

# Risk Management

## Risk Management within VP Bank Group

### Principles underlying risk management in VP Bank

Risk management of VP Bank is predicated upon the following principles relating to risk policies.

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- **Risk tolerance:**

The Board of Directors of the Bank determines the risk measure needed to cover unexpected losses arising from all relevant types of risk on the basis of the freely available equity resources of the Bank in order to ensure the risk tolerance of VP Bank Group.

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- **Risk appetite:**

From the risk coverage measure for unexpected losses, the Board of Directors of the Bank derives a risk budget which is less than the maximum acceptable potential loss which the Bank can sustain. The risk budget reflects the risk appetite of the Bank and is distributed over the individual Group companies in the form of limits for each individual risk category. Under the management of Group Treasury, the Group companies implement the risk strategy within these limits with accountability for results. In the process, extreme risks, which could jeopardize the risk tolerance and hence the very existence of the Group, are avoided. The risk coverage measure, the risk budget and limits are reviewed regularly and adjusted, where necessary.

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- **Risks and returns:**

Strategic and operational decisions are taken on the basis of calculations of risks and returns and inline with the interests of the investors. Assuming compliance with laws and the principles underlying business and ethical policies, VP Bank takes on risks consciously so long as it is adequately rewarded. It avoids transactions with an inadequate relationship of risks to returns.

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- **Segregation of duties:**

Risk management of VP Bank Group comprises the active and ongoing management of risks as well as the monitoring thereof. Both tasks are undertaken independently from each other thus taking account of the need for a strict functional and organizational segregation of management and control over risks.

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- **Transparency:**

The underlying principle of risk monitoring is a comprehensive, objective, timely and transparent disclosure of risks to Group Executive Management and the Board of Directors.

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The risk policy constitutes the binding framework for risk management within VP Bank Group. In addition to the principles underlying the risk policy, it contains directives as to organizational structures and processes, clear rules governing responsibilities and powers of authority, methods and actions to be taken for risk management as well as independent control functions.

[more information](#)



- ▶ Risk Management within VP Bank Group (Excerpt from the Financial Report) (PDF, 232 KB)
- ▶ Sustainability Report 2011 (PDF, 4365 KB)