses on medium-term notes | 782 | 986 | –204 | –20.7 |
| Interest expenses on debentures issued | 2,322 | 2,975 | –653 | –21.9 |
| Interest expense from financial assets | 6,424 | 56 | 6,368 | n.a. |
| **Total interest expenses** | **11,815** | **6,469** | **5,346** | **82.6** |
| | | | | |
| **Total net interest income** | **49,499** | **42,382** | **7,117** | **16.8** |
| | | | | |
| **Fair-value hedges[2]** | | | | |
| Movements arising from hedges | –4,431 | –1,936 | –2,495 | –128.9 |
| • Micro fair-value hedges | –4,431 | –1,936 | –2,495 | –128.9 |
| • Portfolio fair-value hedges | 0 | 0 | 0 | n.a. |
| Movements in underlying transactions | 4,512 | 1,871 | 2,641 | 141.2 |
| • Micro fair-value hedges | 4,512 | 1,871 | 2,641 | 141.2 |
| • Portfolio fair-value hedges | 0 | 0 | 0 | n.a. |
| | | | | |
| **Cash-flow hedges[2]** | | | | |
| Result of effectively hedged cash-flow hedges (only ineffective portion) | 0 | 0 | 0 | n.a. |
| | | | | |
| **Total hedge accounting** | **81** | **–65** | **146** | **224.6** |

1 Change of accounting principles (note 3 and principles underlying financial statement).
2 Cash-flow hedge accounting as well as portfolio fair-value hedges were employed in neither the current nor the prior-year period.

## 2 Income from commission business and services

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Commission income from credit business | 351 | 350 | 1 | 0.4 |
| Asset management and investment business[1] | 20,557 | 24,472 | –3,915 | –16.0 |
| Brokerage fees | 15,594 | 18,132 | –2,538 | –14.0 |
| Securities account fees | 9,415 | 9,032 | 383 | 4.2 |
| Fund management fees | 29,526 | 27,591 | 1,935 | 7.0 |
| Fiduciary commissions | 410 | 446 | –36 | –8.0 |
| Other commission and service income | 8,938 | 8,712 | 226 | 2.6 |
| **Total income from commission business and services** | **84,792** | **88,735** | **–3,943** | **–4.4** |
| Brokerage expenses | 903 | 955 | –52 | –5.5 |
| Other commission and services-related expenses | 23,201 | 21,842 | 1,359 | 6.2 |
| **Total expenses from commission business and services** | **24,104** | **22,797** | **1,307** | **5.7** |
| **Total net income from commission business and services** | **60,688** | **65,938** | **–5,250** | **–8.0** |

1 Income from corporate actions, asset management commissions, investment advisory services, all-in fees, securities lending and borrowing.

## 3 Income from trading activities

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Securities trading[1] | –3,360 | –930 | –2,430 | –261.3 |
| Interest income from trading portfolios | 0 | 8 | –8 | –95.8 |
| Dividend income from trading portfolios | 0 | 0 | 0 | n.a. |
| Foreign currency[2] | 20,306 | 20,888 | –582 | –2.8 |
| Banknotes, precious metals and other | 714 | –967 | 1,681 | 173.9 |
| **Total income from trading activities** | 17,661 | **18,999** | **–1,338** | **–7.0** |

1 The results from derivatives for the purposes of risk minimisation (other than interest-rate derivatives) are included in this item.
2 Change of accounting principles (note 1 and principles underlying financial statement).

## 4 Income from financial instruments

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Income from financial instruments at fair value | 766 | –516 | 1,282 | 248.4 |
| Income from financial instruments at amortised cost | 480 | –5,189 | 5,669 | 109.3 |
| **Total income from financial instruments** | 1,246 | **–5,705** | **6,951** | **121.8** |

**Income from financial instruments at fair value**

| | | | | |
|---|---|---|---|---|
| Income from FVTPL assets | –3,552 | –4,712 | 1,160 | 24.6 |
| Interest income from FVTPL financial instruments | 2,370 | 3,051 | –681 | –22.3 |
| Dividend income from FVTPL financial instruments | 453 | 379 | 74 | 19.7 |
| Dividend income from FVTOCI financial instruments | 1,494 | 766 | 728 | 95.0 |
| • thereof from FVTOCI financial instruments sold | 0 | 0 | 0 | n.a. |
| Income from FVTPL liabilities | 0 | 0 | 0 | n.a. |
| **Total** | 766 | **–516** | **1,282** | **248.4** |

**Income from financial instruments at amortised cost**

| | | | | |
|---|---|---|---|---|
| Revaluation gains/losses on financial instruments at amortised cost | –99 | –4,107 | 4,008 | 97.6 |
| Realised gains/losses on financial instruments at amortised cost | 579 | –1,082 | 1,661 | 153.5 |
| **Total** | 480 | **–5,189** | **5,669** | **109.3** |

## 5 Other income

| in CHF 1,000 | Note | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|---|
| Income from real estate | | 53 | –182 | 235 | 128.9 |
| Income from associated companies | | 18 | –12 | 30 | 246.8 |
| Miscellaneous other income | | 661 | 1,114 | –453 | –40.7 |
| Bargain purchase arising upon acquisition | 17 | 0 | 49,982 | –49,982 | –100.0 |
| **Total other income** | | 731 | **50,902** | **–50,171** | **–98.6** |

## 6 Personnel expenses

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Salaries and wages | 51,407 | 52,506 | –1,099 | –2.1 |
| Social contributions required by law | 4,675 | 4,480 | 195 | 4.3 |
| Contributions to pension plans / defined-benefit plans | 6,682 | 7,739 | –1,057 | –13.7 |
| Contributions to pension plans / defined-contribution plans | 673 | 622 | 51 | 8.3 |
| Other personnel expenses | 1,564 | 1,884 | –320 | –17.0 |
| **Total personnel expenses** | 65,001 | **67,231** | **–2,230** | **–3.3** |

## 7 General and administrative expenses

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Occupancy expenses | 3,455 | 4,600 | –1,145 | –24.9 |
| Insurance | 472 | 423 | 49 | 11.6 |
| Professional fees | 3,471 | 6,267 | –2,796 | –44.6 |
| Financial information procurement | 3,457 | 3,322 | 135 | 4.0 |
| Telecommunication and postage | 590 | 677 | –87 | –12.8 |
| IT systems | 7,693 | 9,875 | –2,182 | –22.1 |
| Marketing and public relations | 2,212 | 1,917 | 295 | 15.4 |
| Capital taxes | 93 | 102 | –9 | –9.3 |
| Other general and administrative expenses | 2,991 | 2,365 | 626 | 26.5 |
| **Total general and administrative expenses** | **24,433** | **29,548** | **–5,115** | **–17.3** |

## 8 Depreciation and amortisation

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Depreciation and amortisation of property and equipment | 4,645 | 5,768 | –1,123 | –19.5 |
| Depreciation and amortisation of intangible assets | 6,670 | 13,292 | –6,622 | –49.8 |
| **Total depreciation and amortisation** | **11,315** | **19,060** | **–7,745** | **–40.6** |

## 9 Valuation allowances, provisions and losses

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Credit risks | –107 | 4,188 | –4,295 | –102.6 |
| Legal and litigation risks | 102 | 425 | –323 | –76.0 |
| Other[1] | 745 | 12,791 | –12,046 | –94.2 |
| **Total valuation allowances, provisions and losses** | **740** | **17,404** | **–16,664** | **–95.7** |

[1] Includes in 2015 restructuring provisions in connection with the Centrum Bank merger, of which CHF 7.9 million for cancellation of an outsourcing contract and CHF 4.1 million for employees, e.g. social plan.

## 10 Taxes on income

| in CHF 1,000 | 01.01.–30.06.2016 unaudited | 01.01.–30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| Total current taxes | 4,243 | 1,384 | 2,859 | 206.6 |
| Total deferred taxes | –324 | –3,051 | 2,727 | 89.4 |
| **Total taxes on income** | **3,920** | **–1,667** | **5,587** | **335.1** |

## 11 Earnings per share[1]

| | 30.06.2016 unaudited | 30.06.2015 audited |
|---|---|---|
| **Consolidated earnings per share of VP Bank Ltd, Vaduz** | | |
| Group net income (in CHF 1,000) | 24,416 | 40,940 |
| Weighted average of registered shares A | 5,449,289 | 5,827,792 |
| Weighted average of registered shares B | 5,877,862 | 5,960,344 |
| Total weighted average number of shares (registered share A) | 6,037,075 | 6,423,826 |
| Undiluted consolidated earnings per registered share A | 4.04 | 6.37 |
| Undiluted consolidated earnings per registered share B | 0.40 | 0.64 |
| | | |
| **Fully diluted consolidated earnings per share of VP Bank Ltd, Vaduz** | | |
| Group net income (in CHF 1,000) | 24,416 | 40,940 |
| Adjusted group net income (in CHF 1,000) | 24,416 | 40,940 |
| Number of shares used to compute the fully diluted consolidated net income | 6,037,075 | 6,423,826 |
| Fully diluted consolidated earnings per registered share A | 4.04 | 6.37 |
| Fully diluted consolidated earnings per registered share B | 0.40 | 0.64 |

[1] Conversion of bearer shares into registered shares A (note 13).

## 12 Debentures, VP Bank Ltd, Vaduz

| in CHF 1,000 | | | | | | 30.06.2016 unaudited | 31.12.2015 audited |
|---|---|---|---|---|---|---|---|
| | ISIN | Interest rate in % | Currency | Maturity | Nominal amount | Total | Total |
| 2010 | CH0112734469 | 2.5 | CHF | 27.05.2016 | 0 | 0 | 149,119 |
| 2015 | CH0262888933 | 0.5 | CHF | 07.04.2021 | 100,000 | 100,331 | 100,365 |
| 2015 | CH0262888941 | 0.875 | CHF | 07.10.2024 | 100,000 | 100,450 | 100,477 |
| **Total** | | | | | **200,000** | **200,781** | **349,961** |

Debt securities issued are recorded at fair value plus transaction costs upon initial recognition. Fair value corresponds to the consideration received. Subsequently, they are remeasured 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 (0.43 per cent debenture 2021; 0.82 per cent debenture 2024).

## 13 Share capital

| in CHF 1,000 | 30.06.2016 unaudited No. of shares | Nominal CHF | 31.12.2015 audited No. of shares | Nominal CHF |
|---|---|---|---|---|
| Registered shares A of CHF 10.00 nominal value | 6,015,000 | 60,150,000 | 6,015,000 | 60,150,000 |
| Registered shares B of CHF 1.00 nominal value | 6,004,167 | 6,004,167 | 6,004,167 | 6,004,167 |
| **Total share capital** | | **66,154,167** | | **66,154,167** |

All shares are fully paid up.

All proposals made by the Board of Directors were approved at the 53rd annual general meeting of VP Bank in Vaduz on Friday, 29 April 2016. The annual general meeting also approved the proposal of the Board of Directors that the Articles of Incorporation be changed for the conversion of bearer shares into registered shares. Developments at an international level necessitate greater transparency regarding the ownership structures of legal entities. In this context, the Board of Directors proposed that the listed VP Bank bearer shares each with a nominal value of CHF 10.00 be converted into registered shares A with the same nominal value. The existing, non-exchange-listed registered shares with a nominal value of CHF 1.00 remain unchanged as registered shares B and will not be traded on the stock exchange in future either. The first trading day for the registered shares A was on 6 May 2016.

## 14 Treasury shares[1]

| in CHF 1,000 | 30.06.2016 unaudited No. of shares | in CHF 1,000 | 31.12.2015 audited No. of shares | in CHF 1,000 |
|---|---|---|---|---|
| Registered shares A at the beginning of the financial year | 594,774 | 49,443 | 111,634 | 21,015 |
| Purchases | 12,132 | 1,104 | 602,060 | 50,039 |
| Sales | –78,816 | –6,552 | –118,920 | –21,611 |
| **Balance of registered shares A as of balance-sheet date[2, 3]** | **528,090** | **43,995** | **594,774** | **49,443** |
| | | | | |
| Registered shares B at the beginning of the financial year | 125,912 | 1,056 | 209 | 2 |
| Purchases | 1,400 | 13 | 125,713 | 1,055 |
| Sales | 0 | 0 | –10 | –1 |
| **Balance of registered shares B as of balance-sheet date[2]** | **127,312** | **1,069** | **125,912** | **1,056** |

1 Conversion of bearer shares into registered shares A (note 13).

2 Within the framework of the public share buyback programme, VP Bank AG is prepared to acquire a maximum of 120,000 registered shares A. However, VP Bank's holdings of registered shares A will not exceed the amount permitted under authorisation given by the annual general meeting of shareholders at any time (up to a maximum of 601,500 shares, which corresponds to 10% of all registered shares A). The buyback programme for the registered shares A on the ordinary trading line on the SIX Swiss Exchange will run from 7 June 2016 up to 31 May 2017. The maximum amount to be paid under this bid amounts to CHF 6.6 million (open permitted buyback of 73'410 registered shares A multiplied with closing price as per 30 June 2016) million and is deducted from its own shares. In the table above, these shares are not disclosed, as they are not yet in the possession of VP Bank Ltd.

3 On 18 June 2015, VP Bank Ltd announced a public fixed-price bid for the acquisition of a maximum of 300,750 bearer shares (registered shares A) at a price of CHF 84.00 and a maximum of 300,208 registered shares (registered shares B) at a price of CHF 8.40. The maximum amount to be paid under this bid amounts to CHF 27.8 million and is deducted from it s own shares. In the table above, these shares are not disclosed, as they are not yet in the possession of VP Bank Ltd.

## 15 Dividend[1]

| | 30.06.2016 unaudited | 31.12.2015 audited |
|---|---|---|
| **Approved and paid dividend of VP Bank Ltd, Vaduz** | | |
| Dividend (in CHF 1,000) for the financial year 2015 (2014) | 26,462 | 19,846 |
| Dividend per registered share A | 4.00 | 3.00 |
| Dividend per registered share B | 0.40 | 0.30 |
| Payout ratio (in %) | 39.3 | n.a. |

1 Conversion of bearer shares into registered shares A (note 13).

## 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 unaudited 30.06.2016 | Fair value unaudited 30.06.2016 | Variance unaudited | Carrying value audited 31.12.2015 | Fair value audited 31.12.2015 | Variance audited |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 3,017 | 3,017 | 0 | 2,956 | 2,956 | 0 |
| Receivables arising from money market paper | 12 | 12 | 0 | 15 | 15 | 0 |
| Due from banks | 1,154 | 1,154 | 0 | 2,060 | 2,061 | 1 |
| Due from customers | 5,081 | 5,264 | 183 | 5,007 | 5,167 | 160 |
| Trading portfolios | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 34 | 34 | 0 | 37 | 37 | 0 |
| Financial instruments at fair value | 317 | 317 | 0 | 397 | 397 | 0 |
| • of which designated on initial recognition | 0 | 0 | 0 | 0 | 0 | 0 |
| • of which mandatory under IFRS 9 | 304 | 304 | 0 | 383 | 383 | 0 |
| • of which recognised in other comprehensive income with no effect on net income | 13 | 13 | 0 | 14 | 14 | 0 |
| Financial instruments at amortised cost | 1,719 | 1,748 | 28 | 1,666 | 1,679 | 13 |
| **Subtotal** | | | 211 | | | **174** |
| **Liabilities** | | | | | | |
| Due to banks | 388 | 388 | 0 | 100 | 100 | 0 |
| Due to customers | 9,576 | 9,584 | –8 | 10,546 | 10,541 | 5 |
| Derivative financial instruments | 67 | 67 | 0 | 53 | 53 | 0 |
| Medium-term notes | 215 | 220 | –5 | 215 | 220 | –5 |
| Debentures issued | 201 | 208 | –7 | 350 | 351 | –1 |
| **Subtotal** | | | –20 | | | **–1** |
| **Total variance** | | | 191 | | | **173** |

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 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 (in particular for structured credit loans) 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 principally includes investment funds, for which an obligatory net asset value is not published at least on a quarterly basis. The fair value of these positions is, as a rule, computed on the basis of external estimates by experts in relation to the level of future distributions of fund units, or equates to the acquisition cost of the securities less any applicable valuation allowances.

## 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, with assumptions based on market data, Level 3 | Total 30.06.2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 0 | 3,017 | 0 | 3,017 |
| Receivables arising from money market paper | 12 | 0 | 0 | 12 |
| Due from banks | 0 | 1,154 | 0 | 1,154 |
| Due from customers | 0 | 5,264 | 0 | 5,264 |
| Trading portfolios | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 34 | 0 | 34 |
| Financial instruments at fair value | 276 | 37 | 4 | 317 |
| Financial instruments at amortised cost | 1,730 | 15 | 3 | 1,748 |
| **Liabilities** | | | | |
| Due to banks | 0 | 388 | 0 | 388 |
| Due to customers | 0 | 9,584 | 0 | 9,584 |
| Derivative financial instruments | 0 | 67 | 0 | 67 |
| Medium-term notes | 0 | 220 | 0 | 220 |
| Debentures issued | 208 | 0 | 0 | 208 |

In the financial year 2016, positions with a fair value of CHF 0.0 million (2015: CHF 4.5 million) were reclassified from Level 1 (quoted market prices) to Level 2 (valuation methods based on market data), CHF 0.0 million (2015: CHF 0.0 million) from Level 2 to Level 3 (valuation methods, based on realistic market-data-related assumptions) as well as CHF 0.0 million from Level 3 to Level 2 (2015: CHF 4.3 million). 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).

| in CHF million at fair value | Quoted market prices, Level 1 | Valuation methods, based on market data, Level 2 | Valuation methods, with assumptions based on market data, Level 3 | Total 31.12.2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 0 | 2,956 | 0 | 2,956 |
| Receivables arising from money market paper | 15 | 0 | 0 | 15 |
| Due from banks | 0 | 2,061 | 0 | 2,061 |
| Due from customers | 0 | 5,167 | 0 | 5,167 |
| Trading portfolios | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 37 | 0 | 37 |
| Financial instruments at fair value | 347 | 45 | 5 | 397 |
| Financial instruments at amortised cost | 1,664 | 15 | 0 | 1,679 |
| **Liabilities** | | | | |
| Due to banks | 0 | 100 | 0 | 100 |
| Due to customers | 0 | 10,541 | 0 | 10,541 |
| Derivative financial instruments | 0 | 53 | 0 | 53 |
| Medium-term notes | 0 | 220 | 0 | 220 |
| Debentures issued | 351 | 0 | 0 | 351 |

| **Level 3 financial instruments in CHF million** | **30.06.2016 unaudited** | **31.12.2015 audited** |
|---|---|---|
| **Balance sheet** | | |
| Holdings at the beginning of the year | 4.4 | 4.5 |
| Investments | 2.9 | 0.0 |
| Disposals | 0.0 | 0.0 |
| Issues | 0.0 | 0.0 |
| Redemptions | –0.6 | 0.0 |
| Losses recognised in the income statement | 0.0 | 1.5 |
| Losses recognised as other comprehensive income | 0.0 | –0.5 |
| Gains recognised in the income statement | 0.0 | 3.2 |
| Gains recognised as other comprehensive income | 0.0 | 0.0 |
| Reclassification to Level 3 | 0.0 | 0.0 |
| Reclassification from Level 3 | 0.0 | –4.3 |
| Translation differences | 0.0 | 0.0 |
| **Total book value at balance-sheet date** | **6.7** | **4.4** |
| | | |
| **Income on holdings at balance-sheet date** | | |
| Unrealised losses recognised in the income statement | 0.0 | 1.5 |
| Unrealised losses recognised as other comprehensive income | 0.0 | –0.5 |
| Unrealised gains recognised in the income statement | 0.0 | 3.2 |
| 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 2016 or 31 December 2015.

**Sensitivity of fair values of Level 3 financial instruments**

Changes in the net asset values of investment funds lead to corresponding changes in the fair values of these financial instruments. A realistic change in the basic assumptions or estimated values has no material impact on the statement of income, other comprehensive income or the equity of VP Bank Group's shareholders.

## 17 Acquisition (Excerpt from the audited semi-annual report 2015)

No acquisitions occurred during the first semester 2016.

VP Bank Group continues to pursue the strategy of growth through acquisition. Following receipt of the regulatory approval of the Financial Market Authority (FMA) Liechtenstein, VP Bank Ltd, Vaduz, acquired the entire share capital of Centrum Bank AG, Vaduz, as of 7 January 2015. Centrum Bank AG, Vaduz, thus became a 100-per cent owned subsidiary company of VP Bank Ltd, Vaduz. The legal merger between VP Bank Ltd and Centrum Bank AG was consummated on 30 April 2015.

Marxer Stiftung für Bank- und Unternehmenswerte participated in the capital of VP Bank to the equivalent amount. VP Bank Group thereby welcomes a further anchor shareholder in this reliable and long-term-oriented Liechtenstein family.

The following assets and liabilities were acquired as part of the merger:

| **in 1,000 CHF** | **Fair value** |
|---|---|
| Amounts due from banks and clients | 1,487,633 |
| Financial instruments | 294,924 |
| Software | 5,720 |
| Other intangible assets | 34,045 |
| Deferred tax assets | 5,179 |
| All other assets | 129,570 |
| **Total assets** | **1,957,071** |
| Amounts due to banks and clients | –1,790,650 |
| Deferred tax liabilities | –9,360 |
| Provisions | –185 |
| All other liabilities | –37,650 |
| **Total liabilities** | **–1,837,845** |
| **Total net assets** | **119,226** |

| in 1,000 CHF | Fair value |
|---|---|
| **Net assets acquired** | **119,226** |
| | |
| Purchase price settled in cash and cash equivalents | 3,854 |
| Purchase price settled in shares of VP Bank (755,955 bearer shares at the price (as per 07.01.2015) of CHF 86.50) | 65,390 |
| **Purchase consideration** | **69,244** |
| | |
| **Bargain purchase arising from acquisition** | **–49,982** |
| | |
| Cash and cash equivalents on hand in the company acquired | 352,241 |
| Purchase consideration settled in cash and cash equivalents | –3,854 |
| Cash inflow arising from the transaction | 348,387 |

Assets under management of CHF 6.7 billion and custody assets of CHF 0.4 billion were taken over as part of the acquisition. The transaction gave rise to a "bargain purchase" of TCHF 49,982 as well as intangible assets (client relationships) of TCHF 34,045. The client relationships will be amortised over 10 years.

The costs of the transaction incurred in the reporting period (advisory, legal, auditing, valuation costs, etc.) amount to CHF 2.1 million and are recognised in general and administrative expenses (note 7). The costs for the capital increase accompanying the transaction, in compliance with IFRS, were not taken to income but charged to capital reserves and amount to CHF 0.5 million for the current period. The resulting "bargain purchase" can be ascribed in particular to two specific reasons. On the one hand, it must be taken into consideration that the whole restructuring and integration costs in connection with this transaction are borne by VP Bank. On the other hand, the fact that the seller has become an anchor shareholder in VP Bank in an equivalent amount is also to be taken into account. The market values underlying the sales price of the bearer shares are significantly lower than the intrinsic value of the bearer share.

The bearer shares of VP Bank have been traded on the stock exchange at a price under their carrying value. Both effects combined led to the disclosed "bargain purchase". The latter was taken to income under "Other income" (note 5).

Centrum Bank was merged with VP Bank Ltd on 30 April 2015 and fully integrated into VP Bank, Vaduz. Because of the merger of the various organisational units, it is not always possible to show the impact of the acquired company on the profit and loss account.

## Consolidated off-balance-sheet positions

| in CHF 1,000 | 30.06.2016 unaudited | 31.12.2015 audited |
|---|---|---|
| Total contingent liabilities | 84,461 | 60,521 |
| Irrevocable facilities granted | 40,946 | 47,922 |
| Total fiduciary transactions | 675,343 | 659,798 |
| Contract volumes of derivative financial instruments | 4,958,231 | 5,068,903 |
| | | |
| **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 | 117,245 | 210,262 |
| 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 | 472,795 | 399,728 |
| • of which securities where the unlimited right to sell on or pledge has been granted | 354,394 | 333,459 |
| 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 | 621,048 | 643,207 |
| • of which securities which have been resold or repledged | 118,401 | 66,269 |

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 | 30.06.2016 unaudited | 31.12.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| **Analysis of client assets under management** | | | | |
| Assets in self-administered investment funds | 5,827.8 | 5,905.1 | –77.3 | –1.3 |
| Assets in discretionary asset management accounts | 3,356.8 | 3,365.4 | –8.5 | –0.3 |
| Other client assets under management | 24,855.5 | 25,498.2 | –642.7 | –2.5 |
| **Total client assets under management (including amounts counted twice)** | 34,040.1 | **34,768.7** | **–728.5** | **–2.1** |
| of which amounts counted twice | 2,052.1 | 1,797.3 | 254.7 | 14.2 |
| **Change of assets under management** | | | | |
| Total client assets under management (including amounts counted twice) at the beginning of the financial year | 34,768.7 | 30,939.1 | 3,829.6 | 12.4 |
| of which net new money | –218.5 | –658.0 | 439.5 | n.a. |
| of which change in market value | –510.0 | –2,215.9 | 1,705.9 | n.a. |
| of which other effects[1] | 0.0 | 6,703.5 | –6,703.5 | –100.0 |
| **Total client assets under management (including amounts counted twice) as of balance-sheet date** | 34,040.1 | **34,768.7** | **–728.5** | **–2.1** |
| **Custody assets[2, 3]** | 5,727.3 | **6,592.3** | **–865.0** | **–13.1** |
| **Total client assets** | | | | |
| Total client assets under management (including amounts counted twice)[1] | 34,040.1 | 34,768.7 | –728.5 | –2.1 |
| Custody assets[2, 3] | 5,727.3 | 6,592.3 | –865.0 | –13.1 |
| **Total client assets** | 39,767.4 | **41,361.0** | **–1,593.5** | **–3.9** |

| in CHF million | 30.06.2016 unaudited | 30.06.2015 audited | Variance absolute | Variance in % |
|---|---|---|---|---|
| **Net new money[1]** | –218.5 | **6,154.8** | **–6,373.3** | **n.a.** |

[1] Acquired client relationships (note 17) of CHF 6.7 billion are included in this position in 2015.
[2] Acquired client relationships (note 17) of CHF 0.4 billion are included in this position in 2015.
[3] During the closing operations we determined that the published custody assets as per 31 December 2015 were CHF 1.6 billion (30 June 2015: CHF 1.5 billion) overvalued. The figures were restated accordingly.

## Capital-adequacy computation

| in CHF 1,000 | 30.06.2016 unaudited | 31.12.2015 audited |
|---|---|---|
| Core capital | 878,273 | 902,481 |
| Eligible core capital (tier 1) | 901,982 | 911,204 |
| Eligible core capital (adjusted) | 901,982 | 911,204 |
| Total required equity | 456,428 | 485,048 |
| Tier 1 ratio | 25.7% | 24.4% |
| Total risk-weighted assets | 3,510,985 | 3,731,142 |
| Return on investment (net income / average balance sheet total) | 0.4% | 0.5% |

# VP Bank Group

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

| | |
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# Shareholder information

**Tuesday, 30 August 2016**
Roundtable, semi-annual results 2016

**Tuesday, 7 March 2017**
Media and analysts conference, financial results 2016

**Tuesday, 7 March 2017**
Publication financial report 2016

**Friday, 28 April 2017**
54th ordinary annual general meeting

**Tuesday, 22 August 2017**
Roundtable, semi-annual results 2017

## Core data on shares

Registered shares A, listed on SIX Swiss Exchange

| | |
|---|---|
| Symbol on SIX | VPBN |
| Bloomberg ticker | VPBN |
| Reuters ticker | VPBN.S |
| Security number | 31 548 726 |
| ISIN | LI0315487269 |

## Imprint

This semi-annual report has been produced with the greatest possible care and all data have been closely examined. Rounding, typeset or printing errors, however, cannot be ruled out. This report has been produced in German and English, whereas the German version shall prevail in case of doubt.

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