

# Compensations

## Compensation, shareholdings and loans

### Content and method of determining the compensation and the share ownership programs

In its function as the Nomination & Compensation Committee, the Committee of the Board of Directors proposes to the Board the principles and rules for the compensation of the Chairman, Directors and GEM, as well as the amount of remunerations paid to members of both of those corporate bodies.

The Board of Directors approves the afore mentioned principles and rules and determines the amount of total compensation payable to Board and GEM members.

### Board of Directors

Members of the Board of Directors receive compensation for the duties and responsibilities conferred on them by law and pursuant to Art. 20 of the Articles of Incorporation. This is determined annually by the Board of Directors at the proposal of the Committee of the Board of Directors in its capacity as Compensation Committee.

It is distributed to the members of the Board of Directors on a graduated basis according to their function in the Board of Directors and their function in its committees or in other corporate bodies (e.g. the pension fund). Three-quarters of this compensation is paid in cash, and one-quarter in the form of freely disposable VP Bank bearer shares, the number of which is determined by the current market price at the time of grant.

At VP Bank, there are no agreements pertaining to severance compensation for members of the Board of Directors.

### Group Executive Management

A long-term, value-oriented compensation model applies to the GEM and second-level management members of VP Bank.

Under this model, the compensation paid to members of senior management consists of the following:

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- A fixed base salary that is contractually agreed between the Committee of the Board of Directors (in its function as Nomination & Compensation Committee) and the members of Group Executive Management. In addition to the base salary, VP Bank pays proportionate contributions to management insurance and the pension fund.
  - A variable performance-based component (short-term incentive, STI), which is dependent on the annual value creation of VP Bank Group. The allocation is based on qualitative individual criteria and Group financial goals. The latter carry an approximate two-thirds weighting. The STI is paid out annually in cash.
  - A variable long-term management share ownership scheme (long-term incentive, LTI) with grants in the form of VP Bank bearer shares. The fundamental principles of the scheme focus on added value (economic profit) as well as the long-term commitment of management to receiving a variable compensation component in the form of VP Bank shares. The number of
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shares granted upon termination of the three-year plan is directly dependent on the trend in economic profit of VP Bank Group, which takes into account capital as well as risk costs.

The goals are determined on the basis of an unbiased, outside view. The point of departure in this regard is the targeted return on market value. Thus depending on the financial developments, more or fewer shares will be granted, with the related factor ranging from a minimum of 0.5 to a maximum of 2.0. The monetary value of the compensation paid in the form of shares at the end of the plan is also dependent on the current market price of VP Bank bearer shares. The bearer shares required to cover the LTI stock ownership plan will come either from the treasury holdings of VP Bank Group or by means of open-market purchases.

Each year, the Board of Directors sets the annual LTI planning parameters for the following three years as well as the amount of the STI. In the program for 2010 through 2012, the fulfillment of annual and three-year targets will result in a goal-achievement bonus (LTI and STI) of between 60 and 85 percent of the fixed basesalary. The variable performance-based amount actually paid to GEM members in 2010 was less than 10 percent of their total compensation.

At VP Bank, there are no agreements on severance compensation for acting members of Group Executive Management.

An external advisor who has no other mandates from VP Bank Group was commissioned to structure the compensation model.

### **Transparency of compensation, shareholdings and loans pertaining to issuers domiciled abroad**

As a SIX-listed issuer domiciled abroad, VP Bank discloses information on compensations, shareholdings and loans within the context of Section 5.2 of the Commentary on the Corporate Governance Directive dated September 20, 2007, i.e. corresponding to Art. 663bbis of the Swiss Code of Obligations.

The details in this regard can be found in the Financial Report and individual company accounts of Verwaltungs-und Privat-Bank AG, Vaduz (see page 166 f.).

#### more information

- ▶ [Remuneration paid to members of governing bodies 2010 \(PDF, 49 KB\)](#)