



// Seize opportunities //

Shareholder information

VP Bank Group at a glance

- Founded in 1956
- Third-largest bank in Liechtenstein
- Over 1,000 employees
- Listed on SIX Swiss Exchange
- "A" rating from Standard & Poor's
- Six locations worldwide in key financial centres (Vaduz, Zurich, Luxembourg, Singapore, Hong Kong, Tortola/BVI)
- Focus on asset management for intermediaries and private individuals
- International fund competency centre

Goals for the end of 2026

- Profit: Group net income of CHF 100 million
- Growth: net new money > 4% p.a. over the cycle
- Profitability: profit margin > 15 bps and cost/income ratio 70%
- Stability: tier 1 ratio > 20%

Agenda 2022

Annual results	8 March 2022
Annual general meeting of shareholders	29 April 2022
Dividend payment	5 May 2022
Semi-annual results	17 August 2022

Master data

Registered shares A, listed on SIX Swiss Exchange	
Symbol SIX	VPBN
Bloomberg ticker	VPBN
Reuters ticker	VPBN.S
Security number	31 548 726
ISIN	LI0315487269

"Seize opportunities"

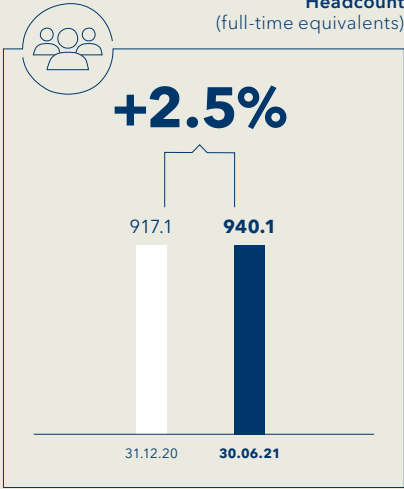
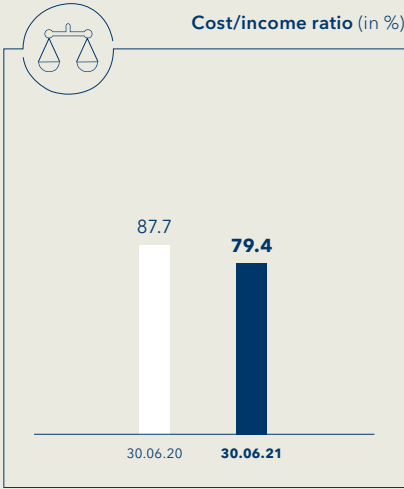
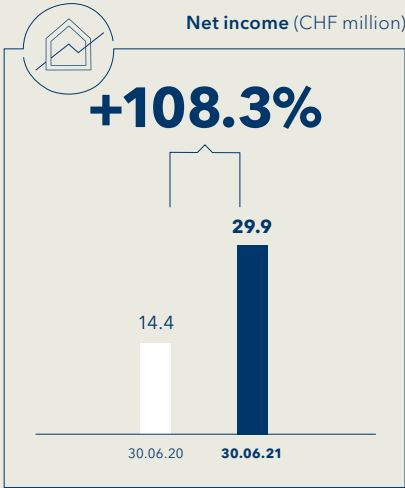
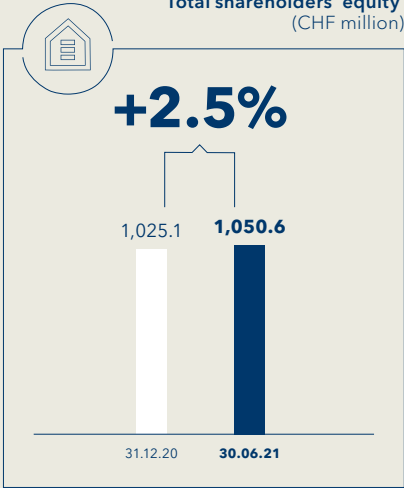
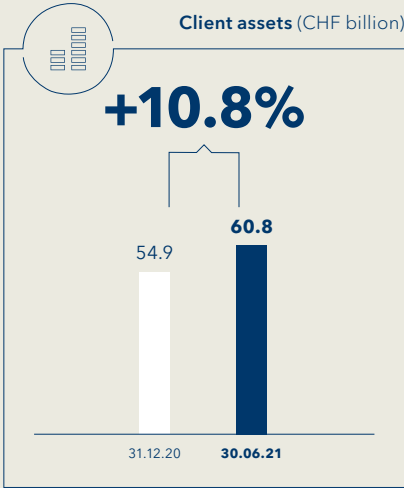
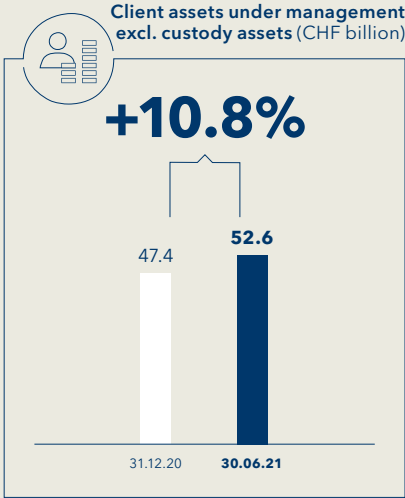
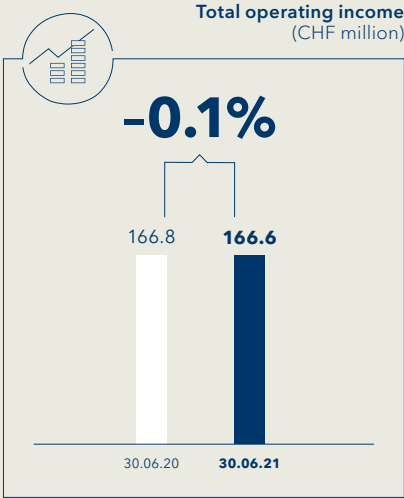
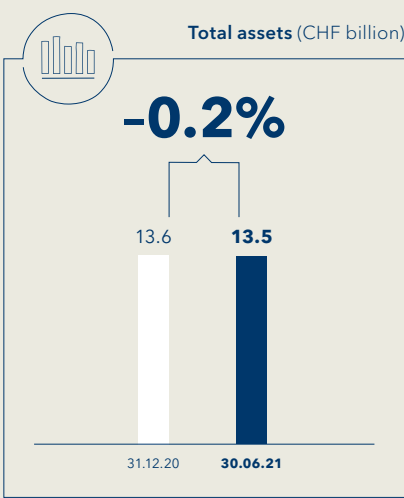
With its Strategy 2026, VP Bank set a milestone for the future of the Group. Under the motto "Seize opportunities", we have defined, among other things, a sharpened positioning and a number of strategic measures. The annual report 2020 of the VP Bank Group guides you through the key components of the new strategy and presents seven themes that illustrate the idea of seizing opportunities. Learn about our approach to markets, trends, sustainable investments, risk management, data analytics, private markets and the intermediary business. The themes we show you here will also be encountered in a media advertising campaign slated for 2021.

Additional information on the topic of seizing opportunities can be found in the annual report 2020 of the VP Bank Group as well as in your daily cooperation with the VP Bank team.



report.vpbank.com

Key figures of VP Bank Group



Key figures of VP Bank Group

	30.06.2021	30.06.2020	31.12.2020	Variance to 30.06.2020 in %
Key income statement data in CHF million^{1,2}				
Total net interest income	55.9	57.4	113.6	-2.6
Total net income from commission business and services	78.0	71.5	140.0	9.1
Income from trading activities	24.1	32.5	56.6	-25.8
Income from financial instruments	7.3	4.9	7.9	51.5
Total operating income	166.6	166.8	319.0	-0.1
Operating expenses	132.2	146.2	269.5	-9.6
Group net income	29.9	14.4	41.6	108.3
Key balance-sheet data in CHF million^{1,2}				
Total assets	13,499.1	13,611.0	13,523.4	-0.2
Due from banks	1,598.2	1,829.4	1,784.3	-10.4
Due from customers	6,522.5	6,057.9	6,281.5	3.8
Due to customers	11,718.7	11,608.5	11,511.7	1.8
Total shareholders' equity	1,050.6	989.5	1,025.1	2.5
Equity ratio (in %)	7.8	7.3	7.6	2.7
Tier 1 ratio (in %)	20.8	20.1	20.8	-0.3
Leverage ratio in accordance with Basel III (in %)	7.1	7.0	7.1	0.0
Liquidity coverage ratio in accordance with Basel III (in %)	153.4	176.7	179.4	-14.5
Total client assets under management in CHF billion	52,550.5	44,481.1	47,437.1	10.8
On-balance-sheet customer deposits (excluding custody assets)	11,704.2	11,681.2	11,539.1	1.4
Fiduciary deposits (excluding custody assets)	361.0	640.5	401.1	-10.0
Client securities accounts	40,485.2	32,159.4	35,496.9	14.1
Custody assets in CHF billion	8,231.6	7,556.1	7,442.6	10.6
Total client assets in CHF billion	60,782.1	52,037.2	54,879.7	10.8
Business volumes³	59,073.0	50,539.0	53,718.6	10.0
Net new money	652.2	934.5	1,382.5	-52.8
Key operating indicators²				
Return on equity (in %) ^{1,4}	5.7	2.8	4.1	
Expenses/income ratio (in %) ⁵	70.2	66.1	69.3	
Cost/income ratio (in %) ⁶	79.4	87.7	84.5	
Headcount (expressed as full-time equivalents, excluding student apprentices) ⁷	940.1	908.0	917.1	
Total operating income per employee (in CHF 1,000)	177.2	183.7	347.9	
Total operating expenses per employee (in CHF 1,000)	124.5	121.5	241.0	
Group net income per employee (in CHF 1,000)	31.8	15.8	45.4	
Key indicators related to shares of VP Bank in CHF¹				
Group net income per registered share A ⁸	4.93	2.39	6.90	
Group net income per registered share B ⁸	0.49	0.24	0.69	
Shareholders' equity per registered share A on the balance-sheet date	172.98	164.23	169.93	
Shareholders' equity per registered share B on the balance-sheet date	16.86	15.82	16.44	
Quoted price per registered share A	111.00	123.00	112.00	
Quoted price per registered share B	11.10	12.30	11.20	
Market capitalisation (in CHF million) ⁹	734	814	741	
Price/earnings ratio per registered share A	11.26	25.78	16.23	
Price/earnings ratio per registered share B	11.26	25.78	16.23	
Rating Standard & Poor's¹⁰	A/Negative/A-1	A/Stable/A-1	A/Negative/A-1	

¹ The reported key data and operating indicators are computed and reported on the basis of the share of the net profit and shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz.

² Details in the notes to the consolidated income statement and consolidated balance sheet.

³ Assets under management and due from customers.

⁴ Net income / average shareholders' equity less dividend.

⁵ Total operating expenses (without depreciation and amortisation, valuation allowances, provisions and losses) / total operating income.

⁶ Total operating expenses / total net operating income = cost/income ratio strategy 2026.

⁷ In accordance with legal requirements, apprentices are to be included in headcount statistics as 50 per cent of equivalent full-time employees.

⁸ Based on the weighted average number of shares (registered shares A) (note 11).

⁹ Including registered shares B.

¹⁰ On 17 July 2020, S&P Global Ratings revised the outlook on VP Bank to negative from stable.

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



Dr Thomas R. Meier
Chairman of the Board of Directors



Paul H. Arni
Chief Executive Officer

Dear Shareholders,
Ladies and Gentlemen

VP Bank stayed its course towards sustainable growth in the first half of 2021 and made significant headway in the implementation of its strategy. The market environment and overall economic growth were firmly in the grip of the coronavirus at the beginning of the year. Eurozone and Swiss GDP readings suffered further setbacks in the first quarter as containment measures took their toll on the economy. Fortunately, lockdowns as well as progress in vaccination and testing but also warmer temperatures succeeded in curbing the viral spread as the spring months progressed. A wave of reopenings in the services sector provided a strong economic boost. Manufacturers were pleased with their brim-full order books, but a shortage of materials hindered the production of many final goods. Overall, though, the first half of the year was marked by a reawakening of the global economy. The central banks have maintained their expansionary monetary policies despite sharply rising inflation rates, which they consider to be merely a transitory phenomenon.

Solid first-half results

Despite this challenging environment, VP Bank Group managed to record solid half-year results. Our consolidated net income of CHF 29.9 million came in significantly higher compared to the prior-year period (CHF 14.4 million). This doubling of last year's H1 result, which was burdened by a one-time charge of ca. CHF 20 million, follows through on the fine results achieved in the preceding years and is evidence of the Bank's steady course. Versus the first half of 2020, income from the commission business and services rose by 9.1 per cent to CHF 78 million, whilst income from financial instruments also made a positive contribution to net profit by increasing 51.5 per cent to CHF 7.3 million. Trading activities generated income of CHF 24.1 million, down by CHF 8.4 million compared to H1 2020. This was mainly due to the US Federal Reserve and ECB rate cuts in the first half of 2020, which ultimately had a negative impact on the margins for swap transactions. Personnel expenses (up 5.8 per cent to CHF 86 million) and general and administrative expenses (up 6.9 per cent to CHF 31 million) were in line with the planned investments for the implementation of our Strategy 2026.

The generally solid performance of VP Bank Group is also reflected in the first semester increase in client assets under management (excluding custody assets) of 10.8 per cent to CHF 52.6 billion. This larger sum is attributable to yet another net inflow of new money (CHF 0.7 billion), the acquisition of the private banking business of Öhman Bank S.A. (CHF 0.9 billion) and a higher mark-to-market valuation totalling CHF 3.5 billion.

VP Bank is still sturdily capitalised. Its tier 1 capital ratio of 20.8 per cent far exceeds the regulatory minimum requirements as well as our own ambitious long-term target reading of at least 20 per cent.



Net income (CHF million)

29.9



Client assets under management
excl. custody assets (CHF billion)

52.6



Tier 1 ratio (in %)

20.8



Total operating income (CHF million)

166.6

VP Bank shares and the capital market

Based on VP Bank's 2020 annual net profit and in keeping with our long-standing dividend payout policy, CHF 4.00 per class A registered share was distributed on 6 May 2021, which equates to a dividend yield of roughly 3.5 per cent.

In the first half of 2021, the shares of VP Bank Group recorded a total return (including dividends) of 2.6 per cent. The share price fluctuated during that period in a range between CHF 110.00 (on 1 February and 20 May 2021) and CHF 124.00 (reached on 8 March 2021).

Senior management of VP Bank conducted numerous discussions with analysts and investors during the first half of 2021 and took part in several roadshows. The analysts' ratings remained unchanged, with three "Buy" recommendations and one "Overweight". Moreover, in July 2021 Standard & Poor's reaffirmed the Bank's fine "A" rating as well as our prudent and consistent business policy.

New approaches to wealth management

We are convinced that conventional approaches to wealth management need to be rethought. Only this way can success be achieved in the future. For that reason, our Strategy 2026 aims to establish VP Bank as an international Open Wealth Services pioneer. Going forward, by making available a discrete platform for wealth-related services, we will provide the means for combining traditional banking activities with the advantages and benefits of digital ecosystems. Details of this revolutionary approach were already presented in our annual report 2020.

This transformation to an open platform is the logical extension of our business relationships with intermediaries and high net worth individuals. In future, clients will be able to choose from a modular offering that encompasses both the Bank's own services and those of complementary third-party providers. They will be able to do so conveniently, regardless of user medium, and need not have a direct account/deposit relationship with VP Bank. Thanks to the additional range of offerings from specialised third-party providers, clients will benefit from a vast array of products and services that go beyond the traditional to also include sustainable investment opportunities, private market investments, and even the possibility to engage in digitalised assets. By enabling non-customers to access certain parts of this offering, we significantly increase our addressable market, in particular via our broad network of financial intermediaries.

Noteworthy events in the first half of the year

It goes without saying that our Strategy 2026 is based on VP Bank's strong existing business, which we will continue to develop in a targeted manner. With a resolute focus on client needs, VP Bank is active and ideally positioned in our home market of Liechtenstein as well as at five additional locations worldwide, namely in Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands. Our clearly defined regional strategies are aimed at achieving profitable and sustainable growth at all of the Bank's six international locations. In January, we completed the acquisition of the client business of Luxembourg-based Öhman Bank S.A. The inclusion of these new employees and the migration of client assets will contribute significantly to the expansion of our activities in the Luxembourg and Scandinavian markets. VP Bank's conclusion of a cooperation agreement with Hywin Wealth Management Co. and equity investment in Hywin Holdings Ltd. in March marked another important step in the development of our Asian business. Targeted additions to our partnership network represent a key building block in the development of a wider, highly attractive client base in this region. Through the appointment of a new head of VP Bank's Asian activities, as well as the onboarding of further personnel who bring with them an extensive local client network, the Singapore and Hong Kong offices have also been strengthened with additional expertise. In Hong Kong, we can now look back on 15 years of presence, and it fills us with pride that regular awards attest to our commitment to and expertise in Asia. For instance, VP Bank Ltd Singapore Branch was named "Best Private Bank - Intermediary Services" at the Asian Private Banker Awards for Distinction ceremony in January, and "Best Boutique Private Bank" in connection with the WealthBriefingAsia Awards in June.

The consistent observance of sustainability at both the banking and investment levels is another important cornerstone of our Strategy 2026. VP Bank's inclusion this past February in SIX Swiss Exchange's two sustainability indices, the "SPI ESG" and "SPI ESG Weighted", vouches for our being on the right track in this regard. Since the beginning of the year, sustainability criteria have been an integral part of all our investment and advisory processes. In contrast to our competitors, sustainability is also the new standard for VP Bank's interaction with advisory-only clients and not just our discretionary mandates. We provide clients with transparent information on the sustainability profile of their investment, this on the basis of our proprietary VP Bank Sustainability Score. This metric has been integrated into all mandates since January and displayed on all asset statements since March. We also demonstrate our commitment to sustainability at the corporate level: VP Bank has published its first comprehensive sustainability report. The Bank is also a new signatory to the UN Principles for Responsible Investment (PRI) and the UN Principles for Responsible Banking (PRB). By having done so, we underscore our determination to anchor sustainability throughout the VP Bank Group and report on the progress being made.

Regulatory requirements governing direct contact with banking clients have increased significantly. It is therefore crucial that the Bank's processes function as efficiently as possible and that our core competence – namely, personalised advice – remains clearly in focus. In January we introduced the RM Cockpit, a centralised tool that provides a holistic view of the client and thereby facilitates the rendering of targeted advice.

Without a doubt, the efficiency and effectiveness of our IT systems as well as VP Bank's open, service-enabled core banking system constitute key pillars of our Strategy 2026. It is equally clear that technology partners play a vital role in this regard. Therefore, early this year we entered into a strategic cooperation with Swisscom aimed at ensuring the reliable operation of our IT infrastructure. In June, we also arranged for an innovation partnership with InvestCloud in order to lay the foundation for providing personalised wealth management services via ecosystems. With InvestCloud as an experienced partner at our side, we will be in a position to offer bundled investment solutions that are precisely tailored to meet our clients' needs, as well as to forge ahead with further innovations.

Aside from the further development of our existing Group-wide business activities and the optimisation and scaling of our processes and systems, new business models and opportunities form the third key pillar of our Strategy 2026. Collectively, these pillars will ultimately result in the fulfilment of our ambition to establish VP Bank as an international Open Wealth Service pioneer. In the first half of 2021, our recently created Client Solutions unit successfully completed preparatory work for the launch of the Orbit ecosystem, which will facilitate easy access to the "Private Market" asset class, a market segment that to date has been difficult for investors to enter.

Moreover, with a pilot project focused on the digitalisation of art assets, we are also laying the groundwork for a Blockchain-based future. It is our firm belief that the digitalisation of non-bankable assets meets a growing need and that in Liechtenstein, thanks to the Principality's recently adopted Blockchain Act (TVGT), we now have the crucial legal framework necessary to be successful also in this area.

Staff and organisational changes

At VP Bank's 58th annual general meeting on 30 April 2021, shareholders re-elected Dr Thomas R. Meier to the Board of Directors for a further three-year term of office. Fredy Vogt waived re-election and stepped down from the Board of Directors. Philipp Elkuch was elected as a new member of the Board for a term of three years. His presence will reinforce the digital competence of the Board of Directors and bear evidence to VP Bank's commitment to its home market of Liechtenstein.

Already in 2020, we began to lay the organisational foundation for our Strategy 2026 and strengthen Group Executive Management by adding key leadership and technical expertise. In March, the GEM was rounded out through the formal appointment of Roger Barmettler as Chief Financial Officer. Last year's appointments of Tobias Wehrli as Head of Intermediaries and Private Banking and Thomas von Hohenhau as Head of Client Solutions combine to afford us comprehensive expertise in both the traditional wealth management business and the digital domain. Under the leadership of VP Bank's new Chief Risk Officer, Patrick Bont, our risk management processes, governance and regulations have been modernised, thereby providing us with a stable foundation for further strategic growth.

In the person of Pamela Hsu Phua, we managed to recruit as the new CEO of VP Bank Asia a widely recognised leader in Greater Asia with an outstanding record of success. She assumed that post on 1 July 2021. Given her extensive network in the Asian markets, she will bear responsibility from Singapore for both the Singapore and Hong Kong businesses and will play a decisive role in the further development of our Asia strategy. Also effective as of 1 July, Wolfdieter Schnee was appointed to the Executive Board of VP Fund Solutions (Liechtenstein) AG. He will retain his current function as Head of Client Services whilst contributing to the sharper client focus of VP Fund Solutions.

Outlook for the second half

The progress and milestones achieved in the first half of the year attest to the viability of our Strategy 2026 and demonstrate that VP Bank Group is well on the way to achieving its ambitious goals. The second semester of 2021 presents yet another multitude of imperishables. The coronavirus pandemic and its impact on the economy are likely to remain a challenge for the markets as well as investors. Hence, the ability to identify relevant risks and exploit the right opportunities will become all the more important.

We will continue to pursue our Strategy 2026 in the second half of the year, this in a targeted manner and in keeping with a clearly defined set of measures. One focal point will be actively developing the capabilities and appeal of private market solutions in the Orbit ecosystem. New products, such as further solutions in the area of sustainability and the digitalisation of additional non-bankable assets, will play a role here. We are also resolutely pressing ahead with the implementation of our IT strategy. A significant contribution in this regard will be made by VP Bank's Chief Transformation Officer, who will take up this newly created post on 1 December and from that date bear responsibility for the overall management of the Bank's transformation programme as well as promote the further development of our seamless Client Journeys that agilely traverses organisational structures and departmental boundaries.

It remains our aim to achieve a Group net profit of CHF 100 million by the end of the 2026 strategy cycle as well as to meet additional quantitative targets, namely: a profit margin of more than 15 basis points; a cost/income ratio of no more than 70 per cent by the end of 2026; an average tier 1 ratio in excess of 20 per cent over the cycle; and an annual 4 per cent rate of growth in net new money over the cycle (NB: the latter goal may be unachievable in the current financial year due to anticipated outflows from institutional fund clients).

A word of thanks

We would be remiss by not expressing our sincere thanks to you, VP Bank's valued clients and shareholders, for your loyalty and the abiding trust you place in us. You are the ones who give VP Bank Group the kind of stability that makes it possible for us to think in terms of strategy cycles and plan accordingly in a sustainable and farsighted manner.

Special thanks also go to our employees across the globe for their dedicated efforts. Transformation requires that we break away from existing structures, demonstrate a high level of commitment, and come up with many new ideas. The pioneering spirit is in our Bank's DNA and has enabled us time and again over the past 65 years to successfully change and adapt to long-term trends. We are convinced that our ingenuity, coupled with the talent and devotion of each and every one of us, will result in our ambitions becoming a successful reality.



Dr Thomas R. Meier
Chairman of the Board of Directors



Paul H. Arni
Chief Executive Officer



VP BANK
GROUP

VP Bank at a glance

VP Bank Group is a private bank with international operations. Our core competencies are asset management for intermediaries and private individuals. We also focus on access to investment solutions through our fund management companies as well as on private market investments. With an Open Wealth Service platform for investment-related services, we will combine traditional banking with the advantages of digital ecosystems.

VP Bank is one of the largest banks in the Liechtenstein financial centre. In addition to its headquarters in the Principality of Liechtenstein, VP Bank Group is present with offices in five other locations: Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands.

VP Bank Group has a sound balance sheet and a strong capital base. An "A" rating from Standard & Poor's vouches for the financial strength of this banking enterprise. The shares of VP Bank are listed on SIX Swiss Exchange. A large proportion of its equity capital is in the hands of three anchor shareholders: "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation, "U.M.M. Hilti-Stiftung" foundation and "Marxer Stiftung für Bank- und Unternehmenswerte" foundation – a guarantee of continuity, independence and sustainability.

VP Bank has a workforce of 1,013 employees and manages client assets totalling almost CHF 60.8 billion. Its client advisors are supported by a global network of partner firms that contribute to the outstanding international know-how.

Tradition and innovation for 65 years

Founded in 1956 in Vaduz, Liechtenstein, VP Bank has grown steadily from a friendly local bank to become a globally active financial services enterprise.

VP Bank's founder, Guido Feger, was a successful entrepreneur and one of Liechtenstein's most important trustees. Right from the start, he demonstrated innovation, competence and courage, while never veering from the fundamental principles of client orientation and financial security. These basic principles have been upheld consistently for the last six decades.

Excellent consultation and ancillary services, as well as its competence in transaction processing, attest to our pronounced quality consciousness.

In 1983, VP Bank became Liechtenstein's first exchange listed company. The philanthropic activities of VP Bank's founder have been continued by the "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation of our anchor shareholder.

Expertise and consulting

VP Bank's business model is based on two strategic pillars: the intermediaries business and private banking. The Liechtenstein home market also includes the retail and commercial banking activities. VP Bank is an established partner for financial intermediaries who value its many years of experience and modern infrastructure. By intermediaries, we mean professional financial service providers such as trustees, external asset managers and family offices.

VP Bank's core competencies lie in tailored asset management and investment consulting, as well as wealth planning and financing for private clients with high standards. The strategic business segment Client Solutions focuses on structuring investment solutions through our fund management companies as well as investments in the private market.

One of the strengths of VP Bank is its independence in terms of providing financial advice. The investment solutions are based on the principle of open architecture. Services and products of third parties are included in the recommendations. This is to prevent conflicts of interest.

With over 1,000 employees, VP Bank Group is the right size to offer top-notch solutions with a personal touch. Clients benefit from the tailored advice of a private bank while at the same time gaining access to a worldwide network of specialists thanks to the international presence of VP Bank.

VP Bank relies on short decision-making paths, agility, and flexible and sustainable solutions. The use of digital tools supports personal client care. In addition, VP Bank's e-banking application ensures freedom and security. It provides clients with round-the-clock electronic access to their accounts and securities accounts.

With an open platform for investment-related services, VP Bank combines traditional banking with the advantages of digital ecosystems, now and in future, and thus creates a completely new concept of service. Clients choose from modular services that include both the Bank's own services and those of third-party providers. To do so, they do not necessarily need to keep an account or securities account with VP Bank.

6

locations
worldwide

Luxembourg
Zurich

Vaduz

Tortola

Hong Kong

Singapore

About CHF

60.8

billion in client assets

Founded in

1956



1,013

employees

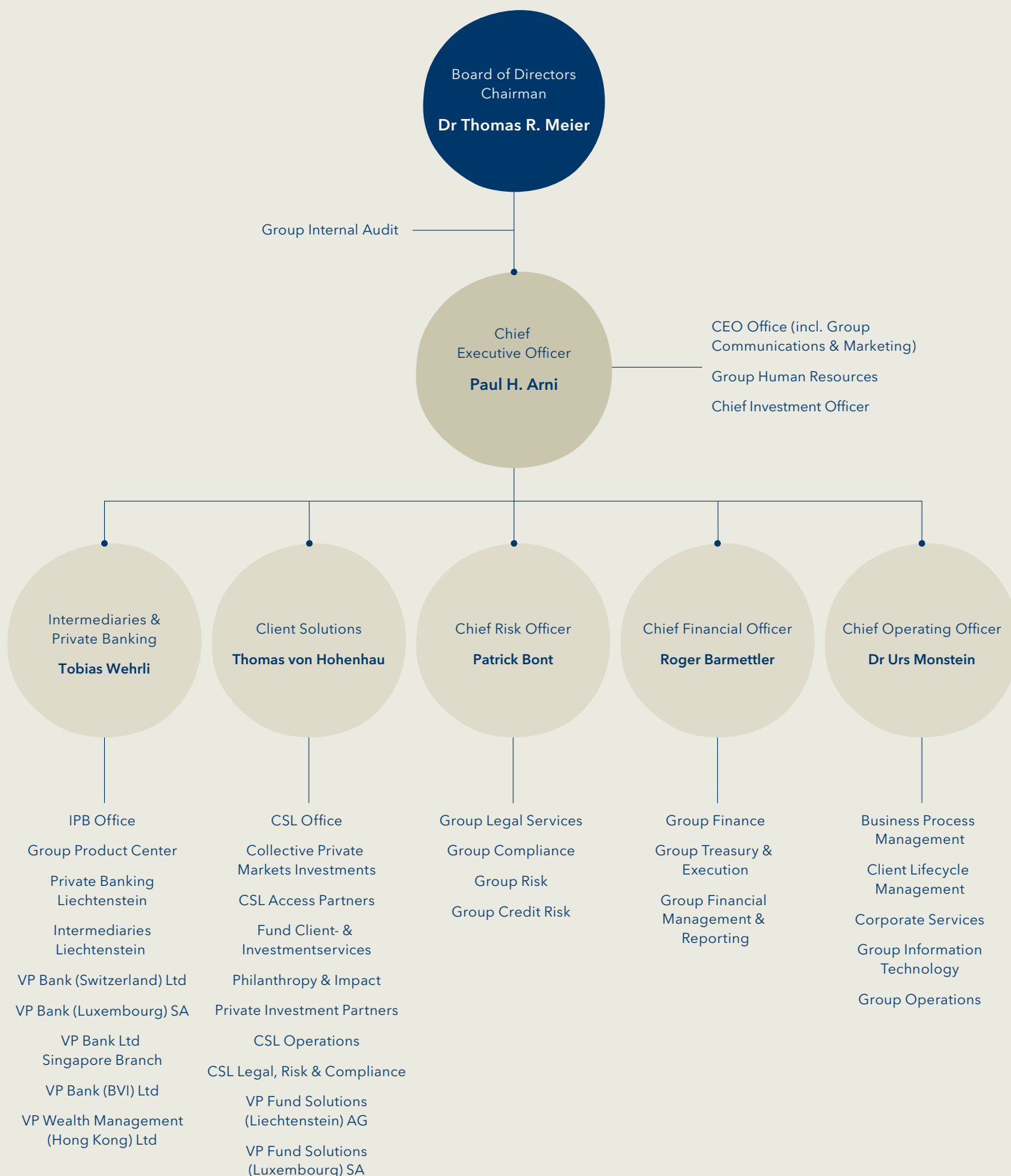


Our core competencies

- Asset management
- Investment advisory
- Wealth planning
- Partner for financial intermediaries
- Fund competence centre



Organisational structure



The assignment of the organisational units is set out in the segment reporting on page 22 ff.

The organisational chart as of 30.06.2021



Dr Thomas R. Meier
Chairman of the Board of Directors



Paul H. Arni
Chief Executive Officer



Tobias Wehrli
Head of Intermediaries & Private Banking



Thomas von Hohenhau
Head of Client Solutions



Patrick Bont
Chief Risk Officer



Roger Barmettler
Chief Financial Officer



Dr Urs Monstein
Chief Operating Officer

FINANCIAL
REPORT OF
VP BANK GROUP

Consolidated semi-annual report of VP Bank Group

Consolidated results

In the first half of 2021, VP Bank Group recorded a Group net income of CHF 29.9 million. Group net income for the same period of the previous year was CHF 14.4 million.

VP Bank Group has a strong capital base. As of 30 June 2021, the tier 1 ratio was 20.8 per cent (December 2020: 20.8 per cent). This solid capital base confirms VP Bank's robust and successful business model.

Client assets under management

As of 30 June 2021, VP Bank Group's client assets under management amounted to CHF 52.6 billion. This represents an increase of CHF 10.8 per cent (CHF 5.1 billion) on the CHF 47.4 billion recorded as of 31 December 2020. This increase was the result of another positive net new money inflow of CHF 0.7 billion, the addition of client assets from the acquisition of the client business of Öhman Bank S.A. of CHF 0.9 billion and a positive market valuation (performance) of CHF 3.5 billion.

Custody assets increased by CHF 0.8 billion (10.6 per cent) from CHF 7.4 billion to CHF 8.2 billion compared to 31 December 2020. Client assets including custody assets were listed at CHF 60.8 billion as of 30 June 2021, an increase of CHF 5.9 billion compared to 31 December 2020 (CHF 54.9 billion).

Income statement

Operating income

During the reporting period, VP Bank's operating income remained stable at CHF 166.6 million (previous-year period: CHF 166.8 million).

Income from commission business and services increased by CHF 6.5 million (plus 9.1 per cent) to CHF 78.0 million in the reporting year (previous year: CHF 71.5 million). Due to the positive trends on the financial markets, recurring commission income from asset management increased by CHF 4.6 million to CHF 32.0 million (plus 16.6 per cent) (previous year: CHF 27.4 million). Brokerage income remained stable at CHF 20.4 million (previous year: CHF 20.6 million). Securities account fees increased by CHF 2.7 million (plus 29.0 per cent) to CHF 11.9 million (previous year: CHF 9.2 million), and so did earnings from fund management, which increased by 6.4 per cent from CHF 27.1 million to CHF 28.8 million.

Net interest income fell by CHF 1.5 million from CHF 57.4 million in the previous year to CHF 55.9 million in the reporting period. Interest income fell by CHF 11.5 million (minus 15.4 per cent). Interest expenses also fell by CHF 10.0 million (minus 58.4 per cent) due to interest rate trends. This decrease is mainly due to the lowering of US dollar and euro interest rates by the central banks in the first half of 2020.

Income from trading activities amounted to CHF 24.1 million, a decrease of CHF 8.4 million (minus 25.8 per cent) compared to the previous year. This decrease is also related to a further reduction of US dollar and euro interest rates by the central banks in the first half of 2020, which had a negative effect on swap transaction margins.

Financial investments made a positive contribution of CHF 7.3 million to the results of the reporting period (previous year: CHF 4.9 million). The increase in corporate earnings from financial investments is mainly due to higher dividend income from financial instruments (CHF 5.8 million compared to CHF 3.7 million in the same period of the previous year).

Operating expenses

Operating expenses fell significantly by CHF 14.0 million (minus 9.6 per cent) from CHF 146.2 million in the previous year to CHF 132.2 million in the reporting period. The previous-year period includes a one-time allowance on a credit position of around CHF 20 million.

Compared to the same period of the previous year, personnel expenses increased by CHF 4.7 million (5.8 per cent) to CHF 86.0 million. The growth in personnel is due to the takeover of the personnel of the client business of Öhman Bank S.A. and the investments in the new Client Solutions business segment.

General and administrative expenses rose by CHF 2.0 million to CHF 31.0 million (previous-year period: CHF 29.0 million). The increase is related to the implementation of the strategy and investments in IT. Depreciation and amortisation increased by CHF 1.3 million from CHF 14.2 million to CHF 15.5 million due to the commissioning of strategic projects.

In the reporting period, valuation adjustments, provisions and losses of CHF 0.3 million net were released, whereas in the previous-year period CHF 21.7 million had to be created, mainly in connection with a one-time allowance on a credit position of around CHF 20 million.

Balance sheet

Total assets as of 30 June 2021 remained unchanged compared to 31 December 2020 at CHF 13.5 billion. While client receivables increased by CHF 0.2 billion (3.8 per cent) and financial instruments by CHF 0.1 billion, cash and bank receivables each decreased by CHF 0.2 billion. On the liabilities side, other liabilities due to clients increased by CHF 0.2 billion (1.9 per cent). Bonds decreased by CHF 0.1 billion due to a repayment of a maturing bond in April 2021.

VP Bank Group has a very comfortable liquidity structure with liquid assets of around 18 per cent of total assets worth CHF 2.4 billion (CHF 2.6 billion as of 31 December 2020). This is reflected in an optimum liquidity coverage ratio (LCR) of 153 per cent.

The tier 1 ratio calculated in accordance with Basel III as of 30 June 2021 was 20.8 per cent (as of 31 December 2020: 20.8 per cent), which represents a strong capital base and an excellent strategic starting point for the further development of VP Bank Group.

Consolidated income statement

in CHF 1,000	Note	01.01.– 30.06.2021	01.01.– 30.06.2020	Variance absolute	Variance in %
Interest income from financial instruments at amortised cost		56,186	65,472	-9,286	-14.2
Other interest income		6,825	9,018	-2,193	-24.3
Interest expense using the effective interest method		7,127	17,114	-9,987	-58.4
Total net interest income	1, 18	55,884	57,376	-1,492	-2.6
Commission income		102,437	94,092	8,345	8.9
Commission expenses		24,434	22,565	1,869	8.3
Total net income from commission business and services	2	78,003	71,527	6,476	9.1
Income from trading activities	3	24,117	32,512	-8,395	-25.8
Income from financial instruments	4	7,348	4,850	2,498	51.5
Other income	5	1,232	540	692	128.1
Total operating income		166,584	166,805	-221	-0.1
Personnel expenses	6	86,013	81,318	4,695	5.8
General and administrative expenses	7	30,997	28,991	2,006	6.9
Depreciation of property, equipment and intangible assets	8, 18	15,532	14,222	1,310	9.2
Credit loss expenses	9	-533	20,886	-21,419	-102.6
Provisions and losses	9	189	818	-629	-76.9
Operating expenses		132,198	146,235	-14,037	-9.6
Earnings before income tax		34,386	20,570	13,816	67.2
Taxes on income	10	4,489	6,220	-1,731	-27.8
Group net income		29,897	14,350	15,547	108.3
Share information					
Undiluted group net income per registered share A	11	4.93	2.39		
Undiluted group net income per registered share B	11	0.49	0.24		
Diluted group net income per registered share A	11	4.90	2.37		
Diluted group net income per registered share B	11	0.49	0.24		

Consolidated statement of comprehensive income

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Group net income	29,897	14,350	15,547	108.3
Other comprehensive income, net of tax				
Other comprehensive income which will be transferred to the income statement upon realisation				
• Changes in foreign-currency translation differences	2,789	-2,573	5,362	208.4
• Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0	0.0
Total other comprehensive income which will be transferred to the income statement upon realisation	2,789	-2,573	5,362	208.4
Other comprehensive income which will not be transferred subsequent to the income statement				
• Changes in value of FVTOCI financial instruments	5,159	-17,105	22,264	130.2
• Actuarial gains/losses from defined-benefit pension plans	7,352	-8,674	16,026	184.8
• Tax effects	1,670	1,670	0	0.0
Total other comprehensive income which will not be transferred subsequent to the income statement	14,181	-24,109	38,290	158.8
Total comprehensive income in shareholders' equity	16,970	-26,682	43,652	163.6
Total comprehensive income in income statement and shareholders' equity	46,867	-12,332	59,199	480.0

Consolidated balance sheet

Assets

in CHF 1,000	Note	30.06.2021	31.12.2020	Variance absolute	Variance in %
Cash and cash equivalents		2,408,082	2,592,706	-184,624	-7.1
Receivables arising from money-market papers		106,676	116,166	-9,490	-8.2
Due from banks		1,598,192	1,784,320	-186,128	-10.4
Due from customers		6,522,462	6,281,529	240,933	3.8
Trading portfolios		3,010	290	2,720	n.a.
Derivative financial instruments		95,318	79,491	15,827	19.9
Financial instruments at fair value	16	195,270	182,936	12,334	6.7
Financial instruments measured at amortised cost	16	2,333,991	2,201,303	132,688	6.0
Joint venture companies		24	25	-1	-4.0
Property and equipment	17	101,845	108,156	-6,311	-5.8
Goodwill and other intangible assets		75,854	66,679	9,175	13.8
Tax receivables		208	159	49	30.8
Deferred tax assets		9,179	10,173	-994	-9.8
Accrued receivables and prepaid expenses		36,274	32,429	3,845	11.9
Other assets		12,712	66,989	-54,277	-81.0
Total assets		13,499,097	13,523,351	-24,254	-0.2

Liabilities and shareholders' equity

in CHF 1,000	Note	30.06.2021	31.12.2020	Variance absolute	Variance in %
Due to banks		184,006	250,426	-66,420	-26.5
Due to customers - savings and deposits		593,136	589,784	3,352	0.6
Due to customers - other liabilities		11,125,527	10,921,871	203,656	1.9
Derivative financial instruments		61,712	104,371	-42,659	-40.9
Medium-term notes		54,357	76,148	-21,791	-28.6
Debentures issued	12	255,160	355,205	-100,045	-28.2
Tax liabilities		12,782	12,208	574	4.7
Deferred tax liabilities		956	141	815	n.a.
Accrued liabilities and deferred items		32,867	36,085	-3,218	-8.9
Other liabilities	17	127,252	151,243	-23,991	-15.9
Provisions		705	812	-107	-13.2
Total liabilities		12,448,460	12,498,294	-49,834	-0.4
Share capital	13	66,154	66,154	0	0.0
Less: treasury shares	14	-57,154	-61,071	3,917	6.4
Capital reserves		22,462	23,377	-915	-3.9
Income reserves		1,113,347	1,107,739	5,608	0.5
Actuarial gains/losses from defined-benefit pension plans		-49,322	-57,859	8,537	14.8
Unrealised gains/losses on FVTOCI financial instruments		-17,688	-23,332	5,644	24.2
Foreign-currency translation differences		-27,162	-29,951	2,789	9.3
Total shareholders' equity		1,050,637	1,025,057	25,580	2.5
Total liabilities and shareholders' equity		13,499,097	13,523,351	-24,254	-0.2

Consolidated changes in shareholders' equity

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Actuarial gains/losses from defined-benefit pension plans	Unrealised FVTOCI gains/losses	Foreign-currency translation differences	Total shareholders' equity
Total shareholders' equity 01.01.2021	66,154	-61,071	23,377	1,107,739	-57,859	-23,332	-29,951	1,025,057
Other comprehensive income, after income tax					8,537	5,644	2,789	16,970
Group net income				29,897				29,897
Total reported result 30.06.2021	0	0	0	29,897	8,537	5,644	2,789	46,867
Appropriation of profit 2020				-24,289				-24,289
Management equity participation plan (LTI)			-1,681					-1,681
Movement in treasury shares ¹		3,917	766					4,683
Total shareholders' equity 30.06.2021	66,154	-57,154	22,462	1,113,347	-49,322	-17,688	-27,162	1,050,637
Total shareholders' equity 01.01.2020	66,154	-68,004	26,772	1,105,044	-61,151	-15,518	-21,252	1,032,045
Other comprehensive income, after income tax					-7,489	-16,620	-2,573	-26,682
Group net income				14,350				14,350
Total reported result 30.06.2020	0	0	0	14,350	-7,489	-16,620	-2,573	-12,332
Appropriation of profit 2019				-33,162				-33,162
Management equity participation plan (LTI)			-3,904					-3,904
Movement in treasury shares ¹		6,411	429					6,840
Total shareholders' equity 30.06.2020	66,154	-61,593	23,297	1,086,232	-68,640	-32,138	-23,825	989,487

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

Consolidated statement of cash flow

in CHF 1,000	01.01.– 30.06.2021	01.01.– 30.06.2020 restated ^{1,2}	01.01.– 30.06.2020	Adjustments ^{1,2}
Cash flow from operating activities				
Group net income	29,897	14,350	14,350	0
Non-cash-related positions in Group results	17,414	37,725	37,725	0
Net increase/reduction in banking activities	-140,865	-97,865	-111,346	13,481
Other cash flow from operating activities	4,226	-6,806	-6,806	0
Net cash flow from operating activities	-89,328	-52,596	-66,077	13,481
Cash flow from investment activities				
Cash flow from financial instruments	-105,802	-47,834	-10,930	-36,904
Other investment activities	34,887	-8,365	-8,365	0
thereof from acquisitions	53,414	0	0	0
Net cash flow from investment activities	-70,915	-56,199	-19,295	-36,904
Cash flow from financing activities				
Dividend distributions	-24,289	-33,163	-33,163	0
Issuance/redemption of medium-term notes	-22,057	-56,854	-56,854	0
Redemption of debentures	-100,000	0	0	0
Other financing activities	-2,246	-1,953	-1,953	0
Net cash flow from financing activities	-148,592	-91,970	-91,970	0
Foreign-currency translation impact ²	5,458	-2,087	-3,324	1,237
Net increase/reduction in cash and cash equivalents	-303,377	-202,852	-180,666	-22,186
Cash and cash equivalents at the beginning of the financial year	3,205,357	3,565,856	3,688,846	-122,990
Cash and cash equivalents at the end of the reporting period	2,901,980	3,363,010	3,508,180	-145,170
Net increase/reduction in cash and cash equivalents	-303,377	-202,846	-180,666	-22,180
Cash and cash equivalents are represented by				
Cash	2,408,212	2,778,000	2,778,000	0
Receivables arising from money-market papers ¹	0	0	145,170	-145,170
Due from banks – at-sight balances	493,768	585,010	585,010	0
Total cash and cash equivalents	2,901,980	3,363,010	3,508,180	-145,170

¹ Short-term money-market deposits have an original maturity of a maximum of three months. In 2020, money market paper with a total term of over 90 days was erroneously added to the cash and cash equivalents. The previous year's figures have therefore been corrected accordingly.

² The disclosure of foreign-currency effects was checked and refined. The foreign-currency influences on items in the cash and cash equivalents are determined and reported and the currency differences from changes in the balance sheet are adjusted accordingly. The incorrect figures from the previous year have been corrected accordingly.

Principles underlying financial statement reporting and comments

The unaudited interim financial statements were drawn up in accordance with the International Financial Reporting Standards (IAS 34). The semi-annual financial statements are prepared applying the same accounting and valuation principles as were applied for the 2020 financial statements.

New and revised International Financial Reporting Standards

Since 1 January 2021, the following new and revised standards and interpretations have taken effect:

Interest Rate Benchmark Reform – Phase II (amendments to IFRS 9, IAS 39 and IFRS 7)

In August 2020, the IASB published amendments to the Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). In relation to changes to the financial instruments directly required by the reform, the amendments of phase 2 contain:

- A practical expedient when considering changes in the basis for determining the contractual cash flows of financial assets and liabilities to allow for an adjustment to the effective interest rate
- Facilitation of the discontinuation of hedging relationships
- Temporary exemption from the need to meet the separately identifiable requirement when a risk-free rate (RFR) instrument is designated as a hedge of a risk component
- Additional disclosures on IFRS 7

In its phase 2 amendments, the IASB has lined out four ways in which changes can be made to the basis for determining the contractual cash flows of a financial instrument in order to achieve interbank offered rate (IBOR) reform:

- By amending the terms of the contract (e.g. to replace a reference to an IBOR with a reference to an RFR)
- By activating an existing fallback clause in the contract
- Without changing the terms of the contract to change the way an interest rate benchmark is calculated
- A hedging instrument may alternatively be modified in accordance with the requirements of the reform by not changing the basis for calculating its contractual cash flows but by closing out an existing IBOR-related derivative and replacing it with a new derivative with the same counterparty, on similar terms, except by reference to an RFR

A project team has been working on the implementation of the reform since 2019. The project is at an advanced stage. The IBOR reform is not expected to have a material impact on the consolidated annual report of VP Bank Group. CHF LIBOR is expected to cease to be available as a reference rate at the end of 31 December 2021. Credit products with LIBOR as the reference rate are no longer offered. Existing loans with LIBOR reference expire in the next few months and are not affected by the discontinua-

tion of LIBOR from 2022. The Bank holds interest rate swaps with contract specifications related to CHF LIBOR. It is planned to convert the relevant contracts to the SARON reference rate in the second half of 2021. The conversion will be value-neutral. The contract volume of the interest rate swaps concerned amounted to CHF 125 million as at the cut-off date.

With regard to hedge accounting, effects of the IBOR reform may be expected for cash flow hedges. VP Bank Group currently has no cash flow hedges but fair value hedges in place. The existing underlying transactions are neither currently nor in the future dependent on IBOR interest rates, as their interest rate remains fixed over the term. The hedging transactions are part of the interest rate swaps described in the last paragraph (volume: CHF 90 million). The adjustment of these transactions is expected to take place in the second half of 2021, is value-neutral and does not affect the achievement of the hedging objective (fair value hedge).

VP Bank Group does not avail itself of the possibility of early adoption thereof.

Post-balance-sheet-date events

The Board of Directors reviewed and approved the semi-annual report and authorised it for publication in its meeting of 12 August 2021.

Litigation

As part of its ordinary banking activities, VP Bank Group is involved in various legal and regulatory proceedings. The legal and regulatory environment in which VP Bank Group operates involves significant litigation, compliance, reputational and other risks in connection with legal disputes and regulatory proceedings. The impact of these proceedings on the financial strength and/or profitability of VP Bank Group is dependent on the status of the proceedings and their outcome. VP Bank Group employs the relevant processes, reports and committees to monitor and manage these risks. It also establishes provisions for ongoing and threatened proceedings if the probability that such proceedings will entail a financial loss is judged to be greater than the probability of this not being the case. In isolated cases in which the amount cannot be reliably estimated, for instance because of the early stage or the complexity of the proceedings or other factors, no provision is established but a contingent liability may be created.

The risks described below are not necessarily the only ones to which VP Bank Group is exposed. Additional risks which are presently unknown or risks and proceedings which are currently considered insignificant may equally impact the future course of business, operating results and the outlook of VP Bank Group.

The Deposit Insurance Agency of Russia (DIA), as part of the bankruptcy proceedings of two Russian banks, asserts that third-party pledges created in connection with the granting of loans to foreign companies shortly prior to the revocation of the banking licence and commencement of bankruptcy proceedings should not have been realised on the open market by VP Bank Group. Both proceedings are at different stages of development.

In the first proceedings against VP Bank (Switzerland) Ltd involving a disputed amount of USD 10 million, the Ninth Arbitration Court of Appeal on 24 May 2017 upheld the nullity of the realisation pursuant to Russian bankruptcy law. The court obligated VP Bank (Switzerland) Ltd pay an amount of approximately USD 10 million. The judgement became res judicata on 19 September 2017. All extraordinary legal remedies without suspensive effect were dismissed. The debt collection procedure opened on 7 June 2018 in Moscow has so far gone nowhere. In a letter dated 31 July 2019, the DIA, in its capacity as insolvency administrator, issued the first call for payment to VP Bank (Switzerland) Ltd. VP Bank Group has not complied with this request as it contests this ruling.

Further developments will be monitored by local lawyers in Moscow.

The second proceedings against VP Bank Ltd, and VP Bank (Switzerland) Ltd, in an amount in dispute of USD 15 million, are of a similar nature, but are not yet closed. On 16 March 2018, the Supreme Court confirmed the jurisdiction of the Russian courts and dismissed the case to the Arbitration Court for substantive judgement.

On 22 May 2019, the Arbitration Court ruled in favour of VP Bank Ltd and VP Bank (Switzerland) Ltd. This judgement was confirmed by the Court of Appeal on 12 August 2019. On 19 November 2019, the Court of Cassation overturned the judgements of the lower-instance courts and dismissed the case to the court of first instance (Arbitration Court) for a new ruling. VP Bank Ltd and VP Bank (Switzerland) Ltd appealed to the Judicial Chamber of the Supreme Court against the ruling on 17 January 2020, which had not yet

heard the appeal by 16 March 2020. The case, therefore, had to be heard again at the first instance. On 3 August 2020, the judge ordered the submission of various documents and requested the DIA to explain its claim in detail, which had been amended several times in the meantime. In the hearing of 13 November 2020, the relevant submissions were made and the litigation continued throughout several hearings in 2021.

On 8 July 2021, the first-instance ruling was issued in which the action against VP Bank (Switzerland) Ltd was dismissed in its entirety and/or, with respect to VP Bank Ltd, upheld to a limited extent (20 per cent). As a result, the Bank was ordered to repay an amount of USD 2.9 million. The DIA immediately appealed this decision to the next higher instance.

In both cases, VP Bank Ltd considers the risk of outflow of funds to be small, which is why no provision has been formed.

In another case, the High Court of Justice in London served a civil suit on VP Bank (Switzerland) Ltd at the beginning of 2020. VP Bank Ltd is also named as a defendant and was notified of the action in March 2020. The main defendant is a former governing body of a foreign pension fund. The latter is said to have acted unlawfully in its role by accepting distribution remunerations for investment funds. The action names 38 defendants, among them various other banks and individuals that processed payments or paid distribution remunerations.

VP Bank Ltd and VP Bank (Switzerland) Ltd are accused of a violation of due diligence obligations. They are also accused of involvement in the processing of questionable third-party fees and commissions of at least USD 46 million, meaning they would have to assume non-contractual collective liability for the damages incurred. VP Bank Group is disputing the accusations and the place of jurisdiction. Two defendant banks successfully challenged the UK jurisdiction in the first instance. In both cases, VP Bank Group considers the risk of outflow of funds to be small, which is why no provision has been formed.

Most important foreign-currency exchange rates

The exchange rates for the most important foreign currencies are as follows:

	Balance-sheet-date rates			Average rates		2020	Variance		Average rates	
	30.06.2021	30.06.2020	31.12.2020	H1 2021	H1 2020		Balance-sheet-date rates		actual	previous
							actual	previous	year	year
USD/CHF	0.9246	0.9476	0.8841	0.90814	0.96596	0.93830	5%	-2%	-3%	-6%
EUR/CHF	1.0961	1.0642	1.0817	1.09433	1.06396	1.07032	1%	3%	2%	3%
SGD/CHF	0.6877	0.6792	0.6689	0.68152	0.69086	0.68030	3%	1%	0%	-1%
HKD/CHF	0.1191	0.1223	0.1140	0.11701	0.12446	0.12097	4%	-3%	-3%	-6%
GBP/CHF	1.2770	1.1708	1.2084	1.26105	1.21750	1.20378	6%	9%	5%	4%

Segment reporting

Structure

VP Bank Group adjusted its organisational structure as of 1 July 2020, creating the new "Client Solutions" organisational unit. The external segment reporting reflects the organisational structure of VP Bank Group as of 30 June 2021 and the internal reporting to management. These form the basis for assessing the financial performance of the segments and the allocation of resources to the segments.

VP Bank Group consists of the six organisational units "Intermediaries & Private Banking", "Client Solutions", "Chief Executive Officer", "Chief Financial Officer", "Chief Operating Officer" and "Chief Risk Officer".

The four organisational units "Chief Executive Officer", "Chief Financial Officer", "Chief Operating Officer" and "Chief Risk Officer" are regrouped together under the business unit "Corporate Center" for segment reporting.

Revenues and expenditures as well as assets and liabilities are allocated to the business units based on the responsibilities for the clients and the originator principle. Insofar as a direct allocation is not possible, the positions in question are reported under Corporate Center. Consolidation entries are also included under Corporate Center.

The previous year's figures were aligned accordingly to ensure comparability.

01.01.–30.06.2021

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	49,146	336	6,402	55,884
Total net income from commission business and services	66,760	14,947	-3,703	78,003
Income from trading activities	16,324	1,112	6,681	24,117
Income from financial instruments	0	0	7,348	7,348
Other income	765	123	344	1,232
Total operating income	132,994	16,518	17,072	166,584
Personnel expenses	35,531	6,606	43,875	86,013
General and administrative expenses	2,781	2,650	25,567	30,997
Depreciation of property, equipment and intangible assets	1,321	260	13,951	15,532
Credit loss expenses	-520	-6	-7	-533
Provisions and losses	185	2	2	189
Services to/from other segments	32,343	1,667	-34,010	0
Operating expenses	71,640	11,179	49,379	132,198
Earnings before income tax	61,354	5,339	-32,307	34,386
Taxes on income				4,489
Group net income				29,897
Segment assets (in CHF million)	6,414	76	7,009	13,499
Segment liabilities (in CHF million)	10,902	963	584	12,448
Client assets under management (in CHF billion) ¹	39.8	12.7	0.0	52.6
Net new money (in CHF billion)	0.3	0.4	0.0	0.7
Headcount (number of employees)	376	89	548	1,013
Headcount (expressed as full-time equivalents)	353.9	83.5	502.7	940.1
as of 31.12.2020				
Segment assets (in CHF million)	6,213	65	7,245	13,523
Segment liabilities (in CHF million) ²	10,536	898	1,065	12,498
Client assets under management (in CHF billion) ¹	36.0	11.5	0.0	47.4
Net new money (in CHF billion)	0.8	0.5	0.0	1.4
Headcount (number of employees)	356	81	553	990
Headcount (expressed as full-time equivalents)	334.2	75.3	507.5	917.1

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

² As per December 31, 2020, the amounts have been aligned by CHF 728 million from CH 9.808 million to CHF 10.536 million in the Intermediaries & Private Banking segment and from CHF 1.792 million to CHF 1.065 million in the segment Corporate Center.

The recharging of costs and earnings between the business units takes place on the basis of specific transfer prices. The transfer prices between the segments are reviewed annually and adjusted to reflect economic conditions.

01.01.-30.06.2020

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	51,882	1,163	4,331	57,376
Total net income from commission business and services	59,946	17,193	-5,612	71,527
Income from trading activities	16,558	1,431	14,524	32,512
Income from financial instruments	0	0	4,850	4,850
Other income	16	138	386	540
Total operating income	128,402	19,925	18,479	166,805
Personnel expenses	32,307	5,700	43,311	81,318
General and administrative expenses	2,652	2,542	23,797	28,991
Depreciation of property, equipment and intangible assets	1,096	265	12,861	14,222
Credit loss expenses	20,957	-0	-71	20,886
Provisions and losses	667	0	151	818
Services to/from other segments	31,655	1,308	-32,963	0
Operating expenses	89,335	9,815	47,085	146,235
Earnings before income tax	39,067	10,109	-28,606	20,570
Taxes on income				6,220
Group net income				14,350
Segment assets (in CHF million)	5,791	1	7,819	13,611
Segment liabilities (in CHF million)	10,756	815	1,051	12,621
Client assets under management (in CHF billion) ¹	34.0	10.5	0.0	44.5
Net new money (in CHF billion)	0.5	0.4	0.0	1.0
Headcount (number of employees)	351	77	551	979
Headcount (expressed as full-time equivalents)	328.2	72.0	507.7	908.0

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

Intermediaries & Private Banking

Segment results

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Total net interest income	49,146	51,882	-2,736	-5.3
Total net income from commission business and services	66,760	59,946	6,814	11.4
Income from trading activities	16,324	16,558	-233	-1.4
Income from financial instruments	0	0	0	0.0
Other income	765	16	749	n.a.
Total operating income	132,994	128,402	4,593	3.6
Personnel expenses	35,531	32,307	3,224	10.0
General and administrative expenses	2,781	2,652	129	4.9
Depreciation of property, equipment and intangible assets	1,321	1,096	224	20.4
Credit loss expenses	-520	20,957	-21,477	-102.5
Provisions and losses	185	667	-482	-72.3
Services to/from other segments	32,343	31,655	687	2.2
Operating expenses	71,640	89,335	-17,695	-19.8
Segment income before income tax	61,354	39,067	22,288	57.1
Additional information				
Expenses/income ratio (in %) ¹	53.1	51.9		
Cost/income ratio (in %) ²	53.9	69.6		
Client assets under management (in CHF billion)	39.8	34.0		
Change in client assets under management compared to 31.12. prior year (in %)	10.7	-4.1		
Net new money (in CHF billion)	0.3	0.5		
Total operating income / average client assets under management (bp) ³	70.2	74.0		
Segment result / average client assets under management (bp) ³	32.4	22.5		
Cost/income ratio operating income (in %) ⁴	53.4	51.9	1.5	3.0
Headcount (number of employees)	376	351	25.0	7.1
Headcount (expressed as full-time equivalents)	353.9	328.2	25.6	7.8

¹ Total operating expenses (without depreciation and amortisation, valuation allowances, provisions and losses) / total operating income.

² Total operating expenses / total net operating income = cost/income ratio strategy 2026.

³ Annualised, average values.

⁴ Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / gross income less other income and income from financial instruments.

Structure

The "Intermediaries & Private Banking" business unit comprises the intermediaries and private banking business at the local and international locations as well as the universal banking and lending business.

Segment result

The pre-tax segment income rose from CHF 39.1 million to CHF 61.4 million compared to the previous-year period (CHF 22.3 million). In the first half of 2021, operating income could be increased, year-on-year, by CHF 4.6 million (3.6 per cent). This increase is mainly due to the income from commission business and services (11.4 per cent). The acquisition of the client business of Öhman Bank S.A. as well as the higher asset base and the associated higher recurring corporate earnings made a positive contribution to commission income. Net interest income from clients (-5.3 per cent) and trading activities (-1.4 per cent) decreased compared to the previous year. US dollar and euro interest payments in client business contributed significantly to this negative movement in interest income.

Operating expenses fell by CHF 17.7 million (minus 19.8 per cent) to CHF 71.6 million. This reduction is primarily due to the allowance for a single position of around CHF 20 million posted in the previous year. Personnel expenses and depreciation and amortisation increased by CHF 3.2 million and CHF 0.2 million respectively, due in part to the acquisition of the client business of Öhman Bank S.A.

At CHF 0.3 billion, net new money continued to develop positively in the reporting period of 2021 despite the challenges posed by COVID-19. The targeted recruitment of client advisors at our locations continued to generate net new money inflow in 2021. Thanks to intense market development activities, a positive inflow of net new money was again achieved in the European markets. Through the acquisition of the client business of Öhman Bank S.A., client assets amounting to CHF 1.0 billion were taken over. Client assets under management as of 30 June 2021 totalled CHF 39.8 billion (31 December 2020: CHF 36.0 billion). The headcount increased from 328 positions (30 June 2020) to 354 positions mainly due to the transfer of employees from the Öhman acquisition.

Client Solutions

Segment results

in CHF 1,000	01.01.– 30.06.2021	01.01.– 30.06.2020	Variance absolute	Variance in %
Total net interest income	336	1,163	-827	-71.1
Total net income from commission business and services	14,947	17,193	-2,247	-13.1
Income from trading activities	1,112	1,431	-319	-22.3
Income from financial instruments	0	0	0	0.0
Other income	123	138	-15	-10.9
Total operating income	16,518	19,925	-3,407	-17.1
Personnel expenses	6,606	5,700	906	15.9
General and administrative expenses	2,650	2,542	107	4.2
Depreciation of property, equipment and intangible assets	260	265	-5	-1.9
Credit loss expenses	-6	-0	-6	n.a.
Provisions and losses	2	0	2	n.a.
Services to/from other segments	1,667	1,308	359	27.5
Operating expenses	11,179	9,815	1,364	13.9
Segment income before income tax	5,339	10,109	-4,771	-47.2
Additional information				
Expenses/income ratio (in %) ¹	66.1	47.9		
Cost/income ratio (in %) ²	67.7	49.3		
Client assets under management (in CHF billion)	12.7	10.5		
Change in client assets under management compared to 31.12. prior year (in %)	11.0	-7.3		
Net new money (in CHF billion)	0.4	0.4		
Total operating income / average client assets under management (bp) ³	27.3	36.4		
Segment result / average client assets under management (bp) ³	8.8	18.5		
Cost/income ratio operating income (in %) ⁴	66.6	48.3	18.4	38.0
Headcount (number of employees)	89	77	12.0	15.6
Headcount (expressed as full-time equivalents)	83.5	72.0	11.5	15.9

¹ Total operating expenses (without depreciation and amortisation, valuation allowances, provisions and losses) / total operating income.

² Total operating expenses / total net operating income = cost/income ratio strategy 2026.

³ Annualised, average values.

⁴ Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / gross income less other income and income from financial instruments.

Structure

The "Client Solutions" business unit now comprises the following teams: CSL Office, Private Investment Partners, Collective Private Markets Investments, CSL Access Partners, Fund Client & Investment Services, Philanthropy and Impact, CSL Operations and CSL Legal Risk & Compliance. The fund management companies VP Fund Solutions (Luxembourg) SA and VP Fund Solutions (Liechtenstein) AG remain as independent companies and are now part of Client Solutions.

Through a modular and open investment and structuring platform, Client Solutions will create systematic access to investment opportunities in the private markets. The business unit assumes responsibility for earnings and results.

Segment result

The pre-tax segment income fell by CHF 4.8 million in the first half of 2021 compared to the same period of the previous year. Operating income declined in particular due to the income from commission business and services (mainly transaction-based income) and the decline in US dollar interest income. Operating expenses increased by CHF 1.4 million to CHF 11.2 million as a result of establishing the new business unit.

At CHF 0.4 billion, net new money in the fund business again trended upwards in the first half of 2021. Client assets under management as of 30 June 2021 totalled CHF 12.7 billion (31 December 2020: CHF 11.5 billion). The employee headcount rose from 72 (30 June 2020) to 84 positions.

Corporate Center

Segment results

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Total net interest income	6,402	4,331	2,071	47.8
Total net income from commission business and services	-3,703	-5,612	1,909	34.0
Income from trading activities	6,681	14,524	-7,843	-54.0
Income from financial instruments	7,348	4,850	2,498	51.5
Other income	344	386	-42	-10.8
Total operating income	17,072	18,479	-1,407	-7.6
Personnel expenses	43,875	43,311	565	1.3
General and administrative expenses	25,567	23,797	1,770	7.4
Depreciation of property, equipment and intangible assets	13,951	12,861	1,091	8.5
Credit loss expenses	-7	-71	64	90.4
Provisions and losses	2	151	-149	-98.5
Services to/from other segments	-34,010	-32,963	-1,047	-3.2
Operating expenses	49,379	47,085	2,294	4.9
Segment income before income tax	-32,307	-28,606	-3,701	-12.9
Additional information				
Headcount (number of employees)	548	551	-3.0	-0.5
Headcount (expressed as full-time equivalents)	502.7	507.7	-5.0	-1.0

Structure

The "Corporate Center" is of great importance for banking operations and the processing of business transactions. In addition, those earnings and expenses of VP Bank Group that have no direct relationship to client-oriented business units, as well as consolidation adjustments, are reported under the Corporate Center. The revenue-generating business activities of the segment "Corporate Center" are associated with the exercise of the Group Treasury function. The results of the Group's own financial investments, the structural contribution and the changes in the value of hedges are reported in this segment.

Segment result

The pre-tax segment income in the first half of 2021 amounted to minus CHF 32.3 million as opposed to minus CHF 28.6 million in the previous-year period.

In the first half of 2021, operating income fell slightly by CHF 1.4 million on that of the previous-year period.

Net interest income increased by CHF 2.1 million compared with the previous-year period. This is largely due to optimisation of investments of liquid funds.

Commission and service income saw a fall in revenues. This includes bank commissions which are invoiced to front business units by the service units through internal recharging.

Income received by Group Treasury & Execution is reported under income from trading activities. This relates to income generated from the execution of foreign-exchange trades. Income from derivatives for risk minimisation and income from balance sheet management are disclosed under this position too. Income from trading activities decreased by CHF 7.8 million compared to the previous year. This reduction is mainly due to the reduced US dollar and euro interest margins.

Income from financial investments totalled CHF 7.3 million in the first half of 2021 due to higher dividend income. This position recorded a result of CHF 4.9 million in the previous-year period.

Operating expenses increased by CHF 2.3 million from CHF 47.1 million to CHF 49.4 million in the reporting period. This increase is mainly due to investments in connection with the IT strategy. Depreciation and amortisation increased by CHF 1.1 million due to the commissioning of strategic projects.

Notes to the consolidated income statement and consolidated balance sheet

1 Interest income

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Discount income	115	787	-672	-85.4
Loan commissions with the character of interest	213	545	-332	-60.9
Interest income from banks	0	584	-584	-100.0
Interest income from customers	39,160	45,926	-6,766	-14.7
Interest income from financial instruments measured at amortised cost	13,360	14,076	-716	-5.1
Interest income from financial liabilities	3,338	3,554	-216	-6.1
Total interest income from financial instruments at amortised cost	56,186	65,472	-9,286	-14.2
Interest-rate instruments	-319	-397	78	19.6
Trading derivatives (forward points)	7,163	9,451	-2,288	-24.2
Hedge accounting	-19	-36	17	47.2
Total other interest income	6,825	9,018	-2,193	-24.3
Total interest income	63,011	74,490	-11,479	-15.4
Interest expenses on amounts due to banks	15	33	-18	-54.5
Interest expenses on amounts due to customers	1,664	11,156	-9,492	-85.1
Interest expenses on medium-term notes	144	250	-106	-42.4
Interest expenses on debentures issued	1,013	1,102	-89	-8.1
Interest expense from financial assets	4,153	4,411	-258	-5.8
Interest expense on right-of-use assets	138	162	-24	-14.8
Total interest expenses using the effective interest method	7,127	17,114	-9,987	-58.4
Total net interest income	55,884	57,376	-1,492	-2.6
Fair-value hedges				
Movements arising from hedges	532	-1	533	n.a.
• Micro fair-value hedges	532	-1	533	n.a.
Movements in underlying transactions	-551	-35	-516	n.a.
• Micro fair-value hedges	-551	-35	-516	n.a.
Total hedge accounting	-19	-36	17	47.2

2 Income from commission business and services

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Commission income from credit business	342	424	-82	-19.3
Asset management and investment business	32,000	27,448	4,552	16.6
Brokerage fees	20,442	20,592	-150	-0.7
Securities account fees	11,856	9,191	2,665	29.0
Fund management fees	28,801	27,068	1,733	6.4
Fiduciary commissions	145	893	-748	-83.8
Other commission and service income	8,851	8,476	375	4.4
Total income from commission business and services	102,437	94,092	8,345	8.9
Brokerage expenses	811	1,280	-469	-36.6
Other commission and services-related expenses	23,623	21,285	2,338	11.0
Total expenses from commission business and services	24,434	22,565	1,869	8.3
Total net income from commission business and services	78,003	71,527	6,476	9.1

The following table shows what proportions are included in the income position "asset management and investment business".

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Fees for securities settlement	4,156	4,133	23	0.6
Administration commissions	18,695	15,362	3,333	21.7
Management fees	5,048	3,707	1,341	36.2
Brokerage fees	9,094	8,119	975	12.0
Securities account fees	2,278	1,884	394	20.9
Administration fees	2,275	1,652	623	37.7
All-in-fees	7,870	6,647	1,223	18.4
Miscellaneous fees	1,279	1,306	-27	-2.1
Asset management and investment business	32,000	27,448	4,552	16.6

3 Income from trading activities

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Securities trading ¹	-1,098	-1,654	556	33.6
Interest income from trading portfolios	69	0	69	n.a.
Foreign currency	24,391	33,513	-9,122	-27.2
Banknotes, precious metals and other	755	653	102	15.6
Total income from trading activities	24,117	32,512	-8,395	-25.8

¹ The results from derivatives for the purposes of risk minimisation (other than interest-rate derivatives) are included in this item.

4 Income from financial instruments

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Income from financial instruments at fair value	6,906	4,005	2,901	72.4
Income from financial instruments at amortised cost (foreign exchange)	442	845	-403	-47.7
Total income from financial instruments	7,348	4,850	2,498	51.5
Income from financial instruments at fair value				
Income from FVTPL assets	727	-321	1,048	326.5
Interest income from FVTPL financial instruments	376	656	-280	-42.7
Dividend income from FVTPL financial instruments	720	417	303	72.7
Dividend income from FVTOCI financial instruments	5,083	3,253	1,830	56.3
thereof from FVTOCI financial instruments sold	0	0	0	0.0
Income from FVTPL liabilities	0	0	0	0.0
Total	6,906	4,005	2,901	72.4
Income from financial instruments at amortised cost (foreign exchange)				
Revaluation gains/losses on financial instruments at amortised cost	78	-25	103	412.0
Realised gains/losses on financial instruments at amortised cost	364	870	-506	-58.2
Total	442	845	-403	-47.7

5 Other income

in CHF 1,000	Note	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Income from real estate		52	100	-48	-48.0
Income from associated companies		-1	-3	2	66.7
Miscellaneous other income		1,181	443	738	166.6
Total other income		1,232	540	692	128.1

6 Personnel expenses

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Salaries and wages	69,852	66,519	3,333	5.0
Social contributions required by law	6,122	5,547	575	10.4
Contributions to pension plans / defined-benefit plans	6,310	5,926	384	6.5
Contributions to pension plans / defined-contribution plans	1,455	1,134	321	28.3
Other personnel expenses	2,274	2,192	82	3.7
Total personnel expenses	86,013	81,318	4,695	5.8

7 General and administrative expenses

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Occupancy expenses	1,583	1,566	17	1.1
Insurance	648	526	122	23.2
Professional fees	5,662	4,393	1,269	28.9
Financial information procurement	4,426	4,819	-393	-8.2
Telecommunication and postage	709	688	21	3.1
IT systems	9,629	8,809	820	9.3
Marketing and public relations	1,917	1,919	-2	-0.1
Capital taxes	444	422	22	5.2
Other general and administrative expenses	5,979	5,849	130	2.2
Total general and administrative expenses	30,997	28,991	2,006	6.9

8 Depreciation and amortisation

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	7,888	7,959	-71	-0.9
Depreciation and amortisation of intangible assets	7,644	6,263	1,381	22.1
Total depreciation and amortisation	15,532	14,222	1,310	9.2

9 Valuation allowances, provisions and losses

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
De-/increase credit allowances ^{1, 2}	-533	20,886	-21,419	-102.6
Legal and litigation risks	0	-11	11	100.0
Release of valuation allowances and provisions no longer required ¹	189	829	-640	-77.2
Total valuation allowances, provisions and losses	-344	21,704	-22,048	-101.6

¹ Including currency effects.

² Includes in 2020 the valuation allowances of a single position.

10 Taxes on income

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Current taxes	4,195	5,243	-1,048	-20.0
Deferred taxes	294	977	-683	-69.9
Total taxes on income	4,489	6,220	-1,731	-27.8

11 Earnings per share

	30.06.2021	30.06.2020
Consolidated earnings per share of VP Bank Ltd, Vaduz		
Group net income (in CHF 1,000)	29,897	14,350
Weighted average of registered shares A issued	6,015,000	6,015,000
Weighted average of registered shares B issued	6,004,167	6,004,167
Less weighted average number of treasury shares A	513,243	567,724
Less weighted average number of treasury shares B	346,012	327,676
Weighted average number of registered shares A (undiluted)	5,501,757	5,447,276
Weighted average number of registered shares B (undiluted)	5,658,155	5,676,491
Total weighted average number of shares (registered shares A)	6,067,573	6,014,925
Undiluted consolidated earnings per registered share A	4.93	2.39
Undiluted consolidated earnings per registered share B	0.49	0.24
Fully diluted consolidated earnings per share of VP Bank Ltd, Vaduz		
Group net income (in CHF 1,000)	29,897	14,350
Dilution effect number of registered shares A	28,628	30,970
Number of shares used to compute the fully diluted consolidated net income	6,096,201	6,045,895
Diluted consolidated earnings per registered share A	4.90	2.37
Diluted consolidated earnings per registered share B	0.49	0.24

12 Debentures, VP Bank Ltd, Vaduz

Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	in CHF 1,000 Total 30.06.2021	Total 31.12.2020
2015	CH0262888933	0.5	CHF	07.04.2021	100,000	0	100,018
2015	CH0262888941	0.875	CHF	07.10.2024	100,000	100,181	100,209
2019	CH0461238880	0.6	CHF	29.11.2029	155,000	154,979	154,978
Total					355,000	255,160	355,205

Debt securities issued are recorded at fair value plus transaction costs upon initial recognition. Fair value corresponds to the consideration received. Subsequently, they are remeasured at amortised cost. The difference between issue price and redemption price of the security is amortised over the duration of the debt security using the effective interest method (0.43 per cent debenture 2021; 0.82 per cent debenture 2024; 0.60 per cent debenture 2029).

13 Share capital

in CHF 1,000	30.06.2021		31.12.2020	
	No. of shares	Nominal CHF	No. of shares	Nominal CHF
Registered shares A of CHF 10.00 nominal value	6,015,000	60,150,000	6,015,000	60,150,000
Registered shares B of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Total share capital		66,154,167		66,154,167

All shares are fully paid up.

14 Treasury shares

in CHF 1,000	30.06.2021		31.12.2020	
	No. of shares	in CHF 1,000	No. of shares	in CHF 1,000
Registered shares A at the beginning of the financial year	530,171	55,681	598,065	62,812
Purchases	0	0	0	0
Sales	-37,723	-3,962	-67,894	-7,131
Balance of registered shares A as of balance-sheet date	492,448	51,719	530,171	55,681
Registered shares B at the beginning of the financial year	344,369	5,390	327,419	5,192
Purchases	4,000	45	16,950	198
Sales	0	0	0	0
Balance of registered shares B as of balance-sheet date	348,369	5,435	344,369	5,390

15 Dividend

	30.06.2021	31.12.2020
Approved and paid dividend of VP Bank Ltd, Vaduz		
Dividend (in CHF 1,000) for the financial year 2020 (2019)	26,462	36,385
Dividend per registered share A	4.00	5.50
Dividend per registered share B	0.40	0.55
Payout ratio (in %) ¹	58.0	44.8

¹ Dividend per registered share A / Group net income per registered share A.

16 Financial instruments

Fair value of financial instruments

The following table shows the fair values of financial instruments based on the valuation methods and assumptions set out below. This table is presented because not all financial instruments are disclosed at their fair values in the consolidated financial statements. The fair value equates to the price at the date of measurement which could be realised from the sale of the asset, or which must be settled for the transfer of the liability, in an orderly transaction between market participants.

in CHF million	Carrying value 30.06.2021	Fair value 30.06.2021	Variance	Carrying value 31.12.2020	Fair value 31.12.2020	Variance
Assets						
Cash and cash equivalents	2,408	2,408	0	2,593	2,593	0
Receivables arising from money-market paper	107	107	0	116	116	0
Due from banks	1,598	1,598	0	1,784	1,785	1
Due from customers	6,522	6,625	103	6,282	6,400	118
Trading portfolios	3	3	0	0	0	0
Derivative financial instruments	95	95	0	79	79	0
Financial instruments at fair value	195	195	0	183	183	0
of which designated on initial recognition	0	0	0	0	0	0
of which mandatory under IFRS 9	62	62	0	84	84	0
of which recognised in other comprehensive income with no effect on net income	133	133	0	99	99	0
Financial instruments at amortised cost	2,334	2,391	57	2,201	2,279	78
Subtotal			160			197
Liabilities						
Due to banks	184	184	0	250	250	0
Due to customers	11,719	11,732	-13	11,512	11,538	-26
Derivative financial instruments	62	62	0	104	104	0
Medium-term notes	54	55	-1	76	77	-1
Debentures issued	255	262	-7	355	361	-6
Subtotal			-21			-33
Total variance			139			164

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

Cash and cash equivalents, money-market papers

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

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

In determining the fair value of amounts due from/to banks, due from/to customers (including mortgage receivables and due to customers in the form of savings and deposits), as well as of medium-term notes and debenture issues with a fixed maturity or a refinancing profile, the net present value method is applied (discounting of cash 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 the market value for the majority of these financial instruments. The fair value of non-exchange-listed financial instruments (in particular for structured credit loans) is determined only on the basis of external traders' prices or pricing models which are based on prices and interest rates in an observable, active and liquid market.

Derivative financial instruments

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

Valuation methods for financial instruments

The fair value of listed securities held for trading purposes or as financial instruments, as well as that of listed derivatives and other financial instruments with a price established in an active market, is determined on the basis of current market value (Level 1). Valuation methods or pricing models are used to determine the fair value of financial instruments if no direct market prices are available. If possible, the underlying assumptions are based on observed market prices or other market indicators as at the balance-sheet date (Level 2). For most of the derivatives traded over the counter, as well as for other financial instruments that are not traded in an active market, fair value is determined by means of valuation methods or pricing models. Among the most frequently applied of those methods and models are discounted-cash-flow-based forward pricing and swap models, as well as option pricing models such as the Black-Scholes model or derivations thereof. The fair values arrived at on the basis of these methods and models are influenced to a significant degree by the choice of the specific valuation model and the underlying assumptions applied, for example the amounts and time sequence of future cash flows, discount rates, volatilities and/or credit risks. If neither current market prices nor valuation methods/models based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods or pricing models supported by realistic assumptions derived from actual market data are used (Level 3). Level 3 principally includes investment funds, for which an obligatory net asset value is not published at least on a quarterly basis. The fair value of these positions is, as a rule, computed on the basis of external estimates by experts in relation to the level of future distributions, or equates to the acquisition cost of the securities less any applicable valuation haircuts.

Valuation methods for financial instruments

in CHF million at fair value 30.06.2021	Quoted market prices, Level 1	Valuation methods, based on market data, Level 2	Valuation methods, with assumptions based on market data, Level 3	Total 30.06.2021
Assets				
Cash and cash equivalents	2,408			2,408
Receivables arising from money-market paper	107			107
Due from banks		1,598		1,598
Due from customers		6,625		6,625
Trading portfolios			3	3
Derivative financial instruments		95		95
Financial instruments at fair value	144	51		195
Financial instruments at amortised cost	2,386		5	2,391
Liabilities				
Due to banks		184		184
Due to customers		11,732		11,732
Derivative financial instruments		62		62
Medium-term notes		55		55
Debentures issued	262			262

In the financial half year 2021 no financial instruments were reclassified.

in CHF million at fair value 31.12.2020	Quoted market prices, Level 1	Valuation methods, based on market data, Level 2	Valuation methods, with assumptions based on market data, Level 3	Total 31.12.2020
Assets				
Cash and cash equivalents	2,593			2,593
Receivables arising from money-market paper	116			116
Due from banks		1,785		1,785
Due from customers		6,400		6,400
Trading portfolios				0
Derivative financial instruments		79		79
Financial instruments at fair value	136	38	8	183
Financial instruments at amortised cost	2,279			2,279
Liabilities				
Due to banks		250		250
Due to customers		11,538		11,538
Derivative financial instruments		104		104
Medium-term notes		77		77
Debentures issued	361			361

Level 3 financial instruments	30.06.2021	31.12.2020
Balance sheet		
Holdings at the beginning of the year	8.3	8.6
Investments	8.2	0.0
Disposals	-8.0	0.0
Issues	0.0	0.0
Redemptions	0.0	0.0
Losses recognised in the income statement	0.0	-0.4
Losses recognised as other comprehensive income	0.0	0.0
Gains recognised in the income statement	0.0	0.0
Gains recognised as other comprehensive income	0.0	0.0
Reclassification to Level 3	0.0	0.1
Reclassification from Level 3	0.0	0.0
Translation differences	0.0	0.0
Total book value at balance-sheet date	8.5	8.3
Income on holdings at balance-sheet date		
Unrealised losses recognised in the income statement	0.0	0.4
Unrealised losses recognised as other comprehensive income	0.0	0.0
Unrealised gains recognised in the income statement	0.0	0.0
Unrealised gains recognised as other comprehensive income	0.0	0.0

No deferred day 1 profit or loss (difference between the transaction price and the fair value calculated on the transaction day) was reported for Level 3 positions as of 30 June 2021 or 31 December 2020.

Sensitivity of fair values of Level 3 financial instruments

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

17 Leases in the balance sheet

in CHF 1,000	30.06.2021	31.12.2020	Variance absolute	Variance in %
Property and equipment				
Right of use – buildings and premises	25,270	27,840	-2,570	-9.2
Right of use – motor vehicles	817	840	-23	-2.7
Total assets	26,087	28,680	-2,593	-9.0
Other liabilities				
Short-term lease liabilities	5,467	5,746	-279	-4.9
Long-term lease liabilities	20,950	23,239	-2,289	-9.8
Total liabilities	26,417	28,985	-2,568	-8.9

18 Leases in the profit and loss statement

in CHF 1,000	01.01.- 30.06.2021	01.01.- 30.06.2020	Variance absolute	Variance in %
Net interest income				
Interest expense on right-of-use assets	138	162	-24	-15
Depreciation of property and equipment				
Depreciation on right-of-use assets	2,943	2,902	41	1

19 Consolidated off-balance-sheet positions

in CHF 1,000	30.06.2021	31.12.2020
Total contingent liabilities	116,364	115,339
Irrevocable facilities granted	78,564	81,668
Total fiduciary transactions	511,669	549,043
Contract volumes of derivative financial instruments	9,391,319	11,249,724
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	0	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	190,469	207,174
of which securities where the unlimited right to sell on or pledge has been granted	146,897	147,403
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	159,664	183,545
of which securities which have been resold or repurchased	43,572	59,771

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.

20 Client assets

in CHF million	30.06.2021	31.12.2020	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	11,104.5	10,107.0	997.5	9.9
Assets in discretionary asset management accounts	5,283.4	4,866.6	416.8	8.6
Other client assets under management	36,162.6	32,463.5	3,699.1	11.4
Total client assets under management (including amounts counted twice)	52,550.5	47,437.1	5,113.4	10.8
of which amounts counted twice	2,200.3	2,025.7	174.6	8.6
Change of assets under management				
Total client assets under management (including amounts counted twice) at the beginning of the financial year	47,437.1	46,777.0	660.1	1.4
of which net new money	652.2	1,382.5	-730.3	-52.8
of which change in market value	3,506.8	-722.3	4,229.1	n.a.
of which other effects ¹	954.4	0.0	954.4	0.0
Total client assets under management (including amounts counted twice) as of balance-sheet date	52,550.5	47,437.1	5,113.4	10.8
Custody assets	8,231.6	7,442.6	789.0	10.6
Total client assets				
Total client assets under management (including amounts counted twice)	52,550.5	47,437.1	5,113.4	10.8
Custody assets	8,231.6	7,442.6	789.0	10.6
Total client assets	60,782.1	54,879.7	5,902.4	10.8
in CHF million	30.06.2021	30.06.2020	Variance absolute	Variance in %
Net new money	652.2	934.5	-282.4	-30.2

¹ Acquisition of the private banking business of Öhman Bank S.A. in Luxembourg (note 21).

Net new money inflows/outflows

This item comprises the acquisition of new clients, lost clients and inflows or outflows from existing clients. Performance-related changes in assets, such as share price movements, interest and dividend payments and as well as interest charged to clients, are not considered as inflows and outflows. Acquisition-related changes in assets are presented separately. If the service provided changes and if assets under management are reclassified as assets held for custody purposes, or vice versa, this will generally be recognised, respectively, as an outflow or inflow of new client assets. There were no reclassifications in net new money in 2021 (30.06.2020: CHF -0.018 million).

21 Acquisition

On 8 July 2020, VP Bank (Luxembourg) SA signed and announced an agreement to acquire the private banking business of Öhman Bank S.A. in Luxembourg. The transaction was successfully completed as planned on 1 January 2021 and closed in spring 2021. It includes the takeover of a client advisory team of nine employees and client assets of around EUR 852 million. The purchase price was CHF 8.5 million. The other business activities and divisions of Öhman Bank S.A. are excluded from the takeover.

The following assets and liabilities were acquired as part of the merger as per 1 January 2021:

in CHF million	Fair value
Cash and cash equivalents	60.1
Amounts due from banks and clients	54.7
Derivative financial instruments	70.6
Other intangible assets	7.8
Total assets	193.2
Amounts due to banks and clients	-111.6
Derivative financial instruments	-73.8
Total liabilities	-185.4
Total net assets	7.8
Net assets acquired	7.8
Purchase price to be settled in cash and cash equivalents ¹	8.5
Purchase consideration	8.5
Goodwill arising from acquisition	0.8
Purchase consideration settled in cash and cash equivalents	6.7
Cash inflow arising from the transaction	53.4

Assets under management of EUR 852 million were taken over as part of the acquisition. The transaction gave rise to intangible assets (client relationships) of CHF 7.8 million. The client relationships will be amortised over nine years. The costs of the transaction incurred in the reporting period (advisory, legal, auditing, valuation costs, etc.) amount to CHF 0.3 million and are recognised in general and administrative expenses (note 7) (financial year 2020: CHF 1.2 million).

The individual factors underlying the amount of goodwill recognised consist of, in particular, the employees transferred, the know-how available as well as the strategic market expansion in the Nordics.

22 Capital-adequacy computation

in CHF 1,000	30.06.2021	31.12.2020
Total shareholders' equity	1,050,637	1,025,057
Total regulatory deduction	-73,358	-52,303
Eligible core capital (tier 1)	977,279	972,754
Total required equity	376,780	374,040
Capital buffer	213,735	210,397
Total required equity including capital buffer	590,515	584,437
Tier 1 ratio	20.8%	20.8%
Total risk-weighted assets	4,709,756	4,675,482
Return on investment (net income / average balance sheet total)	0.4%	0.3%

VP Bank Group

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

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Imprint

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This report includes information and forecasts relating to the future development of VP Bank Group. Those forecasts represent estimates based on all information available at the time of publication. Any such forward-looking statement is subject to risks and uncertainties that could lead to significant variances in actual future results. No guarantee can be made as to the reliability of the prognoses, planned quantities or forward-looking statements contained herein.

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

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