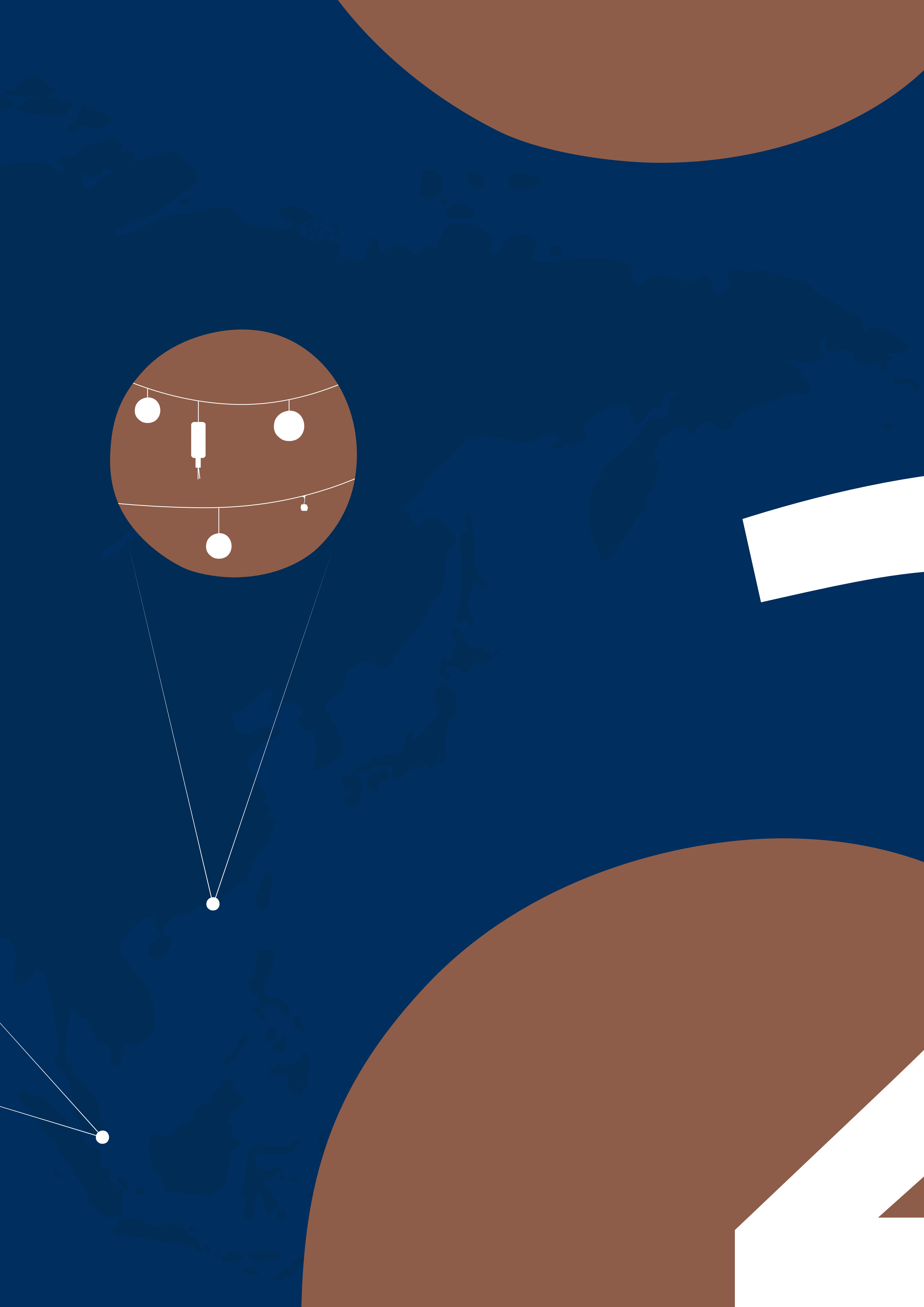
Viewpoints

Semi-annual Report 2015



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Statement by the Chairman of the Board and Chief Executive Officer

Dear Shareholders,
Ladies and Gentlemen

At the outset of the year, international financial-market analysts were generally optimistic about the prospects for 2015. However, it rapidly became clear that daunting economic hurdles still had to be overcome. Once again, the central banks – especially the European Central Bank (ECB) with its massive bond purchase programme, and the Swiss National Bank (SNB) with its abandonment of the 1.20 euro/franc floor – caused quite a stir and major market fluctuations. VP Bank Group was also faced with the challenges posed by this changed environment and the resulting consequences.

Considerably higher consolidated net income through integration of Centrum Bank

For the first semester of 2015, VP Bank Group earned a consolidated net income of CHF 40.9 million, a CHF 29.8 million increase over the comparable prior-year period (CHF 11.1 million). This first-half result was influenced by VP Bank's merger with Centrum Bank and the related boost in revenues, but also by the added expenditures incurred in connection with the transaction. Another very significant factor was the SNB's abandonment of the euro price floor versus the Swiss franc on 15 January 2015 as well as the shift of the central bank's three-month LIBOR target range into negative territory.

In comparison to the first half of 2014, VP Bank recorded a CHF 62.0 million increase in net operating income to a total of CHF 172.5 million (prior-year period: CHF 110.5 million), which is equivalent to a 56.1 per cent gain. Factoring out the effects of the merger with Centrum Bank (incl. effects of the "purchase price allocation"), our net operating income amounted to CHF 105.5 million, this despite the negative impact of the eliminated EUR/CHF floor.

Client assets under management at VP Bank Group on 30 June 2015 totalled CHF 34.6 billion, an 11.8 per cent increase compared to the CHF 30.9 billion reported at year-end 2014. In the first semester of 2015, VP Bank Group achieved a net new money inflow of CHF 6.2 billion, whereas CHF 6.7 billion relates to the merger with Centrum Bank.

Operating expenses for the first half of 2015 rose versus the prior-year period by CHF 12.3 million from CHF 84.5 million to CHF 96.8 million (+14.6 per cent). This increase is consistent with VP Bank Group's strategic orientation and its merger with Centrum Bank. Excluding the effects of this merger, we were able to reduce operating expenses by CHF 3.8 million or 4.5 per cent versus the prior-year period.

Regulatory environment

Rendering cross-border banking services is one of the main pillars of VP Bank Group's commercial activities. For fiscal but also for public policy reasons, numerous countries have adopted stricter regulatory provisions for doing business in their financial centres.

In August 2013, Liechtenstein's banks formulated a tax-conformity directive which defines for the entire financial centre a uniform due diligence obligation regarding the tax compliance of their clients. This directive has now been expanded: the revised version dated 21 January 2015 embraces the principle that it is primarily the duty of clients themselves to uphold their tax obligations. However, the banks are now obliged, in addition to their previously implemented measures for existing clients, to take further steps by applying a risk-based approach for clarifying and ensuring tax-compliant conduct. This means that the banks will re-examine their existing clients and, under certain circumstances, demand confirmation of tax conformity. If necessary, they will continue to help their clients achieve tax compliance within a reasonable period of time. In addition, the banks will adopt measures aimed at preventing business relationships from circumventing the scope of applicability of the automatic exchange of information (AEOI). Moreover, the restrictions on cash deposits and withdrawals have been tightened further.

On 2 February 2015, Liechtenstein and Switzerland concluded negotiations on a new double-taxation agreement (DTA). The treaty was signed in July 2015 and is scheduled to take effect as of 1 January 2017. One of the key elements of the agreement is the avoidance of double taxation in the area of withholding tax.

On 18 March 2015, the EU Commission proposed to the Council of the European Union that the EU Savings Directive be abrogated. As a result of the transition to the EU-wide automatic exchange of information, the corresponding revised directive provides for the complete elimination of the present Savings Directive for effect as of 1 January 2016.

On 28 May 2015, Switzerland concluded a treaty with the EU on the automatic exchange of information (AEOI) regarding tax matters. Once the requisite legal foundations have been established, Switzerland and the 28 EU member states intend to begin compiling bank account data as of 2017, and to exchange this data as of 2018. This new AEOI will then replace the currently applicable savings tax agreement with the EU that has been in force since 2005. By implementing this global standard, Switzerland and the EU are making a major contribution towards the prevention of tax evasion.

Effects of the SNB decision

On 15 January 2015, the Swiss National Bank announced that it would no longer defend the 1.20 minimum exchange rate for Swiss francs versus the euro. Simultaneously, the central bank shifted its three-month LIBOR target range and introduced a negative interest charge of 0.75 per cent on the deposits it holds for banks in amounts exceeding a certain exemption limit. These announcements led to major upheavals in the financial markets. Within minutes, the Swiss franc appreciated significantly, and since then Swiss franc fixed-income yields have hovered at record lows – in certain instances, even in negative territory.

This has had and will continue to have a direct influence on the course of business at VP Bank. A considerable proportion of our client assets is committed to investments denominated in foreign currencies. Therefore, when expressed in Swiss francs, our client assets under management declined in value as a result of the SNB's decision. A glance at VP Bank's cost and revenue structure reveals that our outlays are higher than our revenues when both readings are calculated in Swiss francs.

To cushion these negative effects on the Bank's profitability, we initiated immediate countermeasures: appropriate interest adjustments have been made, margins were widened on newly granted as well as prolonged mortgages and, for certain client segments, negative interest charges on deposits are now in effect. We have also taken immediate steps on the expense side; further cost reductions are an ongoing topic.

Integration of Centrum Bank

The first half of 2015 was marked by the integration of Centrum Bank into VP Bank. This merger represents a significant growth driver for VP Bank Group. Client assets totalling CHF 7.1 billion were taken over in connection with the deal.

The merger agreement was signed on 1 December 2014 and the transaction was finalised on 7 January 2015. At the extraordinary general meeting of shareholders held on 10 April 2015, the merger plans were approved as was the proposal for a capital increase. The formal merger took legal effect on 30 April. All employees of Centrum Bank were relocated to the VP Bank offices by 30 June and the full migration of data is to be completed by the end of this year.

The related integration project is running on schedule and will also be largely concluded by the end of the year. Through this merger in the name of VP Bank Ltd, we have garnered a considerably stronger position in the Liechtenstein financial centre and can now respond in a more agile manner abroad as well thanks to the complementary target markets and client segments of our combined organisation. The clients of Centrum Bank can count on a comprehensive range of financial products and services, and they now have access to an international network of banking locations as well as an expanded offering of credit solutions.

Also internally, meaningful synergies – especially in terms of market cultivation – can be exploited as a result of the merger.

The Marxer Foundation for Bank Values, until 7 January 2015 the sole owner of Centrum Bank, is now a new anchor shareholder of VP Bank in an amount equivalent to the acquisition price for Centrum Bank.

Staff changes

At the Bank's 52nd ordinary annual general meeting of shareholders, which was held on 24 April 2015, Fredy Vogt was re-elected to the Board of Directors of VP Bank for a further three-year term of office.

Dr Florian Marxer was newly elected to the Board of Directors. Dr Marxer is a trustee of the Marxer Foundation for Bank Values and from 2011 until 2014 was Chairman of the Board of Centrum Bank. He is a partner at Marxer & Partner Attorneys-at-Law as well as a board member of Confida Holding AG in Vaduz and Belvédère Asset Management AG in Zurich.

On 1 January 2015, Eduard von Kymmel took over responsibility for VP Bank's entire fund management business in Luxembourg and Liechtenstein. In his new function, Eduard von Kymmel is in charge from Luxembourg for the group-wide leadership of this strategically important business segment.

As of 1 February 2015, the Executive Management team at VP Bank (Switzerland) Ltd was reinforced through the addition of Roberto Vogt. As Head of Private Banking Central & Eastern Europe as well as Russia, he bears responsibility for these important target markets and will contribute significantly to the development of VP Bank's international client base.

Antoine Baronnet, as Head of Client Business at VP Bank (Luxembourg) SA, has been a member of Executive Management at that subsidiary company since 9 March 2015. In this function, he is in charge of all local client-oriented units. Executive Management at VP Bank (Luxembourg) SA today comprises three members: Thomas Steiger, Romain Moebus and Antoine Baronnet.

Jürg Mühlethaler took over as VP Bank's new Head of Group Operations on 1 May 2015 after having held various posts at Centrum Bank since 1999, the most recent of which were Chief Operating Officer (since 2012) and Member of Executive Management at that company. In this capacity, he was responsible until the end of April 2015 for the entire back-office operations of Centrum Bank.

Successful share buyback

At the annual general meeting on 24 April 2015, shareholders authorised the Board of Directors until 22 April 2020 to purchase VP Bank bearer and registered shares in a maximum amount equivalent to 10 per cent of the Bank's outstanding share capital. The Board resolved to make use of this authorisation and, for a fixed bid of CHF 84.00 per bearer share and CHF 8.40 per registered share, acquire a maximum of 5 per cent of the share capital. This public share buyback was successfully completed on 3 July 2015. In total, 300,750 bearer shares and 114,080 registered shares were tendered.

After completion of the fixed-price share buyback, VP Bank now holds 303,058 of its own bearer shares and 115,712 of its own registered shares. This corresponds to a 4.76 per cent proportion of VP Bank's outstanding share capital and 3.48 per cent of the voting rights.

Subsequent to the capital increase, there are now 6,004,167 registered shares and 6,015,000 bearer shares of VP Bank outstanding.

The shares repurchased in connection with the buyback are to be used for future acquisitions or treasury management purposes. As none of the shares will be cancelled, the equity capital and voting proportions remain unchanged.

Other significant first-half events

We continue to pursue our growth objectives with great resolve. The Asian locations of VP Bank Group recorded pleasing growth rates in the first half of 2015. The client-acquisition results of VP Bank (Switzerland) Ltd also improved. The Luxembourg and Liechtenstein locations were significantly affected once again by regulation-related outflows. We are making every effort by means of targeted client care to counteract this trend on a sustainable basis.

As the result of a rigorous rationalisation programme, VP Bank's total headcount declined from 831 at 7 January 2015 (i.e. including employees of Centrum Bank) to 810 as of 30 June 2015.

Our "Insieme" project is pursuing the goal of simplifying the business processes at the Luxembourg location and aligning them with Group standards. This should result in better utilisation of synergies within the Group and the avoidance of redundancies. The project is running according to plan.

On 6 March 2015, VP Bank successfully placed a public issue of bonds in the amount of CHF 200 million. The offering was made in two tranches, one maturing in six years and the other in nine years. Through the issuance of these bonds, VP Bank now has a means for refinancing its long-term loan portfolio.

The bonds also serve as a hedge against a potential increase in long-term interest rates. Given that no new interest rate swaps were concluded since last year, and hedge accounting under IFRS is partially applied, VP Bank has managed to reduce significantly the volatility of its interest-income result.

On Wednesday, 20 May 2015, VP Bank's second Investor Day was held with approximately 30 shareholders, investors and analysts in attendance. The keynote speaker at the event was Adrian Hasler, Prime Minister of the Principality of Liechtenstein.

VP Bank maintains an active dialogue with the public and is present on social media channels such as XING, LinkedIn and Twitter. Its social media activities are being expanded continuously: for instance, we have initiated a new Facebook profile that focuses mainly on the topic of trainee education at VP Bank.

Outstanding investment fund competence

VP Bank Group is tremendously adept in the investment fund business. The related activities span the entire palette of services in the fund realm – from the planning, to the founding and ultimate operative administration of investments funds – and have been successfully rendered for decades now at the Bank's Liechtenstein and Luxembourg locations.

We are especially pleased that IFOS Internationale Fonds Service Aktiengesellschaft has received the "World Finance Award" as the Best Investment Management Company in Liechtenstein. Also, Morningstar has awarded 5 stars to our "VP Bank Fund Selection Equities Natural Resources" fund, the rating agency's highest possible ranking.

This is evidence that our efforts in recent years to improve our service quality are being recognised by VP Bank's clients and the professional community alike.

To benefit from synergies within VP Bank Group, we consolidated the company's entire fund know-how under one roof – "VP Fund Solutions" – as of August 2015. With this label, we have created a uniform face to the public for VP Bank Group's fund business.

Also as of August 2015, VPB Finance S.A. – which was founded in 1998 as a subsidiary of VP Bank (Luxembourg) SA – was renamed VP Fund Solutions (Luxembourg) SA. Moreover, IFOS Internationale Fonds Service Aktiengesellschaft in Vaduz, since 1999 a subsidiary of VP Bank Ltd based at the Liechtenstein location, will now be known as VP Fund Solutions (Liechtenstein) AG. Collectively, these two entities employ approximately 55 individuals.

Strategic orientation and positioning

Overarching all of our other business themes and measures is VP Bank Group's primary strategic goal as a global enterprise to grow both in terms of profitability and quality through its activities in predefined target markets and target segments and in so doing preserve the company's independence. A stable group of long-term-oriented anchor shareholders, combined with a solid equity capital base, continue to represent the fundament of those aspirations.

To achieve our goal of sustained profitable growth, comprehensive measures are being planned with the aim of driving our international business and continuing the expansion of our fund business. In terms of our defined European and Asian target markets, we view South East Asia (Singapore, Hong Kong, Thailand, Malaysia and Indonesia) as well as the CIS states (Russia, Kazakhstan and Ukraine) as offering the greatest potential for growth. Apart from making even better use of our international Group structure, we plan to invest larger amounts in "digital private banking" and further increase our capital efficiency under Basel III. Consistent with these measures is the reinforcement of an entrepreneurial culture within the Group, as well as the heightened skills and resulting quality of our employees.

Adjustment of medium-term goals

Until mid-2015, our previously expressed medium-term goals were a tier 1 ratio of at least 16 per cent, a cost/income ratio of 65 per cent and an average annual increase in net new money of 5 per cent.

A re-examination of these goals revealed the necessity for adjustments. At year end 2014, the legally specified minimum core capital ratio stood at 8 per cent; our tier 1 target ratio was at least twice that amount. As VP Bank is now designated as "system relevant", the corresponding new minimum capital requirement under Basel III (CRD IV) increased as of February 2015 to 13 per cent. Thus a minimum medium-term goal of 16 per cent no longer represents significant added value for our investors and clients; on the other hand, any increase of our current target level would severely crimp VP Bank Group's financial leeway – for example, to conduct acquisitions.

For that reason, the Board of Directors has revised the medium-term goals and defined the following targets for the end of 2020:

- Assets under management of CHF 50 billion;
- Group net income of CHF 80 million;
- Cost/income ratio under 70 per cent.

At the end of June 2015, VP Bank Group had a tier 1 ratio of 21.9 per cent (previous year: 20.7 per cent) and our cost/income ratio stood at 56.1 per cent (previous year: 76.4 per cent). Excluding the effects of the merger with Centrum Bank, the cost/income ratio would be 76.5 per cent. Through the exploitation of available infrastructure and potential synergies, together with strict cost controls, we are convinced of our ability to achieve the defined goals for 2020.

Outlook and thanks

VP Bank Group is well equipped to meet the challenges of the future. Among others, this is also attested to by Standard & Poor's, which in August 2015 confirmed its excellent "A–" rating for VP Bank (A–/Negative/A–2). VP Bank's substantial equity capital base enables us to invest in growth by means of targeted acquisitions. Also in the years ahead, we will take advantage of market opportunities that arise, provided they are strategically suitable and fit culturally with VP Bank Group.

The intermediaries business is gaining increased importance, both at our international locations and as a result of the merger with Centrum Bank. Against this backdrop, we have decided to restructure the Intermediaries organisational unit as of 1 November 2015 and simultaneously expand the function of divisional management to include specialist responsibility for the entire intermediaries-related business of VP Bank Group.

In the remaining months of 2015, we shall continue with the integration of Centrum Bank into VP Bank Group. The resolute pursuit of Group-wide cost containment will also occupy VP Bank during the second half of the year. We are convinced that, with the relevant measures as well as the qualitative and quantitative expansion of our client advisory capabilities, we will cement a sustainable foundation for the successful future of VP Bank Group.

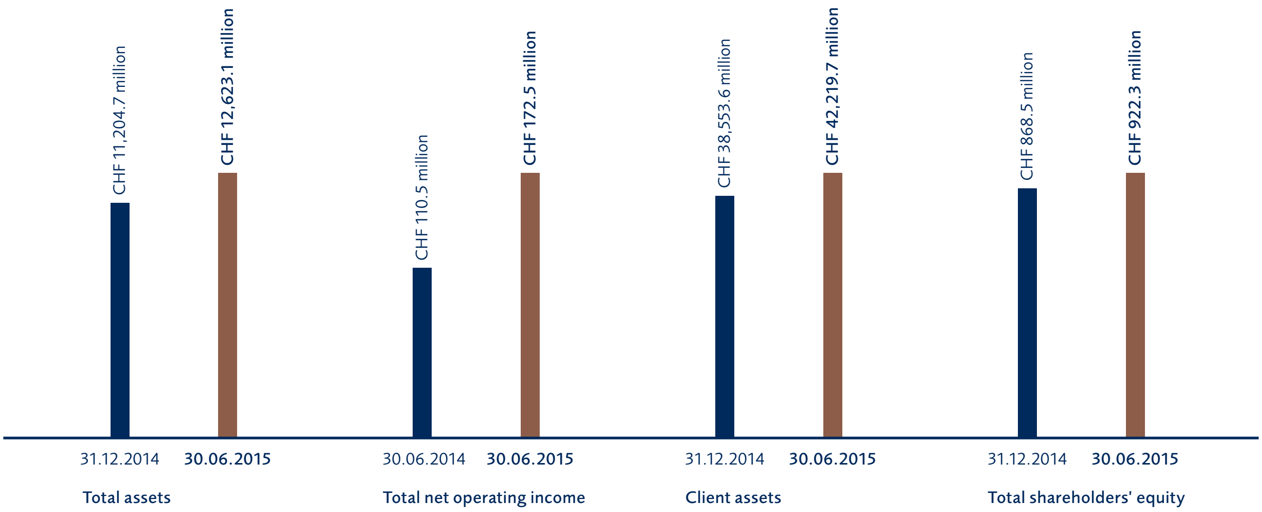
We sincerely thank our valued shareholders and clients for the trust they place in VP Bank Group. We should also like to thank our employees for their dedicated efforts, and we look forward to a successful, jointly mastered second half of 2015.

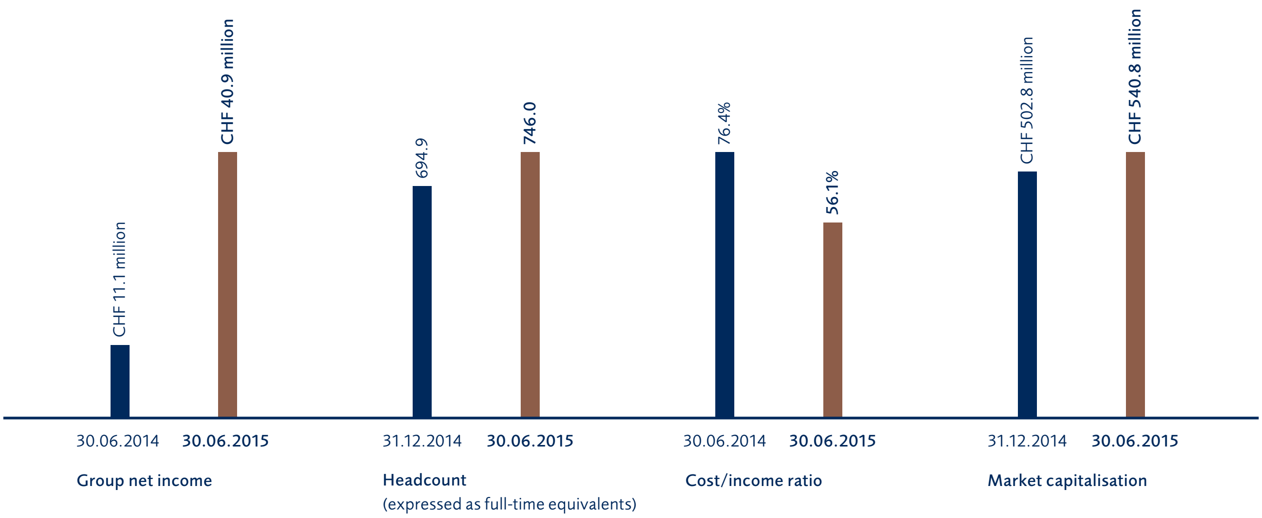
Fredy Vogt
Chairman of the
Board of Directors

Alfred W. Moeckli
Chief Executive Officer

VP Bank Group

Key figures of VP Bank Group





Key figures of VP Bank Group

	30.06.2015	30.06.2014	31.12.2014	Variance to 30.06.2014 in %
Key income statement data in CHF million[1,2]				
Total net operating income	172.5	110.5	222.7	56.1
Net interest income	41.6	31.5	65.6	32.1
Net income from commission business and services	65.9	60.1	118.4	9.8
Net income from trading activities	19.8	11.6	25.4	69.9
Operating expenses	96.8	84.5	165.3	14.6
Group net income	40.9	11.1	20.0	267.7

	30.06.2015	30.06.2014	31.12.2014	Variance to 31.12.2014 in %
Key balance-sheet data in CHF million[1,2]				
Total assets	12,623.1	11,242.5	11,204.7	12.7
Due from banks	3,598.8	3,479.7	3,282.2	9.6
Due from customers	4,921.5	4,098.7	4,263.9	15.4
Due to customers	10,561.9	9,382.5	9,446.0	11.8
Total shareholders' equity	922.3	869.4	868.5	6.2
Equity ratio (in %)	7.3	7.7	7.8	–5.7
Tier 1 ratio (in %)	21.9	20.7	20.5	6.9
Client assets in CHF million[2,3]	**42,219.7**	**39,751.7**	**38,553.6**	**9.5**
On-balance-sheet customer deposits (excluding custody assets)[3]	10,220.4	9,392.5	9,515.6	7.4
Fiduciary deposits (excluding custody assets)	535.7	423.4	404.8	32.3
Client securities accounts	23,826.3	21,386.6	21,018.7	13.4
Custody assets	7,637.4	8,549.2	7,614.5	0.3
Net new money	6,154.8	235.5	–850.2	n.a.
Key operating indicators[2]				
Return on equity (in %)[1,4]	9.2	2.6	2.3	
Cost/income ratio (in %)[5]	56.1	76.4	74.2	
Headcount (expressed as full-time equivalents, excluding student apprentices)[6]	746.0	696.7	694.9	
Total net operating income per employee (in CHF 1,000)	231.3	158.7	320.4	
Total operating expenses per employee (in CHF 1,000)	129.7	121.3	237.8	
Group net income per employee (in CHF 1,000)	54.9	16.0	28.8	
Key indicators related to shares of VP Bank in CHF[4]				
Group net income per bearer share[7]	6.37	1.92	3.45	
Group net income per registered share[7]	0.64	0.19	0.34	
Shareholders' equity per bearer share on the balance-sheet date	139.47	149.66	149.98	
Shareholders' equity per registered share on the balance-sheet date	13.95	14.77	14.68	
Quoted price per bearer share	81.75	79.45	85.00	
Quoted price per registered share	8.18	7.95	8.50	
Market capitalisation (in CHF million)[8]	541	470	503	
Price-earnings ratio per bearer share	6.09	20.72	24.65	
Price-earnings ratio per registered share	6.09	20.73	24.65	
Rating Standard & Poor's	**A–/Negative/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 income 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 The values as of 30.06.2014 were restated by an amount of CHF 0.2 billion. The Group's debentures are no longer reported as client assets under management.
4 Net income / average shareholders' equity less dividend.
5 Total operating expenses / total net operating income.
6 In accordance with legal requirements, trainees are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
7 Based on the weighted average number of (bearer) shares (note 11).
8 Including registered shares.

Structure of VP Bank Group

Organisational chart as of 30.06.2015

Financial report of VP Bank Group

Consolidated semi-annual report of VP Bank Group

Consolidated results

For the first half year of 2015, VP Bank Group generated consolidated net income of CHF 40.9 million in accordance with International Financial Reporting Standards (IFRS). This represents an increase of CHF 29.8 million over the net income of the prior-year period of CHF 11.1 million.

This semi-annual result for 2015 is impacted by the merger of VP Bank with Centrum Bank and its accompanying additional revenues and expenses. To a large degree, the results are also impacted by the abandonment by the Swiss National Bank (SNB) on 15 January 2015 of the minimum exchange rate of the euro to the Swiss franc and of the shift of the target range for three months' LIBOR.

The revaluation of the Swiss franc meant that the countervalue of foreign-currency-denominated client positions shrank by up to 15 per cent within a few hours. These client assets form the basis for the revenues of VP Bank Group. Some three-quarters of all client assets are held in foreign currencies. On the other hand, only one quarter of expenses within VP Bank Group arise in foreign currencies.

New medium-term goals 2020

In the course of a review of medium-term goals, the Board of Directors of VP Bank Group has defined the following new target values in 2020:
- Assets under management of CHF 50 billion;
- Group net income of CHF 80 million;
- Cost/income ratio under 70 per cent.

VP Bank Group has markedly increased the client assets under its management through the merger with Centrum Bank. In spite of the negative foreign-currency impact of the abandonment by the Swiss National Bank of the minimum euro exchange rate mechanism to the Swiss franc, assets under management as of 30 June 2015 totalled CHF 34.6 billion. We shall achieve the sought-after objective in 2020 through organic growth and growth through acquisitions. With its business model and comparable core competencies, target markets and client structures, VP Bank considers Centrum Bank to be an ideal supplement for the successful future of VP Bank Group. Through this merger, the earnings base was strengthened in a sustainable manner. As of 30 June 2015, the cost/income ratio was 56.1 per cent (prior-year comparison: 76.4 per cent). After disregarding the effects of the merger with Centrum Bank, the cost/income ratio would have been 76.5 per cent. Through the targeted exploitation of the infrastructure on hand, the potential for synergies as well as a strict control over costs, VP Bank Group is convinced it will achieve the defined goals in 2020.

The attainment of the goals is supported by the robust equity base of VP Bank Group. As of 30 June 2015, VP Bank Group possessed a tier 1 ratio of 21.9 per cent as well as a rating of A– by Standard & Poor's. This level of equity resources forms a solid basis to enable it to take on an active role in the process of consolidation of banks.

Assets under management

As of 30 June 2015, the assets under management of VP Bank Group aggregated CHF 34.6 billion. Compared with the value as of 31 December 2014 of CHF 30.9 billion, this represents an increase of 11.8 per cent.

In the first six months of 2015, VP Bank Group achieved a net inflow of new client assets of CHF 6.2 billion. Of this amount, CHF 6.7 billion relates to the merger with Centrum Bank (position as of the beginning of 2015). As regards operating activities, net outflows of client assets of CHF 0.1 billion were recorded as opposed to a net inflow of new client assets of CHF 0.2 billion in the first six months of 2014. During the process of the merger with Centrum Bank, anticipated net outflows of client assets totalling CHF 0.4 billion occurred. The net outflows of client assets must be seen against the backdrop of the regulatory environment and tax-related issues. On the other hand, thanks to intensive market-development activities, particularly in Asian markets, welcome inflows of new client assets were achieved.

The performance-related decline in client assets in the first six months of 2015 amounted to CHF 2.5 billion (prior-year period: increase of CHF 0.6 billion). This reduction relates to the abandonment of the minimum euro exchange rate mechanism to the Swiss franc and the accompanying devaluation of foreign-currency-denominated client assets.

Custody assets remained at an unchanged level of CHF 7.6 billion compared with 31 December 2014. As of 30 June 2015, client assets including custody assets totalled CHF 42.2 billion (31 December 2014: CHF 38.6 billion).

Profit and loss account

Total operating income

Compared with the first six months of 2014, total operating income increased by CHF 62.0 million to CHF 172.5 million (prior-year period: CHF 110.5 million). This represents an increase of 56.1 per cent. If the effects of the merger with Centrum Bank are ignored (incl. the effects of the "purchase price allocation") and in spite of the negative impact arising from the abandonment of the minimum-exchange-rate policy versus the euro, total operating income of CHF 105.5 million was achieved.

Interest income rose by 32.1 per cent from CHF 31.5 million in the first six months of 2014 to CHF 41.6 million in the first six months of the current year. As a result of changes to current market conditions, net interest income in the client-related and banking businesses increased by CHF 1.8 million. Interest income also contains changes in the value of interest-rate hedging transactions. During the first half year of 2015, unrealised losses of CHF 4.4 million arose (prior-year period: revaluation losses of CHF 8.4 million). Through the introduction of hedge accounting, revaluation losses were reduced by CHF 1.9 million.

During the first half year of 2015, commission and service income increased by 9.8 per cent to CHF 65.9 million (prior-year period: CHF 60.1 million). The abandonment of the minimum euro exchange rate mechanism clearly left its mark on commission income. In spite of foreign-currency-related declines in volumes, encouraging sustainable increases (increase: CHF 6.7 million) were achieved in the case of portfolio-based revenues such as asset management and the investment business as well as custodian fees. Client-related securities operations in the first half year of 2015, a period marked by uncertainty, were lower when compared with the previous year, which in turn led to lower brokerage fees. The decline of CHF 4.5 million, or 14 per cent, in investment-fund management fees to CHF 27.6 million arises in connection foreign-currency-related declines in volumes. More than three-quarters of the assets managed in investment funds are denominated in foreign currencies. For the same reason, commission- and service-fee-related expenses also declined by CHF 3.7 million to CHF 24.5 million. This decline arises principally in connection with investment-fund management fees which are passed on.

Income from trading rose by 69.9 per cent to CHF 19.8 million (prior-year period: CHF 11.6 million). Income from trading on behalf of clients increased by 45.6 per cent to CHF 20.7 million (prior year period: CHF 14.2 million). This increase is to be ascribed to higher foreign-currency business volumes in the wake of the abandonment of the maintenance of a minimum exchange rate to the euro. Compared with the previous year, trading in securities improved by CHF 1.6 million, which is principally to be explained by gains on hedging operations for financial investments.

A loss of CHF 5.7 million arose in the first half year of 2015 from financial investments (prior-year period: gain of CHF 6.9 million). As a result of higher investment volumes, interest and dividend income rose by 20.7 per cent to CHF 4.2 million (prior-year period: CHF 3.5 million). This additional income, however, was insufficient to offset the revaluation losses resulting from foreign-currency movements and price declines. The opposing gains and losses arising from the related hedging operations are recorded in income from trading activities.

Other income includes the gain as determined by the "purchase price allocation" in connection with the acquisition of Centrum Bank ("bargain purchase") in an amount of CHF 50.0 million.

Operating expenses

During the current reporting period of 2015, operating expenses rose period on period by CHF 12.3 million from CHF 84.5 million to CHF 96.8 million (an increase of 14.6 per cent).

This increase is in line with the strategic direction of VP Bank Group and the merger with Centrum Bank. The integration of Centrum Bank was initiated in the first half year of 2015 with the goal of exploiting synergies and successively eliminating existing duplications. Expenditures in connection with the merger and integration of Centrum Bank amounted to CHF 16.1 million. After ignoring the effects relating to Centrum Bank, operating expenses were reduced by CHF 3.8 million, or 4.5 per cent, compared to the prior-year period.

Compared to 30 June 2014, the employee headcount increased by 49.3 employees (increase of 7.1 per cent), which is to be explained by the merger with Centrum Bank. At the end of June 2015, VP Bank Group had 746 employees, expressed in terms of full-time equivalents.

General and administrative expenses rose by 29.4 per cent to CHF 29.5 million (prior-year period: CHF 22.8 million). This increase is to be ascribed to the merger with Centrum Bank and the running of parallel operations for a limited period of time. With the integration into the existing infrastructure and process landscape, synergies were successively exploited and the accompanying future costs reduced.

Depreciation and amortisation, valuation allowances and losses

Depreciation and amortisation was CHF 4.3 million (29.6 per cent) higher than in the prior-year period and amounts to CHF 19.1 million. This increase is to be explained principally by the amortisation of intangibles arising in connection with the merger with Centrum Bank.

In the first half year of 2015, the charges for valuation allowances, provisions and losses amounted to CHF 17.4 million (prior-year period: CHF 0.3 million). Valuation allowances, provisions and losses for credit risks in the current half year aggregated CHF 4.2 million (prior-year period: CHF 1.0 million). The increase of CHF 3.2 million is to be explained by a valuation allowance raised in respect of one client credit.

Restructuring provisions were established in connection with the merger with Centrum Bank amounting to CHF 12.3 million. Included therein are provisions for administrative expenses of CHF 8.2 million as well as personnel expense of CHF 4.1 million (including social plan).

Taxes on income

As regards taxes on income, there resulted a charge of CHF 1.7 million, which arises in connection with changes to deferred income taxes as well as tax-exempted income from the merger with Centrum Bank.

Consolidated net income

Consolidated net income for the first six months of 2015 amounted to CHF 40.9 million (prior-year period: CHF 11.1 million). Consolidated net income per bearer share was CHF 6.37 (30 June 2014: CHF 1.92).

Balance sheet

Compared with 31 December 2014, total assets increased by CHF 1.4 billion to CHF 12.6 billion. The balance-sheet assets transferred from Centrum Bank amounted to some CHF 2.0 billion. After disregarding this effect, the decline in total assets of CHF 0.6 billion is to be ascribed to foreign-currency effects.

VP Bank Group has cash and cash equivalents of CHF 1.9 billion, which is unchanged from 31 December 2014, and continues to possess a very comfortable level of liquidity. In addition to the assumption of financial instruments of Centrum Bank aggregating CHF 294.9 million, financial instruments reducing amounts due from banks were increased by a further CHF 111.0 million.

Since the beginning of the year, client loans have risen by CHF 657.6 million (15.4 per cent) to CHF 4.9 billion as of 30 June 2015. Of this amount, CHF 602.2 million relates to client loans taken over from Centrum Bank. The increase of CHF 55.4 million is based principally on mortgage loans. In this respect, VP Bank continues unchanged with its focus on a high level of discipline and control in credit-granting activities, which takes on added importance given the current situation on the real-estate market.

On the liabilities' side, client deposits and medium-term notes have increased since the beginning of the year by CHF 1.1 billion (11.8 per cent) to CHF 10.8 billion in spite of currency influences. The client deposits transferred from Centrum Bank at the beginning of 2015 amounted to CHF 1.8 billion. As a result of two debenture bond issues, this balance-sheet caption increased by CHF 187.6 million.

As part of the capital increase approved on the occasion of the extraordinary meeting of shareholders, Marxer Stiftung für Bank- und Unternehmenswerte participated in the increase as a further anchor shareholder in VP Bank. The equity of VP Bank Group was thereby strengthened in a sustainable manner. The public fixed-price offer announced on 18 June 2015 was fully reflected as a liability and deducted from equity. As of the end of June 2015, the equity aggregated CHF 922 million (31 December 2014: CHF 868 million).

As of 30 June 2015, the tier 1 ratio, computed in accordance with the new Basel III rules, amounted to 21.9 per cent (31 December 2014: 20.5 per cent, computed in accordance with Basel II rules).

Outlook

We anticipate ongoing volatility in the market environment for the second half year of 2015 which will impact business operations and the results of VP Bank Group. The already initiated and well-advanced integration of Centrum Bank into VP Bank will be completed with the transfer of client data to the VP Bank IT platform as of the beginning of 2016. Developments regarding tax transparency and the exchange of information continue to make progress and have a direct impact on the clients and the business areas of VP Bank Group as well as on the Liechtenstein financial marketplace. VP Bank is optimally equipped to take on these challenges and continues to pursue its sustainable growth strategy. The high level of equity resources forms a sound basis for a successful future for VP Bank Group.

Consolidated income statement

in CHF 1,000	Note	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Interest income		47,671	39,552	8,119	20.5
Interest expense		6,059	8,042	–1,983	–24.7
Net interest income	1	**41,612**	**31,510**	**10,102**	**32.1**
Commission income		90,435	88,271	2,164	2.5
Commission expenses		24,497	28,218	–3,721	–13.2
Net income from commission business and services	2	**65,938**	**60,053**	**5,885**	**9.8**
Net income from trading activities	3	19,769	11,637	8,132	69.9
Income from financial instruments	4	–5,705	6,872	–12,577	–183.0
Other income	5	50,902	473	50,429	n.a.
Total net operating income		**172,516**	**110,545**	**61,971**	**56.1**
Personnel expenses	6	67,231	61,650	5,581	9.1
General and administrative expenses	7	29,548	22,832	6,716	29.4
Operating expenses		**96,779**	**84,482**	**12,297**	**14.6**
Gross income		**75,737**	**26,063**	**49,674**	**190.6**
Depreciation and amortisation	8	19,060	14,711	4,349	29.6
Valuation allowances, provisions and losses	9	17,404	345	17,059	n.a.
Earnings before income tax		**39,273**	**11,007**	**28,266**	**256.8**
Taxes on income	10	–1,667	–126	–1,541	n.a.
Group net income		**40,940**	**11,133**	**29,807**	**267.7**

Share information		
Undiluted group net income per bearer share	6.37	1.92
Undiluted group net income per registered share	0.64	0.19
Diluted group net income per bearer share	6.37	1.92
Diluted group net income per registered share	0.64	0.19

Consolidated statement of comprehensive income

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Group net income	**40,940**	**11,133**	**29,807**	**267.7**
Other comprehensive income, after income tax				
Other comprehensive income which will be transferred to the income statement upon realisation				
• Changes in foreign-currency translation differences	–4,814	–249	–4,565	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	**–4,814**	**–249**	**–4,565**	**n.a.**
Other comprehensive income that will not be reclassified to the income statement				
• Changes in value of FVTOCI financial instruments	–1,046	–1,917	871	n.a.
• Actuarial gains/losses from defined-benefit pension plans	39	–8,401	8,440	n.a.
Total other comprehensive income which will not be transferred subsequently to the income statement	**–1,007**	**–10,318**	**9,311**	**n.a.**
Other comprehensive income for the period recognised directly in equity (net of tax)	**–5,821**	**–10,567**	**4,746**	**n.a.**
Total comprehensive income for the period (net of tax)	**35,119**	**566**	**34,553**	**n.a.**
Attributable to the shareholders of VP Bank Ltd, Vaduz	35,119	566	34,553	n.a.

Consolidated balance sheet

Assets (audited)

in CHF 1,000	Note	30.06.2015	31.12.2014	Variance absolute	Variance in %
Cash and cash equivalents		1,926,668	1,926,968	–300	0.0
Receivables arising from money-market paper		19,956	22,027	–2,071	–9.4
Due from banks		3,598,848	3,282,226	316,622	9.6
Due from customers		4,921,516	4,263,943	657,573	15.4
Trading portfolios		169	189	–20	–10.6
Derivative financial instruments		27,889	56,126	–28,237	–50.3
Financial instruments at fair value	16	511,922	371,241	140,681	37.9
Financial instruments measured at amortised cost	16	1,367,549	1,074,109	293,440	27.3
Associated companies		53	65	–12	–18.5
Property and equipment		109,463	112,617	–3,154	–2.8
Goodwill and other intangible assets		67,680	38,407	29,273	76.2
Tax receivables		485	569	–84	–14.8
Deferred tax receivables		22,968	16,236	6,732	41.5
Accrued receivables and prepaid expenses		27,136	24,597	2,539	10.3
Other assets		20,824	15,337	5,487	35.8
Total assets		**12,623,126**	**11,204,657**	**1,418,469**	**12.7**

Liabilities (audited)

in CHF 1,000	Note	30.06.2015	31.12.2014	Variance absolute	Variance in %
Due to banks		269,328	304,054	–34,726	–11.4
Due to customers – savings and deposits		832,250	859,101	–26,851	–3.1
Due to customers – other liabilities		9,729,679	8,586,926	1,142,753	13.3
Derivative financial instruments		70,853	45,917	24,936	54.3
Medium-term notes		216,873	193,309	23,564	12.2
Debentures issued	12	387,008	199,370	187,638	94.1
Tax liabilities		2,742	2,467	275	11.1
Deferred tax liabilities		15,172	8,755	6,417	73.3
Accrued liabilities and deferred items		17,751	22,994	–5,243	–22.8
Other liabilities		137,476	104,177	33,299	32.0
Provisions		21,718	9,130	12,588	137.9
Total liabilities		**11,700,850**	**10,336,200**	**1,364,650**	**13.2**
Share capital	13	66,154	59,148	7,006	11.8
Less: treasury shares	14	–28,023	–21,017	–7,006	–33.3
Capital reserves		21,338	–17,173	38,511	224.3
Income reserves		896,408	875,240	21,168	2.4
Unrealised gains/losses on FVTOCI financial instruments		–10,839	–9,793	–1,046	–10.7
Foreign-currency translation differences		–22,762	–17,948	–4,814	–26.8
Total shareholders' equity		**922,276**	**868,457**	**53,819**	**6.2**
Total liabilities and shareholders' equity		**12,623,126**	**11,204,657**	**1,418,469**	**12.7**

Consolidated changes in shareholders' equity

in CHF 1,000 (audited)	Share capital	Treasury shares	Capital reserves	Income reserves	Unrealised gains/losses financial instruments FVTOCI	Actuarial gains/ losses from defined-benefit pension plans	Foreign-currency translation differences	Total shareholders' equity
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[1]	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**
(unaudited)								
Total shareholders' equity 01.01.2014	**59,148**	**–25,903**	**–11,803**	**933,176**	**–9,041**	**–31,428**	**–25,406**	**888,743**
Other comprehensive income, after income tax								
Foreign-currency translation differences							–249	–249
Changes in value transferred to profit reserves								0
Changes in value of FVTOCI financial instruments					–1,917			–1,917
Actuarial gains/losses from defined-benefit pension plans						–8,401		–8,401
Group net income				11,133				11,133
Total reported result 30.06.2014	**0**	**0**	**0**	**11,133**	**–1,917**	**–8,401**	**–249**	**566**
Dividends 2013				–20,345				–20,345
Management equity participation plan (LTI)			–1,496					–1,496
Movement in treasury shares[1]		5,818	–3,871					1,947
Total shareholders' equity 30.06.2014	**59,148**	**–20,085**	**–17,170**	**923,964**	**–10,958**	**–39,829**	**–25,655**	**869,415**

[1] Details on transactions with treasury shares can be found in notes 14 and 17.

Consolidated statement of cash flow

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited
Cash flow from operating activities		
Group net income	40,940	11,133
Non-cash-related positions in Group results	18,800	18,688
Net increase/reduction in banking	–340,997	656,912
Other cash flow from operating activities	–24,226	278
Net cash flow from operating activities	**–305,483**	**687,011**
Cash flow from investment activities		
Cash flow from financial instruments	–296,152	–253,072
Acquisition of subsidiaries less cash and cash equivalents acquired	348,387	–13,436
Disposal of subsidiary companies	0	50
Other investment activities	–4,231	–4,093
Net cash flow from investment activities	**48,004**	**–270,551**
Cash flow from financing activities		
Dividend distributions	–19,811	–20,345
Issuance/redemption of debentures and medium-term notes	202,119	–36,698
Miscellaneous financing activities	3,846	–2,514
Net cash flow from financing activities	**186,154**	**–59,557**
Foreign-currency translation impact	–1,345	–325
Net increase/reduction in cash and cash equivalents	**–72,670**	**356,578**
Cash and cash equivalents at the beginning of the financial year	2,614,467	2,330,575
Cash and cash equivalents at the end of the financial year	2,541,797	2,687,153
Net increase/reduction in cash and cash equivalents	**72,670**	**–356,578**
Cash and cash equivalents are represented by		
Cash	1,926,668	2,037,919
Receivables arising from money-market paper	19,956	22,256
Due from banks – at-sight balances	595,173	626,978
Total cash and cash equivalents	**2,541,797**	**2,687,153**

Principals underlying financial statement reporting and comments

The interim financial reporting was prepared in accordance with International Financial Reporting Standards (IAS 34). The interim financial statements were prepared using the accounting principles applied to the 2014 financial statements. The corresponding accounting principles may be found in the 2014 annual report on pages 90 et seq.

This 2015 interim financial report was audited by Ernst & Young Ltd, with the audited information and tables in the report marked as "audited". The 2014 comparison figures were not audited.

Changes in consolidation scope

As at 7 January 2015, VP Bank Ltd, Vaduz, had acquired all shares of Centrum Bank AG, Vaduz. In accordance with International Financial Reporting Standards (IFRS), Centrum Bank AG was fully consolidated in the VP Bank Group's financial reporting as from that date. At 30 April 2015, the legal merger between VP Bank Ltd and Centrum Bank AG was completed.

Hedge accounting

Hedge accounting rules may be applied voluntarily. In some circumstances, the application of hedge accounting makes it possible to present a company's risk management activities in the financial statements. This occurs by comparing gains and losses on the hedging instruments with those on the hedged items designated for specific risks.

A hedging relationship may be presented in connection with hedge accounting when the following qualitative characteristics are satisfied:

- The hedging relationship consists of permissible hedging instruments and hedged items.
- The company's risk management strategy and the objective of the hedge is formally designated and documented at the inception of the hedging relationship.
- The hedging relationship fulfils the effectiveness requirements.

The hedging relationship must be documented at inception. The documentation includes in particular the identification of the hedging instruments and hedged items as well as the designation of the hedged risk and method for assessing the effectiveness of the hedging relationship. To qualify for hedge accounting, the hedging relationship must satisfy the following effectiveness requirements at the start of each hedge period:

- An economic relationship exists between the hedged item and the hedging instrument;
- Credit risk does not dominate the fair value changes that occur as a result of the economic hedge; and
- The hedge ratio reflects the quantities of the hedged item and hedging instrument for the actual economic hedge.

The Group uses derivative financial instruments for risk management primarily in connection with interest rate and currency risk. When derivative and non-derivative financial instruments satisfy specific criteria, they may be classified as hedging instruments and used to hedge the following risks: changes in the fair value of a recognised asset or liability (fair value hedge accounting); variability in expected future cash flows that can be assigned with a high probability of occurrence to recognised assets or liabilities or forecasted transactions (cash flow hedge accounting); a net investment in a foreign operation (net investment hedging).

Fair value hedge accounting

IFRS 9 allows for the application of fair value hedge accounting in order to avoid one-sided effects on profit or loss of derivatives used to hedge the fair value of recognised assets or liabilities against one or more designated risks. In particular, the Group's credit business and marketable securities used for liquidity management are subject to market risk and interest rate risk insofar as they relate to fixed-rate instruments. These risks are hedged primarily through interest rate swaps. In accordance with fair value hedge accounting rules, the derivative financial instruments used for hedging are recognised as fair values from derivative hedging instruments. For the hedged asset or liability, contrasting changes in fair value resulting from the hedged risk must also be recognised on the balance sheet. The contrasting valuation changes from the hedging instruments and hedged items are shown through profit or loss. The portion of fair value changes not attributable to the hedged risk are recognised in accordance with the rules for the appropriate valuation category. Fair value hedge accounting can be established as either micro fair value hedge accounting or portfolio fair value hedge accounting for interest rate risks:

- In micro fair value hedge accounting, the hedged item is associated with one or more hedging transactions in a hedging relationship. As regards fair value changes attributable to the hedged risk, the carrying amounts of the hedged items are adjusted through profit or loss.
- In portfolio fair value hedge accounting, the hedging of interest rate risk occurs at the portfolio level. The hedging does not involve individual transactions or groups of transactions with similar risk exposures, but an amount of hedged items classified by maturity bands corresponding to a portfolio's expected maturity and interest rate adjustment dates. Portfolios may include only assets, only liabilities or both. In hedging interest rate risk at the portfolio level, the corresponding fair value changes are recognised under "Other assets" or "Other liabilities".

Cash flow hedge accounting

IFRS 9 allows for the application of cash flow hedge accounting in order to avoid one-sided effects on profit or loss of derivatives used to hedge the risk of a change in future cash flows. Under cash flow hedge accounting, the derivatives used are recognised at fair value on the balance sheet.

The effective portion of gains and losses on valuation changes are recognised directly in equity in the cash flow hedge reserve after adjusting for deferred taxes. Meanwhile, the ineffective portion is recognised through profit or loss. The above-mentioned accounting rules remain the same for the derivative instruments used to hedge cash flows.

Net investment hedging

The hedging of a net investment in a foreign operation, including the hedging of a monetary item that forms part of the net investment, is presented similarly to a cash flow hedge. The effective portion of gains and losses on hedging instruments are recognised in other comprehensive income, while the ineffective portion is shown through profit or loss for the period.

In a (partial) disposal of the foreign operation, the effective portion of accumulated gains and losses on hedging instruments is recycled to profit or loss for the period.

Derivative financial instruments

Derivative financial instruments are measured at fair value and recognised on the balance sheet. Fair value is determined using listed prices or options pricing models. Realised and unrealised gains and losses are shown through profit or loss.

VP Bank Group uses the following derivatives for both trading and hedging purposes. They can be classified into the following main categories:

- Swaps. These are transactions in which two parties exchange cash flows on a nominal set amount for a previously determined period. Interest rate swaps are interest rate derivatives used to hedge fixed-rate instruments (e.g. unstructured fixed-rate bonds or covered bonds) against changes in fair value due to market interest rate changes. Currency swaps involve the exchange of interest rate payments on underlying amounts in two different currencies with different benchmark interest rates and also generally include the swapping of the nominal amount at the beginning or end of the contractual period. Currency swaps are typically traded over the counter.
- Forward agreements and futures. These are contractual obligations to purchase or sell a financial instrument or commodity at a future date and set price. Forward agreements are customised agreements negotiated by parties over the counter. Futures, on the other hand, are standardised contracts traded in regulated markets.
- Options and warrants. These are contractual agreements in which the seller grants the buyer the right but not the obligation to buy (call option) or sell (put option) a set amount of a financial instrument or commodity for a set price before a specified date. The buyer pays the seller a premium for this right. Some options also have complex payment structures. Options may be traded over the counter or in regulated markets. They may also be traded in the form of a warrant.

Due from banks and customers

Carrying amounts of receivables for which micro fair value hedge accounting is used are adjusted for fair value changes to the hedged risk. In portfolio fair value hedge accounting, fair value changes are recognised on the balance sheet under "Other assets".

Due to banks and customers

In the case of micro fair value hedge accounting, hedged liabilities are adjusted for fair value changes attributable to the hedged risk. In portfolio fair value hedge accounting, fair value changes are recognised on the balance sheet under other liabilities.

Post-balance-sheet-date events

On 18 June 2015, VP Bank announced that the Board of Directors was making use of the authorisation granted to it by the annual general meeting of 24 April 2015 to repurchase the company's own bearer and registered shares and planned to acquire up to 5 per cent of the share capital in a fixed-price offer corresponding to a maximum of 300,750 bearer shares and 300,208 unlisted registered shares. The repurchase price was set at CHF 84.00 per bearer share and CHF 8.40 per registered share. The full impact of this transaction was recognised in shareholders' equity at 30 June 2015.

Up to the end of the tender period on 3 July 2015, 944,368 bearer shares with a par value of CHF 10.00 were offered to VP Bank at the price of CHF 84.00. Since the repurchase was limited to 300,750 bearer shares (4.55 per cent of the share capital and 2.50 per cent of the voting rights), the offers of bearer shares were reduced proportionally.

Meanwhile, 114,080 unlisted registered shares with a par value of CHF 1.00 (0.17 per cent of the share capital and 0.95 per cent of the voting rights) were offered to VP Bank at a price of CHF 8.40 (adjusted relative to the par value of the bearer shares). Since fewer than 300,208 registered shares were tendered to VP Bank, no reduction in the number of tendered securities was necessary.

The payout on the share repurchase was made effective on 7 July 2015. The transfer tax (Umsatzabgabe) and all commission expenses were assumed by VP Bank.

At the conclusion of the fixed-price repurchase offer on 3 July 2015, VP Bank had a total of 303,058 bearer shares and 115,712 registered shares, corresponding to 4.76 per cent of the total shares outstanding and 3.48 per cent of the voting rights.

The shares purchased under this offer will be used for future acquisitions or treasury management purposes. Since no shares were cancelled, the relationship between share capital and voting rights remained unchanged.

At its 20 August 2015 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	
	30.06.2015	30.06.2014	31.12.2014	1H2015	1H2014	2014	actual year	previous year	actual year	previous year
USD/CHF	0.9346	0.8868	0.9937	0.9476	0.8909	0.9149	–6%	5%	4%	6%
EUR/CHF	1.0413	1.2142	1.2024	1.0572	1.2213	1.2146	–13%	–14%	–13%	–13%
SGD/CHF	0.6941	0.7113	0.7499	0.7018	0.7067	0.7222	–7%	–2%	–3%	–1%
HKD/CHF	0.1205	0.1144	0.1281	0.1222	0.1149	0.1180	–6%	5%	4%	6%
GBP/CHF	1.4698	1.5163	1.5493	1.4435	1.4871	1.5068	–5%	–3%	–4%	–3%

Segment reporting

01.01.–30.06.2015 (audited)

in CHF 1,000	Client Business Liechtenstein	Client Business International	Corporate Center	Total Group
Net interest income	25,159	10,569	5,884	41,612
Net income from commission business and services	45,877	22,415	–2,354	65,938
Net income from trading activities	10,001	3,657	6,111	19,769
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	17,335	18,648	31,248	67,231
General and administrative expenses	1,413	10,324	17,811	29,548
Services to/from other segments	23,149	0	–23,149	0
Operating expenses	**41,897**	**28,972**	**25,910**	**96,779**
Gross income	**39,149**	**8,015**	**28,573**	**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
Income before income tax	**37,162**	**1,110**	**1,001**	**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)	180	252	378	810
Headcount (expressed as full-time equivalents)	171.1	240.0	334.9	746.0
as of 31.12.2014				
Segment assets (in CHF million)	3,448	3,243	4,514	11,205
Segment liabilities (in CHF million)	6,656	2,951	729	10,336
Client assets under management (in CHF billion)[2]	19.5	11.4	0.0	30.9
Net new money (in CHF billion)	–0.2	–0.6	0.0	–0.8
Headcount (number of employees)	157	259	339	755
Headcount (expressed as full-time equivalents)	146.8	246.8	301.3	694.9

[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] Included in this position are acquired client relationships (note 17) of CHF 6.7 billion.
[4] Included in this position are acquired client relationships of CHF 6.7 billion.

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

The organisational structure of VP Bank Group, which serves to underscore the focus on market needs, remains unchanged as of 30 June 2015. VP Bank Group consists of the three organisational units: "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services".

For segment-reporting purposes, the organisational unit "Client Business" is divided into the two business segments: "Client Business Liechtenstein" and "Client Business International", as previously. The organisational units "Chief Executive Officer" and "Chief Financial Officer & Banking Services" are regrouped together under the business segment "Corporate Center" within segment reporting.

The merger with Centrum Bank, Vaduz, is reflected in the segment reporting for the first half year of 2015. The non-recurring positive effect of the "bargain purchase" (gain arising from the acquisition of Centrum Bank) as well as restructuring costs (including the costs of the social plan) and project costs are reflected in the business segment "Corporate Center". The client assets transferred as well as client revenues from this integration are reported in the business segment "Client Business Liechtenstein". Amortisation of transferred capitalised client assets is also allocated to this business segment. Employment contracts of the employees of Centrum Bank, Vaduz, were transferred to VP Bank and integrated into the existing organisational structure of VP Bank Group. As a result of this allocation, ordinary costs were charged to the respective business segment (Client Business Liechtenstein and Corporate Center, respectively).

Prior-year amounts are stated without Centrum Bank, Vaduz.

01.01.–30.06.2014 (unaudited)

in CHF 1,000	Client Business Liechtenstein	Client Business International	Corporate Center	Total Group
Net interest income	18,215	9,938	3,357	31,510
Net income from commission business and services	36,808	25,270	–2,025	60,053
Net income from trading activities	6,697	3,387	1,553	11,637
Income from financial instruments	9	827	6,036	6,872
Other income	0	145	328	473
Total net operating income	**61,729**	**39,567**	**9,249**	**110,545**
Personnel expenses	14,243	22,028	25,379	61,650
General and administrative expenses	1,029	10,307	11,496	22,832
Services to/from other segments	17,421	0	–17,421	0
Operating expenses	**32,693**	**32,335**	**19,454**	**84,482**
Gross income	**29,036**	**7,232**	**–10,205**	**26,063**
Depreciation and amortisation	133	2,280	12,298	14,711
Valuation allowances, provisions and losses	1,977	–948	–684	345
Income/loss before income tax	**26,926**	**5,900**	**–21,819**	**11,007**
Taxes on income				–126
Group net income				**11,133**
Segment assets (in CHF million)	3,403	3,246	4,593	11,243
Segment liabilities (in CHF million)	6,593	3,005	775	10,373
Client assets under management (in CHF billion)[1]	19.4	11.8	0.0	31.2
Net new money (in CHF billion)	0.1	0.1	0.0	0.2
Headcount (number of employees)	161	268	327	756
Headcount (expressed as full-time equivalents)	151.8	256.5	288.4	696.7

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

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or 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.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Net interest income	25,159	18,215	6,944	38.1
Net income from commission business and services	45,877	36,808	9,069	24.6
Net income from trading activities	10,001	6,697	3,304	49.3
Income from financial instruments	9	9	0	0.0
Other income	0	0	0	0.0
Total net operating income	**81,046**	**61,729**	**19,317**	**31.3**
Personnel expenses	17,335	14,243	3,092	21.7
General and administrative expenses	1,413	1,029	384	37.3
Services to/from other segments	23,149	17,421	5,728	32.9
Operating expenses	**41,897**	**32,693**	**9,204**	**28.2**
Gross income	**39,149**	**29,036**	**10,113**	**34.8**
Depreciation and amortisation	1,835	133	1,702	n.a.
Valuation allowances, provisions and losses	152	1,977	–1,825	–92.3
Segment income before income tax	**37,162**	**26,926**	**10,236**	**38.0**
Additional information				
Operating expenses excluding depreciation and amortisation / total operating income (in %)	51.7	53.0		
Operating expenses including depreciation and amortisation / total operating income (in %)	54.0	53.2		
Client assets under management (in CHF billion)	24.4	19.4		
Change in client assets under management compared to 31.12. prior year (in %)	25.0	2.9		
Net new money (in CHF billion)	6.2	0.1		
Gross income / average client assets under management (bp)[1]	73.8	64.4		
Segment result / average client assets under management (bp)[1]	33.9	28.1		
Cost/income ratio operating income (in %)[2]	51.7	53.0	–1.3	–2.4
Headcount (number of employees)	180	161	19.0	11.8
Headcount (expressed as full-time equivalents)	171.1	151.8	19.3	12.7

[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 international private banking 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 the IFOS Internationale Fonds Service Aktiengesellschaft are allocated to this business segment. As from 2015, this business segment includes the employees transferred and client business taken over from the integration of Centrum Bank AG, Vaduz, of the aforementioned units.

Segment results

The pre-tax segment results of the first six months of 2015 increased by CHF 10.2 million (38.0 per cent) over the comparable prior-year period, primarily as a result of the integration of Centrum Bank. In the first half year of 2015, total operating revenues increased by CHF 19.3 million (31.3 per cent) period on period. This growth is to be ascribed, inter alia, to the higher business volume resulting from the transfer of client assets under management arising from the merger with Centrum Bank, which positively impacted client-related interest income (+38.1 per cent), income from commissions and service income (+24.6 per cent) as well as trading income (+49.3 per cent). The existing client-related business in Client Business Liechtenstein also contributed to this positive result. Operating expenses rose by CHF 9.2 million (28.2 per cent) to CHF 41.9 million (prior-year period: CHF 32.7 million), resulting from the merger with Centrum Bank and the related transfer of employees. In the business segment Client Business Liechtenstein, intersegment recharges are based upon fixed internal transfer prices. Indirect costs for internal services provided are reported in the business segment under "Services to/from other segments". The higher level of recharges from other segments results from the merger with Centrum Bank. The increase in depreciation and amortisation is a result of amortisation of intangible assets related to client assets transferred as part of the merger. Charges for valuation allowances, provisions and losses in the first six months of 2015 declined period on period by CHF 1.8 million to CHF 0.2 million (prior-year comparable period: CHF 2.0 million). The gross margin improved to 73.8 basis points (prior-year period: 64.4 basis points), primarily as a result of client assets transferred as part of the merger. The cost/income ratio was 51.7 per cent and was thus lower than the prior-period comparative value of 53.0 per cent.

During the reporting period, there was a net increase in client assets under management totalling CHF 6.2 billion, of which CHF 6.7 billion resulted from the merger with Centrum Bank. Client assets under management at 30 June 2015 totalled CHF 24.4 billion (31 December 2014: CHF 19.5 billion). The personnel headcount increased from 147 positions (31 December 2014) to 171 positions, principally as a result of the successful transfer of employees as part of the merger with Centrum Bank. Compared with 30 June 2014, there was an increase of 19 positions resulting from the merger.

Client Business International

Segment results

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Net interest income	10,569	9,938	631	6.3
Net income from commission business and services	22,415	25,270	–2,855	–11.3
Net income from trading activities	3,657	3,387	270	8.0
Income from financial instruments	232	827	–595	–71.9
Other income	114	145	–31	–21.4
Total net operating income	**36,987**	**39,567**	**–2,580**	**–6.5**
Personnel expenses	18,648	22,028	–3,380	–15.3
General and administrative expenses	10,324	10,307	17	0.2
Services to/from other segments	0	0	0	0.0
Operating expenses	**28,972**	**32,335**	**–3,363**	**–10.4**
Gross income	**8,015**	**7,232**	**783**	**10.8**
Depreciation and amortisation	2,245	2,280	–35	–1.5
Valuation allowances, provisions and losses	4,660	–948	5,608	n.a.
Segment income before income tax	**1,110**	**5,900**	**–4,790**	**–81.2**
Additional information				
Operating expenses excluding depreciation and amortisation / total operating income (in %)	78.3	81.7		
Operating expenses including depreciation and amortisation / total operating income (in %)	84.4	87.5		
Client assets under management (in CHF billion)	10.2	11.8		
Change in client assets under management compared to 31.12. prior year (in %)	–10.8	2.4		
Net new money (in CHF billion)	0.0	0.1		
Gross income / average client assets under management (bp)[1]	68.5	68.1		
Segment result / average client assets under management (bp)[1]	2.1	10.2		
Cost/income ratio operating income (in %)[2]	79.1	83.8	–4.7	–5.6
Headcount (number of employees)	252	268	–16.0	–6.0
Headcount (expressed as full-time equivalents)	240.0	256.5	–16.5	–6.4

[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 VPB Finance S.A. are allocated to this business segment.

Segment results

The strong Swiss franc and the uncertainties on markets impacted our international private banking business. Compared with the 2014 semi-annual results, pre-tax results declined by CHF 4.8 million in the first six months of 2015. Total operating income fell by 6.5 per cent from CHF 39.6 million to CHF 37.0 million, in particular as a result of the downward trend in commission and service income and in part as a result of the strong Swiss franc as well as the gains on financial investments. Interest income and trading income developed positively; period on period, they increased by CHF 0.6 million and CHF 0.3 million, respectively. Operating expenses could be reduced by CHF 3.4 million or 10.4 per cent to CHF 29.0 million. This decline is a result of personnel expenses, which fell by CHF 3.4 million to CHF 18.6 million as a result of the streamlining of the organisational structure within Client Business International. In the business segment "Client Business International", the recharging of services is based on actual invoices and recorded under general and administrative expenses. The charges for valuation allowances, provisions and losses showed an increase of CHF 5.6 million to CHF 4.7 million.

The gross margin was improved to 68.5 basis points (prior-year period: 68.1 basis points). The cost/income ratio improved from 83.8 per cent to 79.1 per cent.

The development of client assets was neutral in the first six months of 2015. These net inflows and outflows of client assets must also be viewed against the backdrop of the regulatory environment and tax-related issues triggering outflows of client assets. In Asian markets, welcome net inflows of new client assets were achieved. Client assets under management at 30 June 2015 amounted to CHF 10.2 billion (31 December 2014: CHF 11.4 billion). The employee headcount of 240 positions was reduced by 17 positions compared with 30 June 2014 and by 7 positions compared with the end of 2014.

Corporate Center

Segment results

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Net interest income	5,884	3,357	2,527	75.3
Net income from commission business and services	–2,354	–2,025	–329	–16.2
Net income from trading activities	6,111	1,553	4,558	293.5
Income from financial instruments	–5,946	6,036	–11,982	–198.5
Other income	50,788	328	50,460	n.a.
Total net operating income	**54,483**	**9,249**	**45,234**	**489.1**
Personnel expenses	31,248	25,379	5,869	23.1
General and administrative expenses	17,811	11,496	6,315	54.9
Services to/from other segments	–23,149	–17,421	–5,728	–32.9
Operating expenses	**25,910**	**19,454**	**6,456**	**33.2**
Gross income	**28,573**	**–10,205**	**38,778**	**n.a.**
Depreciation and amortisation	14,980	12,298	2,682	21.8
Valuation allowances, provisions and losses	12,592	–684	13,276	n.a.
Segment income before income tax	**1,001**	**–21,819**	**22,820**	**n.a.**
Additional information				
Headcount (number of employees)	378	327	51.0	15.6
Headcount (expressed as full-time equivalents)	334.9	288.4	46.5	16.1

Structure

The business segment "Corporate Center" is responsible for banking operations and the processing of business transactions. It encompasses the areas Group Operations, Group Information Technology, Group Finance & Risk, Group Treasury & Execution, Group Legal, Compliance & Tax, Group Human Resources Management, Group Communications & Marketing and Group Business Development. In addition, those revenues and expenses having no direct relationship to the 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. The non-recurring positive effect of the "bargain purchase" from the merger with Centrum Bank Vaduz (gain from the acquisition of Centrum Bank) as well as expenditures of restructuring (including social plan) and project costs are reflected in the business segment "Corporate Center".

From 2015 onwards, this business segment includes the employees of the aforementioned units transferred in connection with the integration of Centrum Bank.

Segment results

The pre-tax segment results for the first six months of 2015 amounted to CHF 1.0 million compared to minus CHF 21.8 million in the prior-year period.

Total operating income in the first six months of 2015 increased period on period by CHF 45.2 million. The principal reason for this is other gains and losses, which rose to CHF 50.8 million, principally as a result of the "bargain purchase" of CHF 50.0 million from the merger.

Interest income improved on the one hand as a result of revaluation gains from interest-rate hedging transactions. On the other hand, as a result of the partially negative interest-rate level, interest income from maturity transformation fell during the reporting period.

Income from commissions and services reflect a decline in income. This decline includes third-party bank commissions which are invoiced to front business units by the service units through internal recharging.

Trading income includes the receipts 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 minimise risks as well as gains/losses from balance-sheet management activities.

The discontinuation by the Swiss National Bank of the minimum exchange rate versus the euro on 15 January 2015 impacted financial instruments. Gains on financial investments in the first six months of 2015 amounted to minus CHF 5.9 million. Interest and dividend income increased as a result of the higher investment volumes. These additional receipts were not able to offset the revaluation losses as a result of foreign-currency movements and decline in prices. In the prior-year period, this caption disclosed a gain of CHF 6.0 million.

The "bargain purchase" gain arising from the acquisition of Centrum Bank was taken to income in the position "Other income".

Operating expenses of the reporting period rose by CHF 6.4 million from CHF 19.5 million to CHF 25.9 million. The reason for this is the project costs relating to the integration of Centrum Bank, Vaduz, on the one hand. On the other hand, employees were transferred as a result of this merger, and accordingly there were CHF 23.1 million more internal recharges for services provided than in the comparable prior-year period of 2014 (CHF 17.4 million). Depreciation and amortisation increased by CHF 2.7 million to CHF 15.0 million as a result of the merger.

During the current period, charges for valuation allowances, provisions and losses showed an increase of CHF 13.3 million to CHF 12.6 million. Included therein are reorganisation provisions in connection with the merger of Centrum Bank, Vaduz. The employee headcount rose from 288 (30 June 2014) to 335 positions, principally as a result of the merger. Compared to the end of 2014, the employee headcount changed by 34 positions.

Notes to the consolidated income statement and consolidated balance sheet

1 Interest income

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Interest and discount income	90	32	58	181.3
Interest income from banks	6,077	6,383	–306	–4.8
Interest income from customers	37,343	33,725	3,618	10.7
Interest income from financial instruments measured at amortised cost	8,037	7,385	652	8.8
Interest-rate instruments	–4,394	–8,355	3,961	47.4
Hedge accounting	–65	0	–65	n.a.
Loan commissions with the character of interest	583	382	201	52.6
Total interest income	**47,671**	**39,552**	**8,119**	**20.5**
Interest expenses on amounts due to banks	124	75	49	65.3
Interest expenses on amounts due to customers	1,974	3,893	–1,919	–49.3
Interest expenses on medium-term notes	986	1,340	–354	–26.4
Interest expenses on debentures issued	2,975	2,734	241	8.8
Total interest expenses	**6,059**	**8,042**	**–1,983**	**–24.7**
Net interest income	**41,612**	**31,510**	**10,102**	**32.1**
Fair-value hedges				
Movements arising from hedges	–1,936	0	–1,936	n.a.
Micro fair-value hedges	–1,936	0	–1,936	n.a.
Portfolio fair-value hedges	0	0	0	n.a.
Movements in underlying transactions	1,871	0	1,871	n.a.
Micro fair-value hedges	1,871	0	1,871	n.a.
Portfolio fair-value hedges	0	0	0	n.a.
Cash-flow hedges[1]				
Result of effectively hedged cash-flow hedges (only ineffective portion)	0	0	0	n.a.
Total hedge accounting	**–65**	**0**	**–65**	**n.a.**

[1] 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.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Commission income from credit business	350	492	–142	–28.9
Asset management and investment business[1]	24,472	19,368	5,104	26.4
Brokerage fees	19,832	20,542	–710	–3.5
Securities account fees	9,032	7,435	1,597	21.5
Fund management fees	27,591	32,066	–4,475	–14.0
Fiduciary commissions	446	277	169	61.0
Commission income from other services	8,712	8,091	621	7.7
Total income from commission business and services	**90,435**	**88,271**	**2,164**	**2.5**
Brokerage expenses	2,655	2,953	–298	–10.1
Other commission- and service-related expenses	21,842	25,265	–3,423	–13.5
Total expenses from commission business and services	**24,497**	**28,218**	**–3,721**	**–13.2**
Net income from commission business and services	**65,938**	**60,053**	**5,885**	**9.8**

[1] Income securities processing, asset management commissions, investment advisory, all-in fees, securities lending and borrowing.

3 Income from trading activities

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Securities trading[1]	–930	–2,573	1,643	n.a.
Interest income from trading portfolios	8	0	8	n.a.
Dividend income from trading portfolios	0	0	0	n.a.
Foreign currency	21,658	13,528	8,130	60.1
Banknotes, precious metals and other	–967	682	–1,649	–241.8
Net income from trading activities	**19,769**	**11,637**	**8,132**	**69.9**

[1] The results from derivatives for risk minimisation are included in this item.

4 Income from financial instruments

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Income from financial instruments at fair value	–516	6,778	–7,294	–107.6
Income from financial instruments measured at amortised cost	–5,189	94	–5,283	n.a.
Total income from financial instruments	**–5,705**	**6,872**	**–12,577**	**–183.0**
Income from financial instruments at fair value				
Results from FVTPL assets	–4,712	3,302	–8,014	–242.7
Interest income from FVTPL financial instruments	3,051	2,197	854	38.9
Dividend income from FVTPL financial instruments	379	365	14	3.8
Dividend income from FVTOCI financial instruments	766	914	–148	–16.2
thereof from FVTOCI financial instruments sold	0	0	0	n.a.
Income from liabilities designated at fair value	0	0	0	n.a.
Total	**–516**	**6,778**	**–7,294**	**–107.6**
Income from financial instruments measured at amortised cost				
Income from financial instruments	–4,107	231	–4,338	n.a.
Realised gains on financial instruments	–1,082	–137	–945	n.a.
Total	**–5,189**	**94**	**–5,283**	**n.a.**

5 Other income

in CHF 1,000	Note	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Income from real estate		–182	81	–263	n.a.
Gains of associated companies		–12	15	–27	–180.0
Miscellaneous other income		1,114	377	737	195.5
Bargain purchase arising upon acquisition	17	49,982	0	49,982	n.a.
Total other income		**50,902**	**473**	**50,429**	**n.a.**

6 Personnel expenses

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Salaries and wages	52,506	49,487	3,019	6.1
Social contributions required by law	4,480	4,170	310	7.4
Contributions to pension plans / defined-benefit plans	7,739	5,558	2,181	39.2
Contributions to pension plans / defined-contribution plans	622	461	161	34.9
Other personnel expenses	1,884	1,974	–90	–4.6
Total personnel expenses	**67,231**	**61,650**	**5,581**	**9.1**

7 General and administrative expenses

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Occupancy expenses	4,600	3,912	688	17.6
Insurance	423	451	–28	–6.2
Professional fees	6,267	4,494	1,773	39.5
Financial information procurement	3,322	2,655	667	25.1
Telecommunication and postage	677	503	174	34.6
IT systems	9,875	6,415	3,460	53.9
Marketing and public relations	1,917	1,646	271	16.5
Capital taxes	102	46	56	121.7
Other general and administrative expenses	2,365	2,710	–345	–12.7
Total general and administrative expenses	**29,548**	**22,832**	**6,716**	**29.4**

8 Depreciation and amortisation

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	5,768	5,353	415	7.8
Amortisation of intangible assets	13,292	9,358	3,934	42.0
Total depreciation and amortisation	**19,060**	**14,711**	**4,349**	**29.6**

9 Valuation allowances, provisions and losses

in CHF 1,000	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Credit risks	4,188	961	3,227	n.a.
Legal and litigation risks	425	–1,035	1,460	141.1
Other[1]	12,791	419	12,372	n.a.
Total valuation allowances, provisions and losses	**17,404**	**345**	**17,059**	**n.a.**

[1] Includes restructuring provisions in connection with the Centrum Bank merger, of which CHF 8.2 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.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Total current taxes	1,384	779	605	77.7
Total deferred taxes	–3,051	–905	–2,146	–237.1
Total taxes on income	**–1,667**	**–126**	**–1,541**	**n.a.**

11 Earnings per share

	30.06.2015 audited	30.06.2014 unaudited
Consolidated earnings per share of VP Bank Ltd, Vaduz		
Net income (in CHF 1,000)	40,940	11,133
Weighted average of bearer shares	5,827,792	5,208,917
Weighted average of registered shares	5,960,344	5,974,079
Total weighted average number of bearer shares	6,423,826	5,806,325
Undiluted consolidated earnings per bearer share	6.37	1.92
Undiluted consolidated earnings per registered share	0.64	0.19
Fully diluted consolidated earnings per share of VP Bank Ltd, Vaduz		
Net income (in CHF 1,000)	40,940	11,133
Adjusted consolidated net income (in CHF 1,000)	40,940	11,133
Number of shares used to compute the fully diluted consolidated net income	6,423,826	5,806,325
Fully diluted consolidated earnings per bearer share	6.37	1.92
Fully diluted consolidated earnings per registered share	0.64	0.19

12 Debentures, VP Bank Ltd, Vaduz (audited)

in CHF 1,000						30.06.2015	31.12.2014
Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	Total	Total
2010	CH0112734469	2.5	CHF	27.05.2016	187,000[1]	186,105	199,370
2015	CH0262888933	0.5	CHF	07.04.2021	100,000	100,400	0
2015	CH0262888941	0.875	CHF	07.10.2024	100,000	100,503	0
Total debentures					**387,000**	**387,008**	**199,370**

[1] In 2015, VP Bank Ltd redeemed, on the free market, debentures of a nominal value of CHF 13 million in compliance with the debentures' terms of issue. The debentures so redeemed were cancelled.

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 (2.73 per cent debenture 2016; 0.43 per cent debenture 2021; 0.82 per cent debenture 2024).

13 Share capital (audited)

	No. of shares 30.06.2015	Nominal CHF 30.06.2015	No. of shares 31.12.2014	Nominal CHF 31.12.2014
Registered shares of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares of CHF 10.00 nominal value	6,015,000	60,150,000	5,314,347	53,143,470
Total share capital		**66,154,167**		**59,147,637**

All shares are fully paid up.

The shareholders of VP Bank present at the extraordinary general meeting of VP Bank held on Friday, 10 April 2015, approved all motions submitted by the Board of Directors. On the occasion of the takeover of Centrum Bank by VP Bank, it was agreed that Marxer Stiftung für Bank- und Unternehmenswerte, as the previous sole shareholder of Centrum Bank, will participate in the capital of VP Bank to the extent of the countervalue of the sales price (note 17). As neither the corresponding number of shares was freely available on the market nor were there sufficient bearer shares in the Bank's own shareholdings, the Board of Directors resolved to undertake a corresponding capital increase excluding the right of subscription thereto of the existing shareholders. The extraordinary general meeting approved an increase in share capital of CHF 7,006,530.00 as well as the issuance of 700,653 bearer shares of a par value of CHF 10.00 with entitlement to a dividend as from the date of issuance. Following the capital increase as part of the merger, there resulted a new balance of 6,015,000 bearer shares, and the total share capital of the Bank now amounts to CHF 66,154,167.00.

14 Treasury shares (audited)

	No. of shares 30.06.2015	in CHF 1,000 30.06.2015	No. of shares 31.12.2014	in CHF 1,000 31.12.2014
Registered shares at the beginning of the financial year	209	2	30,659	377
Purchases	1,433	11	10,050	76
Sales	–10	–1	–40,500	–451
Balance of registered shares as of balance-sheet date[1]	**1,632**	**12**	**209**	**2**
Bearer shares at the beginning of the financial year	111,634	21,015	107,795	25,526
Purchases	2,868	226	88,043	7,710
Sales[2]	–112,194	–21,053	–84,204	–12,221
Balance of bearer shares as of balance-sheet date	**2,308**	**188**	**111,634**	**21,015**

[1] On 18 June 2015, VP Bank Ltd announced a public fixed-price bid for the acquisition of a maximum of 300,750 bearer shares at a price of CHF 84.00 and a maximum of 300,208 registered shares 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 its own shares. In the table above, these shares are not disclosed, as they are not yet in the possession of VP Bank Ltd.

[2] Included therein are 55,302 bearer shares which were used as part of the acquisition of Centrum Bank.

15 Dividend (audited)

	2015	2014
Approved and paid dividend of VP Bank Ltd, Vaduz		
Dividend (in CHF 1,000) for the financial year 2014 (2013)	19,846	20,702
Dividend per bearer share	3.00	3.50
Dividend per registered share	0.30	0.35
Payout ratio (in %)	n.a.	53.2

16 Financial instruments (audited)

Fair value of financial instruments

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

in CHF million	Carrying value 30.06.2015	Fair value 30.06.2015	Variance	Carrying value 31.12.2014	Fair value 31.12.2014	Variance
Assets						
Cash and cash equivalents	1,927	1,927	0	1,927	1,927	0
Receivables arising from money-market paper	20	20	0	22	22	0
Due from banks	3,599	3,600	1	3,282	3,283	1
Due from customers	4,922	5,081	159	4,264	4,390	126
Trading portfolios	0	0	0	0	0	0
Derivative financial instruments	28	28	0	56	56	0
Financial instruments at fair value	512	512	0	371	371	0
Financial instruments measured at amortised cost	1,368	1,378	10	1,074	1,099	25
Subtotal			**170**			**152**
Liabilities						
Due to banks	269	269	0	304	304	0
Due to customers	10,562	10,568	–6	9,446	9,436	10
Derivative financial instruments	71	71	0	46	46	0
Medium-term notes	217	223	–6	193	198	–5
Debenture issue	387	392	–5	199	207	–8
Subtotal			**–17**			**–3**
Total variance			**153**			**149**

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

Cash and cash equivalents, money-market paper

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

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

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

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

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

Derivative financial instruments

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

Valuation methods for financial instruments

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

Valuation methods for financial instruments

in CHF million at fair value	Quoted market prices Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3	Total
Assets 30.06.2015				
Cash and cash equivalents		1,927		1,927
Receivables arising from money-market paper	20			20
Due from banks		3,600		3,600
Due from customers		5,081		5,081
Trading portfolios		0		0
Derivative financial instruments		28		28
Financial instruments at fair value	483	26	3	512
Financial instruments measured at amortised cost	1,378			1,378
Liabilities 30.06.2015				
Due from banks		269		269
Due from customers		10,568		10,568
Derivative financial instruments		71		71
Medium-term notes		223		223
Debenture	392			392

In the financial year 2015, positions with a fair value of CHF 0.0 million (2014: CHF 0.0 million) were reclassified from Level 1 (quoted market prices) to Level 2 (valuation methods based on market data), and positions with a fair value of CHF 0.0 million (2014: CHF 4.3 million) were reclassified from Level 2 to Level 3 (valuation methods not based on market data). The reclassifications are made as of the end of the reporting period in the case of changes in the availability of market prices (market liquidity).

in CHF million at fair value	Quoted market prices Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3	Total
Assets 31.12.2014				
Cash and cash equivalents		1,927		**1,927**
Receivables arising from money-market paper	22			**22**
Due from banks		3,283		**3,283**
Due from customers		4,390		**4,390**
Trading portfolios				**0**
Derivative financial instruments		56		**56**
Financial instruments at fair value	309	57	5	**371**
Financial instruments measured at amortised cost	1,099			**1,099**
Liabilities 31.12.2014				
Due from banks		304		**304**
Due from customers		9,436		**9,436**
Derivative financial instruments		46		**46**
Medium-term notes		198		**198**
Debenture	207			**207**

Level 3 financial instruments in CHF million	30.06.2015	31.12.2014
Balance sheet		
Holdings at the beginning of the year	4.5	4.1
Investments	0.4	0.0
Disposals	0.0	0.0
Issues	0.0	0.0
Redemptions	–0.1	–2.8
Losses recognised in the income statement	–0.6	0.0
Losses recognised as other comprehensive income	–1.6	–1.5
Gains recognised in the income statement	0.0	0.0
Gains recognised as other comprehensive income	0.6	0.5
Reclassification to Level 3	0.0	4.3
Reclassification from Level 3	0.0	0.0
Translation differences	0.0	0.0
Total book value at balance-sheet date	**3.2**	**4.5**

Level 3 financial instruments in CHF million	30.06.2015	31.12.2014
Income on holdings on balance-sheet date		
Unrealised losses recognised in the income statement	–0.6	0.0
Unrealised losses recognised as other comprehensive income	–1.7	–1.5
Unrealised gains recognised in the income statement	0.0	0.0
Unrealised gains recognised as other comprehensive income	0.6	0.5

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

Fair value sensitivity of Level 3 financial instruments

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

17 Acquisitions (audited)

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 (provisional):

in CHF 1,000	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 debt capital	**–1,837,845**
Total net assets	**119,226**
Net assets acquired[1]	**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

[1] The determination of the fair values of assets acquired, in particular of the intangible assets, as well as of liabilities assumed, could not yet be definitively completed as of the balance-sheet date.

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) (financial year 2014: CHF 1.2 million). 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. The undervaluation is most probably linked to the capital structure of VP Bank (bearer and registered shares with differing voting and capital shares). 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 (audited)

in CHF 1,000	30.06.2015	31.12.2014
Total contingent liabilities	52,784	78,203
Irrevocable facilities granted	49,879	32,985
Total fiduciary transactions	682,533	703,315
Contract volumes of derivative financial instruments	4,122,572	3,758,237
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	312,058	0
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities, as well as securities in own portfolio transferred within the framework of repurchase transactions	300,030	362,431
of which securities where the unlimited right to sell on or pledge has been granted	250,303	299,546
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	592,634	354,749
of which securities which have been resold or repledged	49,674	57,988

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	30.06.2015 audited	31.12.2014 audited	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	5,653.7	5,506.2	147.5	2.7
Assets in discretionary asset management accounts	3,707.1	2,984.8	722.3	24.2
Other client assets under management[1]	25,221.5	22,448.1	2,773.4	12.4
Total client assets under management (including amounts counted twice)[1]	**34,582.3**	**30,939.1**	**3,643.2**	**11.8**
of which amounts counted twice	1,885.7	1,750.1	135.6	7.7
Custody assets[1]	**7,637.4**	**7,614.5**	**22.9**	**0.3**
Total client assets				
Total client assets under management (including amounts counted twice)	34,582.3	30,939.1	3,643.2	11.8
Custody assets	7,637.4	7,614.5	22.9	0.3
Total client assets	**42,219.7**	**38,553.6**	**3,666.1**	**9.5**

in CHF million	01.01.–30.06.2015 audited	01.01.–30.06.2014 unaudited	Variance absolute	Variance in %
Net new money[2]	**6,154.8**	**235.5**	**5,919.3**	**n.a.**

[1] Included in this position are acquired client relationships (note 17) of CHF 0.4 billion.
[2] Included in this position are acquired client relationships (note 17) of CHF 6.7 billion.

Capital-adequacy computation (audited)

in CHF 1,000	30.06.2015 Basel III	31.12.2014 Basel II
Core capital (unadjusted)	912,645	858,404
Eligible core capital (tier 1)	908,787	860,618
Eligible core capital (adjusted)	908,776	860,523
Total required equity	539,199	336,320
Tier 1 ratio	21.9%	20.5%

Independent Auditor's Report on the consolidated semi-annual report

To the Board of Directors of VP Bank Ltd, Vaduz

We have audited the consolidated semi-annual report of VP Bank Ltd, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated changes in shareholders' equity, consolidated statement of cash flow and a summary of significant accounting policies and other explanatory information (pages 18 to 41), for the period from 1 January 2015 to 30 June 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated semi-annual report in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting", and for such internal control as the Board of Directors determines is necessary to enable the preparation of a consolidated semi-annual report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated semi-annual report. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated semi-annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated semi-annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated semi-annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated semi-annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the presentation of the consolidated semi-annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated semi-annual report of VP Bank Ltd for the period ended 30 June 2015 is prepared, in all material respects, in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Other matter

The comparative financial information for the period from 1 January 2014 to 30 June 2014 was not audited.

Ernst & Young Ltd

Bruno Patusi	**Moreno Halter**
Swiss Certified Accountant	Certified Accountant
(Auditor in charge)	

Berne, 12 August 2015

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, 8 March 2016
Media and analyst conference, financial results 2015

Tuesday, 8 March 2016
Publication financial report 2015

Friday, 29 April 2016
Annual general meeting of shareholders 2016

Tuesday, 30 August 2016
Semi-annual results 2016

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