Disclosure Report 2022

Imprint

Strategic partnerships are a key pillar of VP Bank's Strategy 2026. Successful cooperation and systematic access to external partners' expertise is essential for the development of innovative, client-focused solutions.

This Annual Report presents a selection of six partnerships established by VP Bank in various fields – from technology, innovation, knowledge and client solutions through to distribution.

Further information concerning this cooperation can be found in the online report at report.vpbank.com.

The complete annual report is also available online and can be downloaded as a pdf.

Annual Report 2022
report.vpbank.com

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Index disclosure part 8 Capital Requirements Regulation (CRR)

Key metrics (Articles 438, 477 CRR)

EU KM1 – Key metrics template

in CHF 1,000		31.12.2022	31.12.2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	1,046,159	1,014,488
2	Tier 1 capital	1,046,159	1,014,488
3	Total capital	1,046,159	1,014,488
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	4,828,876	4,535,817
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	21.7	22.4
6	Tier 1 ratio (%)	21.7	22.4
7	Total capital ratio (%)	21.7	22.4
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional CET1 SREP requirements (%)	1.5	1.5
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.8	0.8
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.1	1.1
EU 7d	Total SREP own funds requirements (%)	9.5	9.5
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5	2.5
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0	0.0
9	Institution specific countercyclical capital buffer (%)	0.1	0.0
EU 9a	Systemic risk buffer (%)	0.1	2.0
10	Global Systemically Important Institution buffer (%)	0.0	0.0
EU 10a	Other Systemically Important Institution buffer	2.0	2.0
11	Combined buffer requirement (%)	4.7	4.5
EU 11a	Overall capital requirements (%)	14.2	14.0
12	CET1 available after meeting the total SREP own funds requirements (%)	16.3	17.0
	Leverage ratio		
13	Leverage ratio total exposure measure	13,006,145	13,362,384
14	Leverage ratio	8.0	7.6
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0	n.a.
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0	n.a.
EU 14c	Total SREP leverage ratio requirements (%)	3.0	n.a.
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.0	n.a.
EU 14e	Overall leverage ratio requirements (%)	3.0	n.a.
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	3,852,233	3,981,819
16a	Cash outflows – Total weighted value	3,836,201	5,235,593
16b	Cash inflows – Total weighted value	2,180,232	2,750,423
16	Total net cash outflows (adjusted value)	1,655,969	2,485,171
17	Liquidity coverage ratio (%)	232.6	160.2
	Net Stable Funding Ratio		
18	Total available stable funding	7,619,773	n.a.
19	Total required stable funding	4,810,618	n.a.
20	NSFR ratio (%)	158.4	n.a.

Introduction

VP Bank

VP Bank is an internationally active private bank and is one of the biggest banks in Liechtenstein. It has offices in Vaduz, Zurich, Luxembourg, Tortola / British Virgin Islands, Singapore and Hong Kong.

Since its foundation in the year 1956, VP Bank has focused on asset management and investment consultancy for private individuals and financial intermediaries. As of December 31, 2022, 1,011 employees manage client assets of CHF 46.4 billion.

VP Bank is listed on the SIX Swiss Exchange. Its financial strength has been given an "A" rating by Standard & Poor's. The shareholder base with three anchor shareholders ensures stability, independence and sustainability.

Basis and purpose of disclosure

The Disclosure Report is based on Part 8 of Regulation (EU) No. 575/2013 CRR, which is directly applicable in Liechtenstein with amendments to the Banking Act (BankA) and the Banking Ordinance (BankO) since February 1, 2015, in conjunction with Regulation (EU) 2019/876 (CRR II) Part 8 Articles 431 to 455 of the European Parliament and of the Council of May 20, 2019, amending Regulation (EU) No. 575/2013, which entered into force in Liechtenstein on May 1, 2022. The disclosure requirements are supplemented by Commission Implementing Regulation (EU) 2021/637 of March 15, 2021, laying down technical implementing standards.

The Disclosure Report provides a comprehensive overview of the bank's capital and liquidity adequacy, its risk profile and risk management.

Content and scope of application of the disclosure

The Disclosure Report contains all qualitative and quantitative information specified in Part 8 Section II CRR that has not already been published in the semiannual report of VP Bank. The exemption rules set out under Article 432 CRR for immaterial or confidential information as well as business secrets have not been applied.

VP Bank Ltd with registered domicile in Vaduz, Liechtenstein, is the parent company of VP Bank Group and fulfils the disclosure requirements pursuant to Article 13(1) CRR on a consolidated level. The basis for this is the prudential scope of consolidation pursuant to Articles 18 to 24 CRR. For this reason, all information in the Disclosure Report relate to VP Bank Group.

Frequency and means of disclosure

A comprehensive Disclosure Report is drawn up annually and published as a separate document on the VP Bank homepage (www.vpbank.com). Supplementary information is provided in the annual report. A supplementary Disclosure Report is issued semi-annually and is also published on the VP Bank website.

Preparation and assessment of the disclosure

VP Bank has implemented a process for preparing the Disclosure Report, and has defined the tasks and responsibilities in writing. Within this context, the content and frequency of the disclosure is regularly reviewed in order to ascertain that this is reasonable. The Disclosure Report is not subject to any review by statutory banking auditors.

No significant obstacles exist that limit the prompt transfer of equity capital or the repayment of liabilities between the parent company and fully consolidated subsidiaries.

Changes compared to the Disclosure Report as of 31.12.2021

With the national entry into force of CRR II on May 1, 2022, the requirements for regulatory disclosure have been adjusted and the Disclosure Report has been supplemented with quantitative tables and qualitative templates. Some tables and templates are included in this Disclosure Report for the first time and therefore no comparative data from the previous year is available for them.

Board of Directors

Pursuant to Article 23 BankA, the Board of Directors is responsible for the overall management, supervision and control of the bank. It is responsible for the medium to long-term strategic focus of VP Bank and of VP Bank Group (Group Board of Directors).

The powers and obligations of the Board of Directors are set out in the Articles of Association and in the Organisation and Business Rules (OBR) of VP Bank.

Committees of the Board of Directors

To help it fulfil its responsibilities, the Board of Directors is supported by four committees: the Nomination & Compensation Committee, the Audit Committee, the Risk Committee and the Strategy & Digitalisation Committee. Each committee consists of at least three members of the Board of Directors.

The tasks, powers, rights and obligations of the committees of the Board of Directors are set out in the Organisation and Business Rules of VP Bank. The functions of the Audit Committee, of the Risk Committee as well as of the Strategy & Digitalisation Committee are also defined in regulations.

The Risk Committee is responsible in particular for the following tasks:

- Receiving and processing the reports prepared by the Chief Risk Officer as well as assessing the appropriateness of the procedures deployed to control and monitor the risks
- Assessing the financial, business, reputational and operational risks as well as discussing these with the Chief Risk Officer
- Assessing the integrity of the risk control and monitoring as well as of the internal control system
- Assessing the precautions taken to ensure adherence to statutory (such as e.g. equity capital, liquidity & risk distribution regulations) and internal regulations (compliance), and adherence to these regulations
- Receiving and processing the reports prepared by Group Legal Services, Group Compliance and Group Tax Center
- Assessing the quality (effectiveness) of the risk governance as well as of the cooperation between Risk Control, Risk Supervision, Group Executive Management (GEM), Risk Committee and the Board of Directors
- Reviewing whether the pricing of the liabilities and investments offered adequately takes into account the bank's business model and risk strategy and, if this is not the case, presenting a plan with remedial measures
- Assessment whether the incentives offered by the remuneration system take account of the risk, the capital, the liquidity as well as the likelihood and the timing of revenues
- Advising the Board of Directors on the appointment or dismissal of the Chief Risk Officer

As a rule, the Risk Committee holds five to eight meetings per year; in the 2022 financial year, six ordinary meetings and one extraordinary meeting were held. The Chief Risk Officer, the Chief Financial Officer and the Head of Group Internal Audit attend the regular meetings as guests. At a joint meeting with the Audit Committee, an exchange of information took place with the GEM on the quality of the internal control system and other concerns.

Members of the Board of Directors

Pursuant to Article 16 of the Bank's Articles of Association, the Board of Directors shall consist of at least five members who are elected individually for three-year terms of office.

The Board of Directors as a whole must have the necessary expertise, skills and experience to ensure that VP Bank operates properly.

The necessary theoretical knowledge and practical professional experience are derived from the respective tasks, competences and responsibilities which either the institution as a whole or an individual person has to carry out individually. The tasks of the Board of Directors are set out in the articles of association as well as in the Organizational and Business Regulations of VP Bank AG. Where appropriate and necessary, the Board of Directors shall define the assignment of individual focal points of tasks or responsibilities among the members of the body. The Nomination & Compensation Committee derives from these the required theoretical and practical skills per member. In total and across all members, the entire requirements of the body must be sufficiently covered.

The respective requirement profiles are prepared and approved by the Nomination & Compensation Committee as required and approved by the BoD to reflect the current composition of the governing body. Prior to this an overall evaluation of the BoD takes place, if necessary with the involvement of an external specialist.

A solid, successful, and flawless business activity must be ensured at any point. Changes in business activities (e.g., extension to new markets, products, etc.) or new regulatory requirements lead to new tasks within the business management and increase the complexity of the operation. This may result in additional requirements in the supervisory function of the BoD.

The Nomination & Compensation Committee therefore review either in case of such an event, or at least once a year, if it leads to new requirements on the qualification of the board members and if these are covered by the whole body or an individual person.

If there is a deficit identified, the Nomination & Compensation Committee immediately takes effective measures to ensure proper management of the BoD as a whole as well of the individual functions. The BoD will then take appropriate decisions.

At the Annual General Meeting of 29 April 2022, Ursula Lang was re-elected for a term of office of three years. Following the annual general meeting, she was appointed Vice President by the Board of Directors with immediate effect.

Markus Thomas Hilti and Dr Gabriela Maria Payer announced that they would not renew their mandates. For thirty years, Markus Thomas Hilti has helped to shape VP Bank as representative of the U.M.M. Hilti-Stiftung foundation, most recently also as its Vice President. He explained that his resignation will not change the foundation's long-term commitment as anchor shareholder of VP Bank.

Dr Mauro Pedrazzini was elected to the Board of Directors for a term of three years. Dr Mauro Pedrazzini's appointment further expands the financial expertise within the Board of Directors and also strengthens the link to the home market of Liechtenstein.

As of 31 December 2022, the Board of Directors of VP Bank consists of sevem members. None of the members of the Board of Directors belonged to the GEM, the Executive Board of VP Bank or the management of a Group company during the past three financial years. TTheir biographies as well as their other activities and vested interests can be found in Section 3 of the 2022 Annual Report of VP Bank. Thus, the number of management or supervisory functions covered by BoD members can be listed as the following (including the mandate at VP Bank):

- Dr Thomas R. Meier: 4
- Ursula Lang: 3
- Philipp Elkuch: 5
- Dr Beat Graf: 4
- Dr Mauro Pedrazzini: 2
- Michael Riesen: 2
- Katja Rosenplänter-Marxer: 2

Diversity strategy for the selection of members of the Management Board

VP Bank has set itself the goal of promoting diversity across all its characteristics and levels – this in order to increase the diversity of thought and thus strengthen the competitiveness and the degree of innovation. Specifically, the aim is to improve gender diversity within the Bank, as this is an important factor for sustainable success.

The goal is that by 2026, at least 30 percent of the members of the BoD will be female representatives. As of the end of 2022, the percentage of female members on the Board of Directors amounts to 28.6 %. The gender benchmark will also be taken into account in the future succession planning of the BoD.

Information and control instruments of the Board of Directors

The Board of Directors and its committees have various information and control instruments at their disposal. These include the strategy process, the medium-term planning, the budgeting process as well as the reporting.

The Board of Directors receives monthly financial and risk reports as well as periodic reports on the quarterly, interim and annual financial statements:

- The reports contain quantitative and qualitative information as well as budget discrepancies, period and multi-year comparisons, management parameters and risk analyses.
- The reports enable the Board of Directors to obtain a picture of the relevant developments and risk situation at all times.
- Reports that are the responsibility of the Audit Committee or of the Risk Committee are discussed by the respective committee, and are forwarded to the Board of Directors for acknowledgement or with corresponding motions for approval.
- The reports are discussed comprehensively within the context of the meetings of the Board of Directors.

On the basis of the reporting by the GEM, the strategy implementation or strategy controlling are checked twice per annum by the Board of Directors. The Strategy & Digitalisation Committee supports the Board of Directors to fulfil this function.

The Chairman of the Board of Directors receives all minutes of the meetings of the GEM. In addition, he holds regular consultations with the Chief Executive Officer (weekly) and other members of the GEM.

A further important instrument for exercising the supervisory and control functions of the Board of Directors is the internal audit, which applies the internationally recognised standards of the Swiss Internal Audit Association and of the Institute of Internal Auditors (IIA).

The duties and powers of the internal audit are set out in a dedicated set of regulations. Operating as an independent authority, it audits in particular the internal control system, the management processes and the risk management at VP Bank.

Group Executive Management

The GEM is responsible for the operating management of VP Bank as well as for the management of VP Bank Group (Group Executive Management).

The powers and authorities of the GEM are set out in the Organisation and Business Rules (OBR) of VP Bank.

Members of the GEM

Pursuant to Fig. 5.1 OGR, the GEM consists of the Chief Executive Officer, the Chief Financial Officer and at least one further member. One member of the GEM oversees the risk management function in the capacity of Chief Risk Officer, and may also simultaneously hold further functions, insofar as this is compatible with the necessary independence.

In professional and personal terms, the members of the GEM must offer assurance of proper business activities at all times and may not simultaneously be members of the Board of Directors of the bank. They are appointed by the Board of Directors after being proposed by the Nomination & Compensation Committee.

Thomas von Hohenhau served as Head of Client Solutions and a member of the Executive Board and Group Executive Management from 1 September 2020. The Client Solutions business unit was reorganised and transferred entirely to the new organisation as of 1 January 2023. Thomas von Hohenhau resigned from the Executive Board and Group Executive Management of VP Bank at the end of 2022 and left VP Bank Group.

Tobias Wehrli, Head of Intermediaries & Private Banking since July 1, 2020 and member of the Executive Board and Group Executive Management, has resigned from the GEM as of the end of March 2023. Tobias played an important role in the development of the Group-wide market and sales activities and the transfer to the regional target organisation.

VP Bank appoints Mara Harvey, Head of Region Europe and CEO VP Bank (Schweiz) AG, and Rolf Steiner, Head of Group Products & Solutions, to the GEM as of 1 April 2023.

As of December 31, 2022, the GEM consists of six members. Their biographies as well as their other activities and vested interests can be found in Section 4 of the annual report of VP Bank.

Risk policy principles

Effective capital, liquidity and risk management is an elementary prerequisite for the success and stability of a bank. VP Bank understands this to mean the systematic process to identify, evaluate, manage and monitor the relevant risks as well as the steering of capital resources and liquidity necessary to assume risks and guarantee risk-bearing capacity. The binding framework for action in this context is provided by the relevant regulations defined by the Board of Directors of VP Bank Group, comprising the Risk Appetite Statement, Risk Policy and Risk Strategies.

The Risk Appetite Statement defines the overall risk tolerance along the risk taxonomy, forming the basis for operationalising limits and targets in the risk policy. As an overall framework, the risk policy, together with the risk strategies per risk group (strategic and business risks, financial risks as well as operational and compliance risks), regulates the specific objectives and principles, organisational structures and processes, methods and tools of risk management.

Risk management is predicated on the following principles:

Harmonisation of risk-bearing capacity and risk tolerance

The concept of risk-bearing capacity is intended to enable a bank to continue its business operations or to fully meet the claims of depositors and creditors despite losses from risks that become effective. Risk tolerance indicates the potential loss which the Bank is prepared to bear without jeopardising its ability to continue as a going concern. As a strategic success factor, risk-bearing capacity is to be maintained and enhanced at all times by employing a suitable process to ensure an appropriate capital and liquidity base.

Clearly defined powers of authority and responsibilities

Risk tolerance is operationalised using a comprehensive limit system and implemented effectively with a clear definition of the duties, powers of authority and responsibilities of all bodies, organisational units and committees involved in the risk and capital management process.

Conscientious handling of risks

Strategic and operational decisions are taken based on risk-return calculations and, in this way, aligned with the interests of the stakeholders.

Subject to compliance with statutory and regulatory requirements as well as corporate policy and ethical principles, VP Bank consciously assumes risks provided that the extent of these are known, the system requirements for mapping them are in place and the Bank will be adequately compensated for them. Transactions with an imbalanced risk-return ratio are avoided, as are major risks and extreme risk concentrations, which could endanger the risk-bearing capacity and therefore also the future existence of the Group.

Segregation of functions

Units that report to the Chief Risk Officer and that are independent of the bodies that actively manage the risks are responsible for monitoring and reporting risks to Group Executive Management and the Board of Directors.

Transparency

Comprehensive, objective, timely and transparent disclosure of risks to Group Executive Management (GEM) and the Board of Directors (BoD) forms the basis for risk monitoring.

Risk management process

The risk management function is performed by the Chief Risk Officer and, in accordance with the Organisation and Business Regulations of VP Bank, encompasses the following tasks:

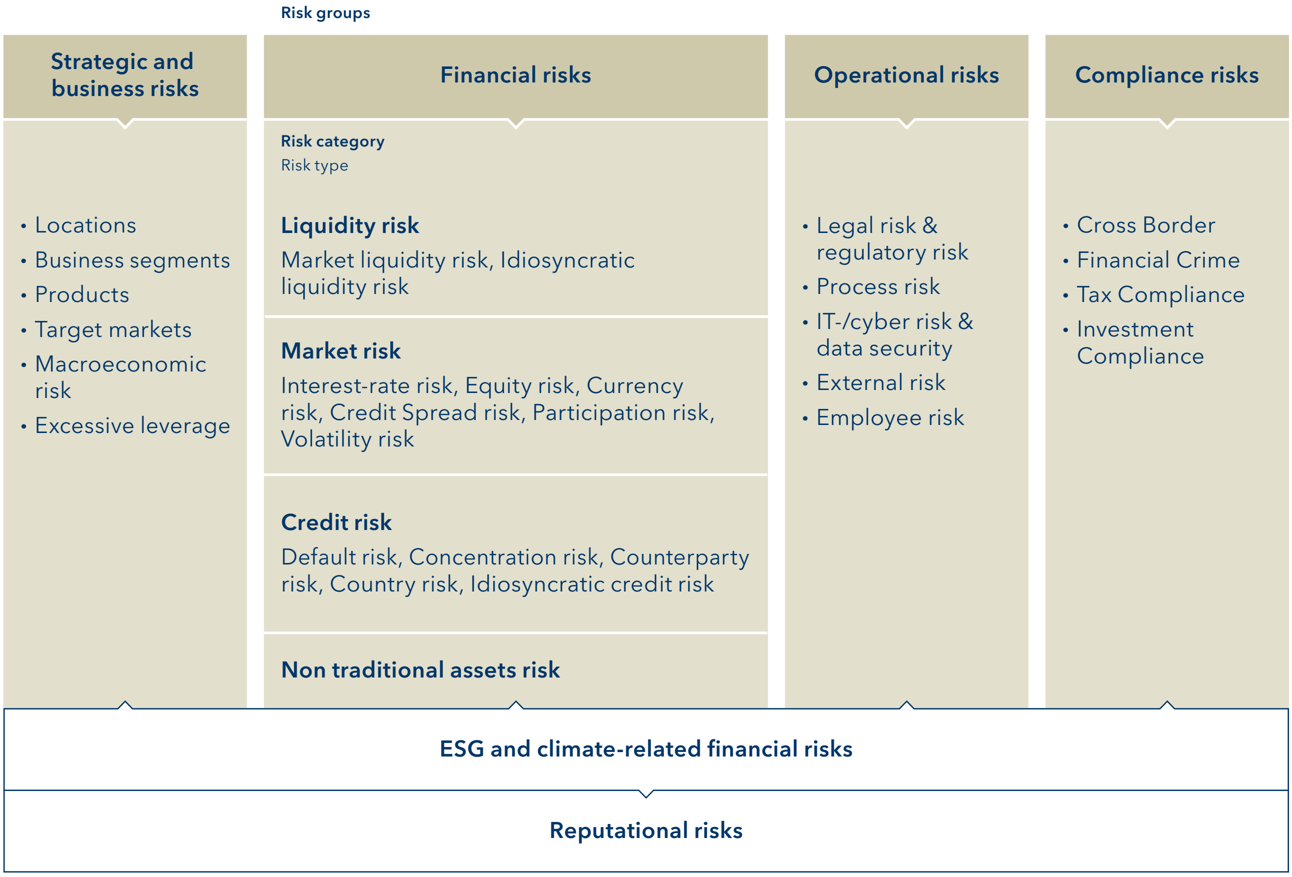
- Provide transparency on the overall risk situation and independent risk monitoring
- Ensure high-quality and timely risk reporting
- Assessment of risk-relevant aspects of strategic planning and mergers & acquisitions
- Advisory role in the meetings of the Risk Committee

The creation of transparency regarding the overall risk situation is achieved through the identification of all material risks and their aggregation into the overall bank risk position in conjunction with comprehensive risk reporting. This ensures effective risk and capital management at VP Bank. Significant risks are identified based on the business model and related offerings of financial products and services of VP Bank. As part of the risk inventory along the system of banking risks, risks are identified and assessed in terms of their materiality.

Further details on tasks, competencies and responsibilities in the risk management process can be found in the annual report.

Process to ensure risk-bearing capacity

The primary objective of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) is to comply with



the regulatory requirements in order to assure continuation of the Bank as a going concern. The risks of banking operations are to be borne by the available risk coverage potential. The risk management process established at VP Bank essentially comprises the following components:

- Determination of risk strategies and approval by the Board of Directors
- Determination of risk coverage potential and establishment of risk appetite
- Risk identification (risk inventory)
- Risk measurement
- Assessment of risk-bearing capacity
- Risk management (optimization of risk/return, in compliance with limits and targets)
- Independent risk monitoring (control and reporting to GEM and BoD)

For a detailed description of the points mentioned, please refer to the Annual Report.

Risk steering

Risks are generally managed by the risk-taking units. The ALCO defines the strategic requirements for market risk and liquidity management, and Group Treasury and Execution is responsible for operational management. The Group Credit Committee defines the strategic guidelines for credit risk management. Operational implementation of credit risk management is the responsibility of the front-office units and the Credit Consulting unit.

Non-financial risks are managed by the Data & Process Risk Committee (DPRC) and the Group Compliance Risk Committee (GCRC).

Risk measurement and risk reporting

In accordance with the regulatory requirement, all risks classified as material are taken into account as part of the risk-bearing capacity and backed by risk capital. Different methods are used to quantify risks depending on the risk category, all of which aim to estimate a potential loss in a rare, bad scenario. The observation horizon is uniformly 250 days. Market risk is measured using the value-at-risk approach with a confidence level of 99% using the historical simulation method. As part of a stressed loss framework, an unexpected loss is calculated for credit risk as the difference between the loss in the event of stress and the expected loss. Two approaches are used here: While in the lombard loan business the collateral portfolio is subjected to both a market-wide and an idiosyncratic stress and the dynamics between the collateral are taken into account, a stressed PD LGD model is used for all other credit risks. For non-financial risks, risk assessment is performed through Risk Assessments, which are included in the risk-bearing capacity via operational risk or via the consideration of a risk buffer.

Risk measurement is carried out independently by the Chief Risk Officer on a monthly basis. Risk reporting includes monthly asset-liability management reports for each location/Group company, monthly and quarterly Group risk reports, and quarterly risk reports from the subsidiaries. In the reports, the respective key risk figures are compared with the limits and targets set and compliance is monitored. In the event of negative developments, early warning thresholds and defined escalation processes ensure that those responsible for risk and management are informed at an early stage.

In parallel with the measurement of capital risks (value-at-risk, unexpected loss, basic indicator approach), additional capital and sensitivity ratios, volume-related concentration limits, portfolio or individual credit limits are used, with early warning thresholds or limits being set in a risk-adequate manner in each case. In the risk policy, the Board of Directors sets limits and targets at Group level, which are allocated by the Group Executive Management to Group companies or risk types as required.

Risk declaration of the Board of Directors

The Board of Directors bears overall responsibility for capital and liquidity risk management and declares, that the procedures applied are in accordance with the risk profile and strategy of VP Bank.

Transactions with related companies and persons

Related parties include the members of the Board of Directors and Group Management as well as their close relatives and companies in which these persons either have a majority shareholding or, as a result of their role as a member of the Board of Directors and/or Group Management, have significant influence. Further details on related party transactions can be found in table 39 of the annual report.

Process supervision / Group Internal Audit

Definition of risk strategy and determination of risk appetite
- Board of Directors / Risk Committee
- Group Executive Management / Group Risk Commitee

Risk identification (risk inventory)
- Group Compliance & Operational Risk
- Group Financial Risk

Risk measurement and risk-bearing capacity
- Group Financial Risk
- Group Compliance & Operational Risk
- Group Credit Risk
- Group Financial Management & Reporting

Independent risk monitoring
- Chief Risk Officer (CRO)

Risk steering
- Group Treasury & Execution
- Intermediaries & Private Banking
- Asset & Liability Committee (ALCO)
- Group Credit Committee (GCC)
- Data & Process Risk Committee (DPRC)
- Group Compliance Risk Committee (GCRC)

Scope of application (Article 436 CRR)

EU LIA: Explanations of differences between accounting and regulatory exposure amounts

As there are no differences between the regulatory risk positions and those according to the financial reporting, an explanation according to Article 436(b,d) can be dispensed with.

EU LIB: Other qualitative information on the scope of application

There are neither legal nor factual obstacles (pursuant to Article 436(f) CRR) to the prompt transfer of own funds or to the repayment of liabilities between the parent bank in Liechtenstein and its subsidiaries abroad. In the reporting year, there is no subsidiary (pursuant to Article 436(g) CRR) not included in the consolidation with lower own funds than the required amount. The consolidation on a stand-alone basis (pursuant to Article 9 CRR) and the exemption (pursuant to Article 7(3) CRR) are not utilized. The following table shows the regulatory scope of consolidation and the IFRS scope of consolidation.

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation Full consolidation	Proporational consolidation	Neither consolidated nor deducted	Deducted	Description of the entity
VP Bank AG, Vaduz[1]	Full consolidation	x				Credit institution
VP Bank (Schweiz) AG, Zürich	Full consolidation	x				
VP Bank (Luxembourg) SA, Luxembourg	Full consolidation	x				
VP Bank (BVI) Ltd, Tortola	Full consolidation	x				
VP Fund Solutions (Liechtenstein) AG, Vaduz	Full consolidation	x				Fund management company
VP Fund Solutions (Luxembourg) SA, Luxembourg	Full consolidation	x				
VP Wealth Management (Hong Kong) Ltd, Hong Kong	Full consolidation	x				Asset Management Company
Data Info Services AG, Vaduz	Equity method		x			Service company

[1] Incl. VP Bank Ltd Singapore Branch

EU LI1 – Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

in CHF 1,000			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash equivalents	2,208,733	2,208,733	2,208,733	0	0	323,442	0
Receivables arising from money market papers	196,993	196,993	196,993	0	0	172,031	0
Due from banks	1,539,929	1,539,929	1,539,929	0	0	693,281	0
Due from customers	5,758,911	5,758,911	5,758,911	0	0	1,894,131	0
Trading portfolios	172	172	172	0	0	2	0
Derivative financial instruments	58,540	58,540	0	57,863	0	20,587	0
Financial instruments at fair value	180,013	180,013	161,264	0	0	90,687	0
Financial instruments measured at amortised cost	2,436,650	2,436,650	2,436,650	0	0	1,781,426	0
Associated companies	24	24	24	0	0		0
Property and equipment	84,318	84,318	84,318	0	0	1,001	0
Goodwill and other intangible assets	90,652	90,652	0	0	0	72	0
Tax receivables	230	230	230	0	0	230	0
Deferred tax assets	8,302	8,302	8,302	0	0	0	0
Accrued receivables and prepaid expenses	45,325	45,325	45,325	0	0	17,243	0
Other assets	22,269	22,269	22,483	0	0	10,215	0
Total assets	**12,631,061**	**12,631,061**	**12,463,333**	**57,863**	**0**	**5,004,349**	**0**
Liabilities							
Due to banks	178,776	178,776	0	0	0	88,238	178,776
Due to customers – savings and deposits	503,322	503,322	0	0	0	831	503,322
Due to customers – other liabilities	10,330,340	10,330,340	0	0	0	7,619,517	10,330,340
Derivative financial instruments	89,546	89,546	0	0	0	19,238	89,546
Medium-term notes	41,180	41,180	0	0	0	4,825	41,180
Debentures issued	255,081	255,081	0	0	0	0	255,081
Tax liabilities	5,783	5,783	0	0	0	118	5,783
Deferred tax liabilities	1,301	1,301	0	0	0	0	1,301
Accrued liabilities and deferred items	45,878	45,878	0	0	0	10,399	45,878
Other liabilities	75,707	75,707	0	0	0	34,778	75,707
Provisions	2,022	2,022	0	0	0	439	2,022
Share capital	66,154	66,154	0	0	0	0	66,154
Less: treasury shares	-53,220	-53,220	0	0	0	0	0
Capital reserves	23,305	23,305	0	0	0	0	23,305
Income reserves	1,143,724	1,143,724	0	0	0	0	1,143,724
Actuarial gains/losses from defined-benefit pension plans	-25,797	-25,797	0	0	0	0	0
Unrealised gains/losses on FVTOCI financial instruments	-24,757	-24,757	0	0	0	0	0
Foreign-currency translation differences	-27,284	-27,284	0	0	0	0	0
Total liabilities and shareholders' equity	**12,631,061**	**12,631,061**	**0**	**0**	**0**	**7,778,383**	**12,631,061**

In addition to the EU LI1 template, figure EU LI2 below illustrates the key differences between the carrying values under the IFRS Group balance sheet (under the regulatory reporting entities) and the risk exposures used for regulatory purposes. The division of the columns into regulatory risk categories corresponds to the breakdown listed in Part 3 of the CRR.

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

in CHF 1,000	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**12,631,061**	**12,463,333**	**57,863**	**0**	**5,004,349**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	0	0	0	0	7,778,383
Total net amount under the regulatory scope of consolidation	12,631,061	12,463,333	57,863	0	–2,774,034
Off-balance-sheet amounts	205,669	117,166	0	0	0
Differences in valuations	77,376	0	77,376	0	0
Differences due to different netting rules, other than those already included in row 2	0	0	0	0	0
Differences due to consideration of provisions	0	0	0	0	0
Differences due to prudential filters	–45,439	–45,439			
Others	0	0	0	0	0
Exposure amounts considered for regulatory purposes		**12,535,060**	**135,239**	**0**	**0**

Own funds (Article 437 CRR)

VP Bank's regulatory equity capital consists solely of core Tier 1 capital (common equity Tier 1 – CET1) and is comprised primarily of paid-in capital and retained earnings. The amounts to be deducted according to Article 36 of the CRR are deducted in full from core Tier 1 capital. Part 10, Title I of the CRR regarding transitional provisions is not applied.

EU CC1 – Composition of regulatory own funds

in CHF 1,000		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	66,154	Nr. P11 + Nr. P14 h)
	of which: Instrument type 1	0	
	of which: Instrument type 2	0	
	of which: Instrument type 3	0	
2	Retained earnings	1,103,587	Nr. P15
3	Accumulated other comprehensive income (and other reserves)	–31,984	Nr. P16
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	0	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	7,060	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,144,818	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–329	
8	Intangible assets (net of related tax liability) (negative amount)	–42,681	A8, A11 a) minus d)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	–2,429	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	
15	Defined-benefit pension fund assets (negative amount)	0	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	–53,220	Nr. P12
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	0	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0	
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
25	of which: deferred tax assets arising from temporary differences	0	
EU-25a	Losses for the current financial year (negative amount)	0	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	0	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	–98,659	
29	Common Equity Tier 1 (CET1) capital	1,046,159	

Own funds (continued)

in CHF 1,000		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	1,046,159	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	0	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	0	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	0	
51	Tier 2 (T2) capital before regulatory adjustments	0	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	
EU-56b	Other regulatory adjustments to T2 capital	0	
57	Total regulatory adjustments to Tier 2 (T2) capital	0	
58	Tier 2 (T2) capital	0	
59	Total capital (TC = T1 + T2)	1,046,159	
60	Total Risk exposure amount	4,828,876	

Own funds (continued)

in CHF 1,000		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	21.7%	
62	Tier 1 capital	21.7%	
63	Total capital	21.7%	
64	Institution CET1 overall capital requirements	10.7%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical capital buffer requirement	0.1%	
67	of which: systemic risk buffer requirement	0.1%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	2.0%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.5%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	16.3%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	0	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	51,142	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	

The common equity Tier 1 of VP Bank Group decreased in 2022 from 22.4 per cent to 21.7 per cent and remains significantly above the regulatory minimum requirement. The equity base is very solid and permits successful growth. VP Bank has complied with the 2022 minimum capital requirements at all times.

EU CC2 – reconciliation of regulatory own funds to balance sheet in the audited financial statements

in CHF 1,000		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
	Assets – Breakdown by asset clases according to the balance sheet in the published financial statements			
1	Cash and cash equivalents	2,208,733	2,208,733	
2	Receivables arising from money market papers	196,993	196,993	
3	Due from banks	1,539,929	1,539,929	
4	Due from customers	5,758,911	5,758,911	
5	Trading portfolios	172	172	
6	Derivative financial instruments	58,540	58,540	
7	Financial instruments at fair value	180,013	180,013	
8	Financial instruments measured at amortised cost	2,436,650	2,436,650	
9	Associated companies	24	24	
10	Property and equipment	84,318	84,318	
11	Goodwill and other intangible assets	90,652	90,652	Nr. 8
12	Tax receivables	230	230	
13	Deferred tax assets	8,302	8,302	Nr. 8, 10
14	Accrued receivables and prepaid expenses	45,325	45,325	
15	Other assets	22,269	22,269	
16	**Total assets**	**12,631,061**	**12,631,061**	
	Liabilities – Breakdown by liability clases according to the balance sheet in the published financial statements			
1	Due to banks	178,776	178,776	
2	Due to customers – savings and deposits	503,322	503,322	
3	Due to customers – other liabilities	10,330,340	10,330,340	
4	Derivative financial instruments	89,546	89,546	
5	Medium-term notes	41,180	41,180	
6	Debentures issued	255,081	255,081	
7	Tax liabilities	5,783	5,783	
8	Deferred tax liabilities	1,301	1,301	
9	Accrued liabilities and deferred items	45,878	45,878	
10	Other liabilities	75,707	75,707	
11	Provisions	2,022	2,022	
12	Share capital	66,154	66,154	Nr. 1
13	Less: treasury shares	–53,220	–53,220	Nr. 16
14	Capital reserves	23,305	23,305	Nr. 1
15	Income reserves	1,143,724	1,143,724	Nr. 2
16	Actuarial gains/losses from defined-benefit pension plans	–25,797	–25,797	
17	Unrealised gains/losses on FVTOCI financial instruments	–24,757	–24,757	
18	Foreign-currency translation differences	–27,284	–27,284	
19	**Total liabilities and shareholders' equity**	**12,631,061**	**12,631,061**	

EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments

		a Common equity tier 1 (CET1)	b Common equity tier 1 (CET1)
Nr.		01	02
1	Issuer	VP Bank AG, Vaduz, registered share A	VP Bank AG, Vaduz, registered share B
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	LI0315487269	n.a.
2a	Public or private placement	Public placement	Private placement
3	Governing law(s) of the instrument	Liechtenstein law	Liechtenstein law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common equity tier 1	Common equity tier 1
5	Post-transitional CRR rules	Common equity tier 1	Common equity tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share Capital	Share Capital
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	60,150	6,004
9	Nominal amount of instrument	60,150	6,004
EU-9a	Issue price	60,150	6,004
EU-9b	Redemption price	n.a	n.a
11	Original date of issuance	n.a	n.a
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	n.a	n.a
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	n.a	n.a
16	Subsequent call dates, if applicable	n.a	n.a
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	n.a	n.a
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	n.a	n.a
22	Noncumulative or cumulative	n.a	n.a
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n.a	n.a
25	If convertible, fully or partially	n.a	n.a
26	If convertible, conversion rate	n.a	n.a
27	If convertible, mandatory or optional conversion	n.a	n.a
28	If convertible, specify instrument type convertible into	n.a	n.a
29	If convertible, specify issuer of instrument it converts into	n.a	n.a
30	Write-down features	n.a	n.a
31	If write-down, write-down trigger(s)	n.a	n.a
32	If write-down, full or partial	n.a	n.a
33	If write-down, permanent or temporary	n.a	n.a
34	If temporary write-down, description of write-up mechanism	n.a	n.a
34a	Type of subordination (only for eligible liabilities)	n.a	n.a
EU-34b	Ranking of the instrument in normal insolvency proceedings	n.a	n.a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a	n.a
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	n.a	n.a
37a	Link to the full term and conditions of the instrument (signposting)	https://www.vpbank.com/en/investor-relations/financial-information	https://www.vpbank.com/en/investor-relations/financial-information

Own funds requirements (Article 438 CRR)

VP Bank calculates the equity requirement in accordance with the provisions of the CRR using the following approaches:
- Standardised approach for credit risk (under Part 3, Title II, Chapter 2 of the CRR)
- Basic-indicator approach for operational risk (under Part 3, Title III, Chapter 2 of the CRR)
- Standardised procedure for market risk (under Part 3, Title IV, Chapters 2 to 4 of the CRR)
- Standardised method for credit valuation adjustment (CVA) risk (under Article 384 of the CRR)
- Comprehensive method for taking into consideration financial collateral (under Article 223 of the CRR)

The following overview shows the capital adequacy requirements specific to the various regulatory risk types in accordance with Article 438(c) to (f) of the CRR.

EU OV1 – Overview of total risk exposure amounts

in CHF 1,000		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding CCR)	4,010,882	3,727,461	320,871
2	Of which the standardised approach	4,010,882	3,727,461	320,871
3	Of which the foundation IRB (FIRB) approach	n.a.	n.a.	n.a.
4	Of which: slotting approach	n.a.	n.a.	n.a.
EU 4a	Of which: equities under the simple riskweighted approach	n.a.	n.a.	n.a.
5	Of which the advanced IRB (AIRB) approach	n.a.	n.a.	n.a.
6	Counterparty credit risk – CCR	97,674	25,760	7,814
7	Of which the standardised approach	80,447	15,128	6,436
8	Of which internal model method (IMM)	n.a.	n.a.	n.a.
EU 8a	Of which exposures to a CCP	n.a.	n.a.	n.a.
EU 8b	Of credit valuation adjustment – CVA	17,227	10,631	1,378
9	Of which other CCR	n.a.	n.a.	n.a.
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
17	Of which SEC-IRBA approach	n.a.	n.a.	n.a.
18	Of which SEC-ERBA (including IAA)	n.a.	n.a.	n.a.
19	Of which SEC-SA approach	n.a.	n.a.	n.a.
EU 19a	Of which 1,250% / deduction	n.a.	n.a.	n.a.
20	Position, foreign exchange and commodities risks (Market risk)	108,532	178,826	8,683
21	Of which the standardised approach	108,532	178,826	8,683
22	Of which IMA	n.a.	n.a.	n.a.
EU 22a	Large exposures	0	0	0
23	Operational risk	611,788	603,770	48,943
EU 23a	Of which basic indicator approach	611,788	603,770	48,943
EU 23b	Of which standardised approach	n.a.	n.a.	n.a.
EU 23c	Of which advanced measurement approach	n.a.	n.a.	n.a.
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	0	0	0
29	Total	4,828,876	4,535,817	386,310

The total risk weighted exposure amounts (RWEA) increased by CHF 293 million to CHF 4.8 billion compared to the previous year. This is due to the increase in credit risk (excluding counterparty credit risk) from CHF 3.7 billion to CHF 4 billion.

EU OVC: ICAAP Information

ICAAP information (Article 438(1)(a,c) CRR)

The primary objective of the ICAAP is both to comply with regulatory capital requirements and to ensure the economic risk-bearing capacity and thus the continued existence of the bank as a going concern. The risks of banking operations are to be borne by the available risk coverage potential.

Risk-bearing capacity is ensured if the existing risk coverage potential is greater than the risks assumed at all times. From a regulatory perspective, risk-bearing capacity is ensured as long as the eligible own funds are greater than the regulatory capital requirements plus the management buffer. From an economic point of view, the risk-bearing capacity is given as long as the present value of equity (less operating and risk costs) exceeds the risk capital requirements for market, credit and operational risks plus risk buffers. Pre-warning stages enable the course to be set at an early stage so as not to jeopardize the continued existence of VP Bank.

Risk-bearing capacity is a central component in the risk management process, which comprises the following components:

- Risk identification (risk inventory)
- Determination of risk strategies and risk tolerance (risk appetite)
- Risk measurement and assessment of risk-bearing capacity
- Risk steering
- Independent risk monitoring and reporting

Further information on the organization of capital, liquidity and risk management as well as the process of ensuring risk-bearing capacity can be found in the risk management section of the annual report of VP Bank Group. There is currently no requirement on the part of the supervisory authority to disclose the institution’s own procedures for assessing the adequacy of internal capital.

Exposure to counterparty credit risk (Article 439 CRR)

OTC derivative transactions may be concluded only with counterparties with whom a netting contract and a clearing agreement have been concluded. The default risk is limited for interbank transactions within the context of the limit system.

As part of risk management, derivative financial instruments are concluded only in the banking book and are used to hedge against equity price, interest change and currency risks as well as to manage the banking book. Derivatives approved for this purpose are set out in the Risk Strategy for Financial Risks Regulations.

For the internal allocation of the economic capital, no distinction is made between derivative and original credit risk exposures. Risk-reducing correlation effects between the risk types are not taken into consideration for reasons of prudence.

EU CCRA: Qualitative disclosure related to CCR

Counterparty Credit Risk (CCR) is defined as the risk that the counterparty will default before the final settlement of the cash flows of derivatives or securities financing transactions. At VP Bank, it is integrated into the internal control process for credit risks. VP Bank uses the SA-CCR to quantify counterparty credit risk. As of December 31, 2022, the capital requirements for the counterparty credit risk amounted to CHF 80 million. Table EU CCR1 shows the counterparty credit risk by approach pursuant to Article 439 CRR.

In order to reduce the credit risk from these instruments, VP Bank concludes framework agreements such as ISDA agreements, Swiss or German framework agreements for financial futures transactions with the respective counterparties. The contracts also specify the variation margin arrangements (e.g. through the Credit Support Annex in the ISDA Agreements). VP Bank only uses cash and securities collateral. A detailed list of collateral provided and received is set out in Table EU CCR5. Collateral is revalued on a daily basis. Ensuring the value and recoverability of collateral for counterparty credit risks is carried out in accordance with internal rules and procedures. No derivatives are settled via central counterparties (CCPs). VP Bank forms Credit Valuation Adjustments (CVA) in accordance with the standard method. The capital requirements for CVA risk as at 31.12.2022 amount to CHF 17 million.

Collateral agreements are concluded without any agreement to increase or decrease the provision of collateral in the event of rating changes on the part of VP Bank.

EU CCR1 – Analysis of CCR exposure by approach

	in CHF 1,000	Replacement cost (RC)	Potential future exposure (PFE)	EEPE[1]	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU – Original Exposure Method (for derivatives)	0	0	n.a.	1.4	0	0	0	0
EU-2	EU – Simplified SA-CCR (for derivatives)	0	0	n.a.	1.4	0	0	0	0
1	SA-CCR (for derivatives)	39,139	47,552	n.a.	1.4	149,970	121,368	121,368	80,447
2	IMM (for derivatives and SFTs)	n.a.	n.a.	0	0	0	0	0	0
2a	Of which securities financing transactions netting sets	n.a.	n.a.	0	n.a.	0	0	0	0
2b	Of which derivatives and long settlement transactions netting sets	n.a.	n.a.	0	n.a.	0	0	0	0
2c	Of which from contractual cross-product netting sets	n.a.	n.a.	0	n.a.	0	0	0	0
3	Financial collateral simple method (for SFTs)	n.a.	n.a.	n.a.	n.a.	0	0	0	0
4	Financial collateral comprehensive method (for SFTs)	n.a.	n.a.	n.a.	n.a.	0	0	0	0
5	VaR for SFTs	n.a.	n.a.	n.a.	n.a.	0	0	0	0
6	**Total**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**149,970**	**121,368**	**121,368**	**80,447**

[1] Effective Expected Positive Exposure
[1] Risk-Weighted Exposure Amounts

The following figure presents regulatory calculations for Credit Valuation Adjustment (CVA) in accordance with Article 439(e,f) of the CRR. Only the standardised method defined under Article 384 of the CRR is used to determine CVA risk.

EU CCR2 – Transactions subject to own funds requirements for CVA risk

	in CHF 1,000	Exposure value	RWEA
1	Total transactions subject to the Advanced method	n.a.	n.a.
2	(i) VaR component (including the 3× multiplier)	n.a.	n.a.
3	(ii) stressed VaR component (including the 3× multiplier)	n.a.	n.a.
4	Transactions subject to the Standardised method	119,492	17,227
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	n.a.	n.a.
5	**Total transactions subject to own funds requirements for CVA risk**	**119,492**	**17,227**

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

in CHF 1,000	Risk weight											
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	others	Total exposure value
Exposure classes												
1 Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0
2 Regional government or local authorities	712	0	0	0	0	0	0	0	0	0	0	712
3 Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0
4 Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
5 International organisations	0	0	0	0	0	0	0	0	0	0	0	0
6 Institutions	0	0	0	0	44,645	202	0	0	0	0	0	44,847
7 Corporates	0	0	0	0	0	0	0	0	64,544	18	0	64,562
8 Retail	0	0	0	0	0	0	0	11,246	0	0	0	11,246
9 Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
10 Other items	0	0	0	0	0	0	0	0	0	0	0	0
11 Total exposure value	**712**	**0**	**0**	**0**	**44,645**	**202**	**0**	**11,246**	**64,544**	**18**	**0**	**121,368**

In application of Article 439(e), the following figure shows the impact of netting and collateral held on exposures.

EU CCR5 – Composition of collateral for CCR exposures

in CHF 1,000	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	0	52,552	0	250	0	0	0	0
Cash – other currencies	0	0	0	0	0	0	0	0
Domestic sovereign debt	0	0	0	0	0	0	0	0
Other sovereign debt	0	0	0	0	0	0	0	0
Government agency debt	0	0	0	0	0	0	0	0
Corporate bonds	0	0	0	0	0	0	0	0
Equity securities	0	0	0	0	0	0	0	0
Other collateral	0	0	0	0	0	0	0	0
Total	**0**	**52,552**	**0**	**250**	**0**	**0**	**0**	**0**

In the case of OTC derivative transactions, netting agreements are in place with the relevant counterparties in order to take advantage of the credit risk mitigating effects resulting from the standardised master agreements. The Bank does not use on-balance-sheet netting agreements.

Capital buffers (Article 440 CRR)

Capital conservation buffer

According to Article 4a(1)(a) and Article 4b BankA, all banks in Liechtenstein are required to hold a capital conservation buffer consisting of 2.5 per cent of common equity tier 1 at the individual and consolidated level. The buffer is designed to ensure that banks form an adequate capital base during times of economic growth, enabling losses to be absorbed in difficult times.

Institution-specific countercyclical capital buffer

According to Article 4a(1)(b) and Article 4c BankA, all banks in Liechtenstein banks are required to hold an institution-specific countercyclical capital buffer consisting of 2.5 per cent of common equity tier 1 capital at the individual and consolidated level. The buffer is intended to counteract the risks arising from excessive credit growth. The institution-specific countercyclical capital buffer is calculated as the weighted average of the countercyclical buffer ratios applicable in the countries in which the bank's main credit exposures are located:

- The buffer rate for domestic credit exposures is set by the Financial Market Authority. In accordance with Article 4d(4) BankA. the buffer is set in steps of 25 basis points or a multiple thereof.
- In the case of non-domestic receivables, the buffer rate defined in the respective country is essentially applicable. In this conjunction, buffer rates of up to 2.5 per cent must be used in the EU and third-party countries on an automatic reciprocity basis. Pursuant to Article 4e(1) BankA, higher ratios need to be taken into account only if the government recognises these at the request of the Financial Market Authority Liechtenstein
- The institute-specific, anti-cyclical capital buffer for the country of Liechtenstein remains unchanged at 0 per cent.

Other systemically important institutions (O-SII) buffer

According to Article 4i(2,3) BankA, VP Bank was identified by the Financial Market Authority as O-SII. The Financial Market Authority identifies other systemically important institutions each year. According to Article 4i(3) BankA, a capital buffer amounting to up to 3 per cent of the total risk expose amount may be stipulated. The Financial Market Authority set the buffer for VP Bank at 2 per cent.

Systemic risk buffer (SyRP)

According to Article 4l BankA, the systemic risk buffer is used to capture all long-term non-cyclical systemic risks or macroprudential risks that are not covered by Articles 4c to 4k BankA. The government can set different systemic risk buffers for one or more subgroups of banks. It may require the systemic risk buffer to be held on an individual basis and/or on a consolidated or partially consolidated basis. The systemic risk buffer can be set for all risk exposures or for subgroups of individual sectoral risk exposures. According to Article 4l(6) BankA, the systemic risk buffer may not be used to cover risks that are already covered by one of the capital buffers listed above. If a group is subject to a systemic risk buffer in accordance with Article 4l BankA and an O-SII buffer in accordance with Article 4i BankA, the systemic risk buffer shall apply in addition thereto.

In Liechtenstein, the following sectoral systemic risk buffer is applied to real estate:

Sectoral Systemic Risk Buffer

In order to address the structural long-term systemic risks in the Liechtenstein banking sector, the Financial Market Stability Board (AFMS) has, pursuant to Article 33b(2)(d) of the Financial Market Supervision Act, a systemic risk buffer for all banks in Liechtenstein in the amount of 1 per cent of the mortgage-backed loans for real estate in Liechtenstein, both on a consolidated and on an individual basis. The sectoral systemic risk buffer results from the systematic concentration of risk arising from the substantial risk exposure of the banking sector, which, due to this similarity, could lead to significant negative effects in the financial system and the real economy for several banks. In Liechtenstein, the high mortgage assets on bank balance sheets against the background of high level of private household sector debt and the similar dependencies on correspondent banks have been identified as systematic concentration risks. The AFMS can consider increasing or reducing the buffer ratio at any time.

EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

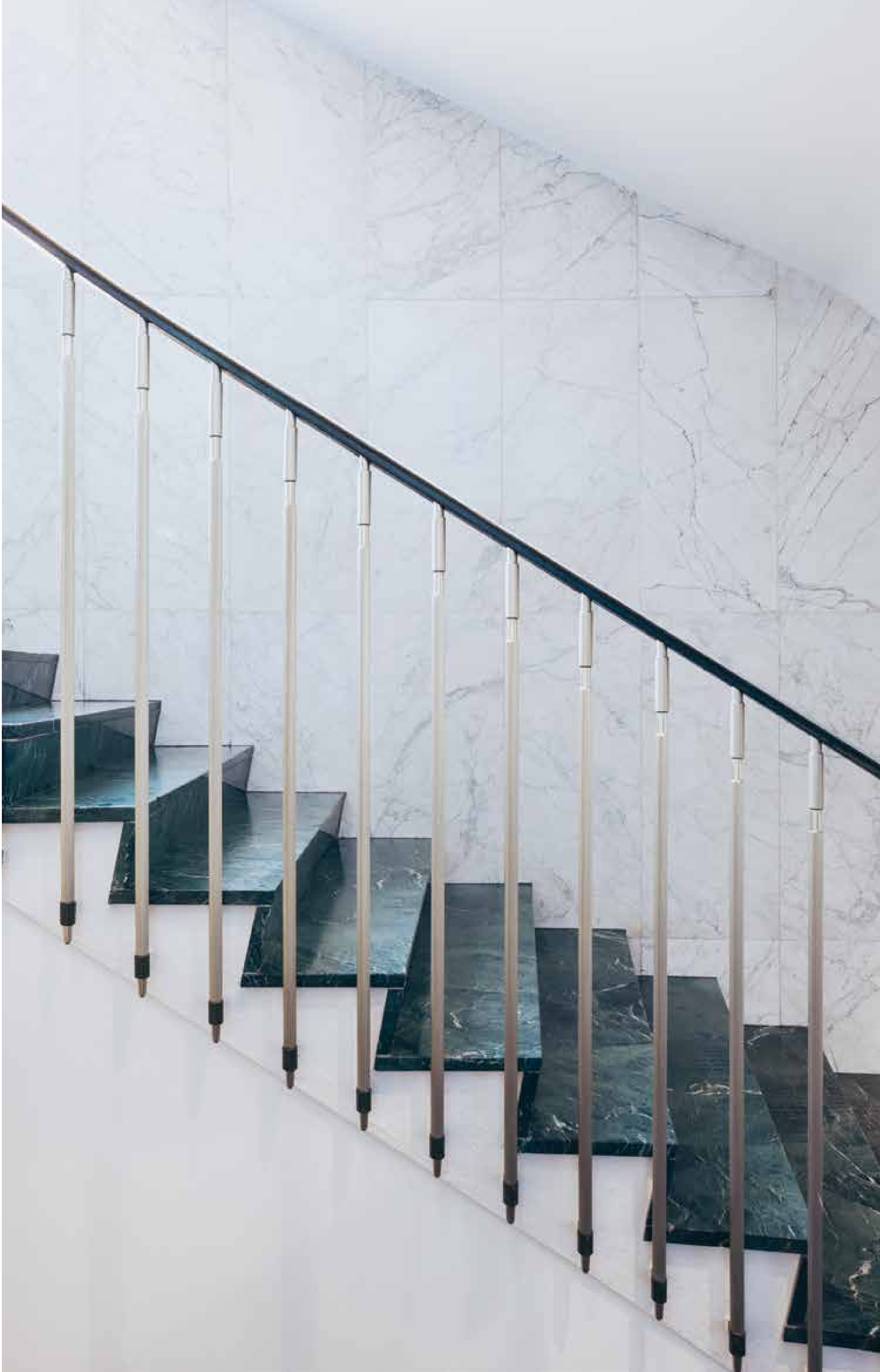
in CHF 1,000		a) General credit exposures: Exposure value under the standardised approach	b) General credit exposures: Exposure value under the IRB approach	c) Relevant credit exposures – Market risk: Sum of long and short positions of trading book exposures for SA	d) Relevant credit exposures – Market risk: Value of trading book exposures for internal models	e) Securitisation exposures Exposure value for non-trading book	f) Total exposure value
010	**Breakdown by country:**						
	Liechtenstein	1,948,524	0	0	0	0	1,948,524
	Switzerland	1,871,955	0	0	0	0	1,871,955
	British Virgin Islands	453,956	0	0	0	0	453,956
	United States	452,237	0	0	0	0	452,237
	Germany	184,744	0	0	0	0	184,744
	Luxembourg	173,244	0	0	0	0	173,244
	France	170,597	0	0	0	0	170,597
	Netherlands	134,205	0	0	0	0	134,205
	Singapore	131,045	0	0	0	0	131,045
	Hong Kong	89,507	0	0	0	0	89,507
	Other	833,107	0	0	0	0	833,107
020	**Total**	**6,443,120**	**0**	**0**	**0**	**0**	**6,443,120**

in CHF 1,000		g) Own fund requirements: Relevant credit risk exposures – Credit risk	h) Own fund requirements: Relevant credit exposures – Market risk	i) Own fund requirements: Relevant credit exposures – Securitisation positions in the non-trading book	j) Total	k) Risk-weighted exposure amounts	l) Own fund requirements weights (%)	m) Countercyclical buffer rate (%)
010	**Breakdown by country:**							
	Liechtenstein	81,290	0	0	81,290	1,016,128	0.28	0.00
	Switzerland	77,366	0	0	77,366	967,074	0.27	0.00
	British Virgin Islands	24,323	0	0	24,323	304,041	0.08	0.00
	United States	17,055	0	0	17,055	213,182	0.06	0.00
	Germany	8,163	0	0	8,163	102,039	0.03	0.00
	Luxembourg	13,917	0	0	13,917	173,965	0.04	0.01
	France	7,213	0	0	7,213	90,159	0.02	0.00
	Netherlands	6,599	0	0	6,599	82,491	0.02	0.00
	Singapore	7,480	0	0	7,480	93,497	0.03	0.00
	Hong Kong	6,894	0	0	6,894	86,170	0.02	0.01
	Other	39,541	0	0	39,541	494,258	0.14	0–1.0[1]
020	**Total**	**289,840**	**0**	**0**	**289,840**	**3,623,004**	**1.00**	**n.a.**

[1] The countries listed under "remaining countries" were subject to a ratio of the countercyclical capital buffer of between 0 and 1 per cent on the reporting date.

EU CCyB2 – Amount of institution-specific countercyclical capital buffer

in CHF 1,000		31.12.2022
1	Total risk exposure amount	4,828,876
2	Institution specific countercyclical capital buffer rate	0.08%
3	Institution specific countercyclical capital buffer requirement	3,643



Credit risk and dilution risk (Article 442 CRR)

Risk management and risk monitoring

Credit risks arise from all transactions for which payment obligations of third parties in favour of VP Bank exist or can arise. Credit risks accrue to VP Bank from client lending activities, the money-market business including bank guarantees, correspondent and metal accounts, the reverse repo business, the Bank's own portfolio of securities, securities lending and borrowing, collateral management and over the counter (OTC) derivative trades.

Credit risks are managed and monitored not only on an individual transaction level but also on a portfolio level. At the portfolio level, VP Bank uses expected and unexpected credit loss estimates to monitor and measure credit risk. The expected credit loss represents the average loss that can be expected within one year. The unexpected credit loss represents a scenario-based unexpected loss from a stressed loss framework that is the difference between the potential loss in a stressed scenario (stressed loss) and the loss to be expected in a normal market environment (expected loss) over one year. In the stressed loss framework, particular attention is paid to idiosyncratic credit risks. The unexpected loss is limited and monitored by a corresponding credit risk limit, both overall and for each loan portfolio.

The credit risk strategy and the credit regulations form the binding framework for credit risk management in the client lending business. Set out therein are not only the general guidelines governing credit granting as well as the framework conditions for the conclusion of credit business but also the decision-makers and the corresponding bandwidths within the framework of which credits may be approved (rules on powers of authority).

In principle, exposures in the private client loans business and in the commercial loans business must be covered by the loan-to-value of the collateral (collateral after haircut). Counterparty risks in the loan business are governed by limits which restrict the level of exposure depending on creditworthiness, industry segment, collateral and risk domicile of the client. VP Bank uses an internal risk classification for assessing creditworthiness. Deviations from credit-granting principles (exceptions to policy) are dealt with as part of the credit risk management process under consideration of the respective risks.

VP Bank enters into both secured and unsecured positions in the interbank business. Unsecured positions result from money market activities (including bank guarantees, correspondent and metals accounts), secured positions arising from reverse repo transactions, securities lending and borrowing, collateral management, and OTC derivative transactions. Repo deposits are fully secured and the collateral received serves as a reliable source of liquidity in a crisis situation. Hence, counterparty risk and also liquidity risk is reduced with reverse repo transactions.

Counterparty risks in the interbank business may only be entered into in approved countries and with approved counterparties. Exposures to banks relate to institutions with a high creditworthiness (investment grade rating) and registered office in an OECD country. A comprehensive system of limits contains the level of exposure depending on the duration, rating, risk domicile and collateral of the counterparty. In this regard, VP Bank relies essentially on the rating of banks by the two rating agencies Standard & Poor's and Moody's. OTC derivative transactions may be concluded exclusively with counterparties with whom a netting agreement has been signed.

Country risk

Country risks arise whenever political or economic conditions specific to a country impinge on the value of an exposure abroad. The monitoring and management of country risk is undertaken using volume limits which restrict the respective aggregate exposures per country rating (Standard & Poor's and Moody's). All on- and off-balance-sheet receivables are considered in this process; positions in the Principality of Liechtenstein and Switzerland do not fall under this country limit rule.

The risk domicile of an exposure is the basis for recognizing country risk. In the case of secured exposures, it is generally the case that the country in which the collateral is located is considered.

EU CRB Credit risk and dilution risk – Additional disclosure related to the credit quality of assets

Credit risk adjustments are defined as the amount of general and specific provisions for credit risk in accordance with Article 4(1)(95) CRR in conjunction with Delegated Regulation (EU) 183/2014.

VP Bank AG applies an Expected Credit Loss Model (ECL) in accordance with IFRS 9 for the determination of credit risk provisions on relevant financial assets. The ECL is calculated for financial instruments which are not already recognised at fair value through profit or loss. Each item is assigned to one of three stages:

- Stage 1 (Performing)
- Stage 2 (Under-performing)
- Stage 3 (Non-performing)

For financial instruments in Stages 1 and 2, the ECL is calculated on the basis of a model; for financial instruments in Stage 3, the ECL is generally calculated individually. The ECL is calculated over the 12-month period (Stage 1) or the remaining term (Stage 2 or 3).

In determining the ECL valuation and stage allocation for a financial instrument, VP Bank applies the definition of default which is consistent with the Basel definition. The ECL calculation takes into account the probability of default (PD) for the individual borrowers over 12 months (Stage 1) or over the term of the financial instrument (Stage 2). In addition, the gross exposure in the event of default by the debtor (exposure at default – EAD) is included in the calculation. Finally, the Loss Given Default (LGD) is included in the ECL calculation. Existing loan collateral is also taken into account. For Stage 3 loans to customers, the credit department generally calculates the individual value adjustments.

In general, VP Bank applies the definition of default in accordance with Article 178 CRR when determining defaults and credit impairments (Stage 3). There are no differences between the accounting and regulatory scopes and definitions used for "past due" and "impaired" receivables. The application is consistent for both as it defines according to Article 178 that a borrower should be classified as defaulted / credit impaired if:

- the bank considers that it is unlikely that the borrower will pay a loan obligation in full without recourse measures having to be taken, such as the realization of collateral, and/or
- the borrower is more than 90 days past due on a material loan obligation to the bank. The borrower's credit obligation is classified as Stage 3 and treated as impaired in accordance with IFRS 9.
- Past due receivables are treated as follows: Borrowers more than 90 days past due are assigned to Stage 3
- Past due more than 30 days and less than 90 days are assigned to Stage 2 if they exceed the corresponding defined thresholds
- Past dues of 30 days and less are not subject to a change in classification (Stage 1).

VP Bank recognizes risk exposures that are past due (more than 90 days) as impaired and thus has no risk exposure which are more than 90 days past due and have not been impaired.

The institution's own definition of a restructured risk exposure of the bank is similar to the risk exposure for the implementation of Article 178(3)(d) CRR, which is specified in the EBA guidelines on the definition of default in accordance with Article 178 CRR.

According to the disclosure requirements of Article 442(g,h) CRR, institutions should disclose a breakdown of their defaulted and non-defaulted exposures by exposure class in template EU CR1-A below.

EU CR1 – Performing and non-performing exposures and related provisions

in CHF 1,000	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
Cash balances at central banks and other demand deposits	**2,643,423**	**2,636,817**	**6,606**	**0**	**0**	**0**
Loans and advances	**6,781,801**	**6,734,715**	**47,086**	**55,001**	**0**	**55,001**
Central banks	0	0	0	0	0	0
General governments	1,659	1,659	0	0	0	0
Credit institutions	1,045,823	1,045,823	0	0	0	0
Other financial corporations	1,236,620	1,228,673	7,947	27,228	0	27,228
Non-financial corporations	1,567,527	1,557,158	10,369	9,954	0	9,954
of which SMEs	4,537	4,537	0	0	0	0
Households	2,930,172	2,901,402	28,770	17,820	0	17,820
Debt securities	**2,652,950**	**2,627,747**	**18,611**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0
General governments	670,222	670,222	0	0	0	0
Credit institutions	621,233	621,233	0	0	0	0
Other financial corporations	386,592	374,230	5,769	0	0	0
Non-financial corporations	974,903	962,062	12,841	0	0	0
Off-balance-sheet exposures	**137,586**	**137,584**	**2**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0
General governments	223	223	0	0	0	0
Credit institutions	21,779	21,779	0	0	0	0
Other financial corporations	36,822	36,822	0	0	0	0
Non-financial corporations	76,673	76,673	0	0	0	0
of which SMEs	0	0	0	0	0	0
Households	2,089	2,087	2	0	0	0
Total	**12,215,761**	**12,136,864**	**72,305**	**55,001**	**0**	**55,001**

in CHF 1,000	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**-40**	**-39**	**-1**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**-961**	**-932**	**-28**	**-16,422**	**0**	**-16,422**	**0**	**5,716,208**	**0**
Central banks	0	0	0	0	0	0	0	0	0
General governments	-1	-1	0	0	0	0	0	1,658	0
Credit institutions	-82	-82	0	0	0	0	0	0	0
Other financial corporations	-396	-387	-9	-7,360	0	-7,360	0	1,217,332	0
Non-financial corporations	-63	-54	-9	-3,125	0	-3,125	0	1,567,464	0
of which SMEs	0	0	0	0	0	0	0	4,531	0
Households	-419	-409	-10	-5,937	0	-5,937	0	2,929,754	0
Debt securities	**-1,304**	**-676**	**-628**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0	0	0
General governments	-96	-96	0	0	0	0	0	0	0
Credit institutions	-88	-88	0	0	0	0	0	0	0
Other financial corporations	-582	-121	-462	0	0	0	0	0	0
Non-financial corporations	-538	-372	-166	0	0	0	0	0	0
Off-balance-sheet exposures	**304**	**301**	**2**	**0**	**0**	**0**	**n.a.**	**137,586**	**0**
Central banks	0	0	0	0	0	0	n.a.		0
General governments	0	0	0	0	0	0	n.a.	223	0
Credit institutions	1	1	0	0	0	0	n.a.	21,779	0
Other financial corporations	291	291	0	0	0	0	n.a.	36,822	0
Non-financial corporations	2	2	0	0	0	0	n.a.	76,673	0
of which SMEs	0	0	0	0	0	0	n.a.	0	0
Households	10	8	2	0	0	0	n.a.	2,089	0
Total	**-2,569**	**-1,910**	**-658**	**-16,422**	**0**	**-16,422**	**0**	**5,853,794**	**0**

Table EU CR1-A shows the breakdown of loans and advances and debt securities of the net exposure values by residual maturity in accordance with Article 442(g) CRR as of December 31, 2022. The net value is the on-balance-sheet gross carrying value of exposure less valuation allowances.

EU CR1-A – Maturity of exposures

in CHF 1,000	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	802	5,314	781	401	0	7,298
Debt securities	0	305	1,485	646	0	2,437
Total	**802**	**5,619**	**2,266**	**1,047**	**0**	**9,735**

EU CR2 – Changes in the stock of non-performing loans and advances

	in CHF 1,000	Gross carrying value
010	**Initial stock of non-performing loans and advances**	**68,459**
020	Inflows to non-performing portfolios	1,983
030	Outflows from non-performing portfolios	–15,440
040	Outflows due to write-offs	–15,440
050	Outflow due to other situations	0
060	**Final stock of non-performing loans and advances**	**55,001**

EU CQ1 – Credit quality of forborne exposures

in CHF 1,000	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0
Debt Securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

EU CQ3 – Credit quality of performing and non-performing exposures by past due days

in CHF 1,000	a	b	c
	Gross carrying amount/nominal amount		
	Performing exposures		
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
Cash balances at central banks and other demand deposits	**2,643,423**	**2,643,423**	**0**
Loans and advances	**6,781,801**	**6,762,884**	**18,918**
Central banks	0	0	0
General governments	1,659	1,656	3
Credit institutions	1,045,823	1,045,823	0
Other financial corporations	1,236,620	1,236,244	376
Non-financial corporations	1,567,527	1,560,538.75	6,988
of which SMEs	4,537	4,537	0
Households	2,930,172	2,918,622	11,551
Debt securities	**2,652,950**	**2,652,950**	**0**
Central banks	0	0	0
General governments	670,222	670,222	0
Credit institutions	621,233	621,233	0
Other financial corporations	386,592	386,592	0
Non-financial corporations	974,903	974,903	0
Off-balance-sheet exposures	**137,586**	**n.a.**	**n.a.**
Central banks	0	n.a.	n.a.
General governments	223	n.a.	n.a.
Credit institutions	21,779	n.a.	n.a.
Other financial corporations	36,822	n.a.	n.a.
Non-financial corporations	76,673	n.a.	n.a.
Households	2,089	n.a.	n.a.
Total	**12,215,761**	**12,059,257**	**18,918**

in CHF 1,000	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount								
	Non-performing exposures								
		past due ≤ 90 days[1]	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 year	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**55,001**	**34,207**	**11,407**	**782**	**173**	**8,432**	**0**	**0**	**55,001**
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	27,228	15,692	11,405	0	3	127	0	0	27,228
Non-financial corporations	9,954	6,285	0	782	169	2,718	0	0	9,954
of which SMEs	0	0	0	0	0	0	0	0	0
Households	17,820	12,230	2	0	0	5,588	0	0	17,820
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**93**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**93**
Central banks	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
General governments	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Credit institutions	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Other financial corporations	89	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	89
Non-financial corporations	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Households	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4
Total	**55,094**	**34,207**	**11,407**	**782**	**173**	**8,432**	**0**	**0**	**55,094**

[1] Unlikely to pay that are not past due or are past due ≤ 90 days

EU CQ4 – Quality of non-performing exposures by geography

in CHF 1,000	Gross carrying/nominal amount				Accumulated impairment	Provisions[1]	Accumulated negative changes[2]
	Total	Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	**9,480,226**	**55,001**	**55,001**	**9,480,226**	**–18,686**	**n.a.**	**0**
Switzerland	3,200,439	7,596	7,596	3,200,439	–3,870	n.a.	0
Liechtenstein	1,966,227	19,984	19,984	1,966,227	–2,481	n.a.	0
British Virgin Islands	615,517	8,488	8,488	615,517	–5,953	n.a.	0
United States	562,249	0	0	562,249	–226	n.a.	0
Germany	334,218	0	0	334,218	–117	n.a.	0
Singapore	314,864	0	0	314,864	–10	n.a.	0
Netherlands	305,547	0	0	305,547	–183	n.a.	0
France	249,866	0	0	249,866	–68	n.a.	0
Luxembourg	216,234	10,111	10,111	216,234	–4,716	n.a.	0
Canada	198,802	0	0	198,802	–37	n.a.	0
Others	1,516,264	8,823	8,823	1,516,264	–1,026	n.a.	0
Off-balance-sheet exposures	**137,586**	**0**	**0**	**n.a.**	**n.a.**	**282**	**n.a.**
Switzerland	51,952	0	0	n.a.	n.a.	5	n.a.
Singapore	34,232	0	0	n.a.	n.a.	0	n.a.
Liechtenstein	29,696	0	0	n.a.	n.a.	11	n.a.
Luxembourg	17,418	0	0	n.a.	n.a.	0	n.a.
Austria	1,726	0	0	n.a.	n.a.	0	n.a.
Others	2,562	0	0	n.a.	n.a.	267	n.a.
Total	**9,617,813**	**55,001**	**55,001**	**9,480,226**	**–18,686**	**282**	**0**

[1] Provisions on off-balance-sheet commitments and financial guarantees given.
[2] Accumulated negative changes in fair value due to credit risk on non-performing exposures.

EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

in CHF 1,000	Gross carrying amount				Accumulated impairment	Accumulated negative changes[1]
		Of which non-performing		Of which subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	7,605	0	0	7,605	0	0
Mining and quarrying	3,302	0	0	3,302	0	0
Manufacturing	123,373	0	0	123,373	–26	0
Electricity, gas, steam and air conditioning supply	163	0	0	163	0	0
Water supply	0	0	0	0	0	0
Construction	77,005	0	0	77,005	–2	0
Wholesale and retail trade	94,486	6,285	6,285	94,486	–2,396	0
Transport and storage	7,327	0	0	7,327	–0	0
Accommodation and food service activities	23,215	0	0	23,215	–1	0
Information and communication	83,805	2,887	2,887	83,805	–488	0
Financial and insurance actvities	0	0	0	0	0	0
Real estate activities	767,800	0	0	767,800	–20	0
Professional, scientific and technical activities	51,782	0	0	51,782	–2	0
Administrative and support service activities	17,864	0	0	17,864	–1	0
Public administration and defense, compulsory social security	0	0	0	0	0	0
Education	0	0	0	0	0	0
Human health services and social work activities	34,409	0	0	34,409	–1	0
Arts, entertainment and recreation	738	0	0	738	–0	0
Other services	284,607	782	782	284,607	–250	0
Total	**1,577,481**	**9,954**	**9,954**	**1,577,481**	**–3,187**	**0**

[1] Accumulated negative changes in fair value due to credit risk on non-performing exposures.

EU CQ7 – Collateral obtained by taking possession and execution processes

in CHF 1,000	Collateral obtained by taking possession Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	0	0
Residential immovable property	0	0
Commercial Immovable property	0	0
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	**0**	**0**

Encumbered and unencumbered assets (Article 443 CRR)

VP Bank prepares the asset encumbrance pursuant to Article 100 CRR in accordance with the Implementing Regulation (EU) 2021/451. Encumbered and unencumbered assets are disclosed in accordance with Article 443 CRR.

The following qualitative information on encumbered and unencumbered assets is based on the requirements of table EU AE4 letters a) and b).

There are no differences between the regulatory scope of consolidation used for asset encumbrance disclosures and the scope of consolidation used for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Part 2 of Regulation (EU) No 575/2013 at VP Bank.

There are no incongruencies between the accounting perspective of collateral deposited and transferred assets and encumbered assets (regulatory view).

The values reported in the templates EU AE1, EU AE2 and EU AE3 are calculated as the median of the previous four quarters of the financial year 2022. Therefore, the sum of the individual positions does not necessarily correspond to the total in the templates.

An asset is deemed as encumbered if it has been deposited as collateral or if it is the subject of some form of agreement for the provision of collateral, security or the granting of credit security for a transaction from which it cannot be readily withdrawn. At VP Bank, this relates to financial transactions such as securities lending and borrowing, repo transactions or collateral linked to derivatives business. VP Bank enters into such transactions only to a relatively small extent, therefore encumbered assets have no material impact on the business model. VP Bank takes a basically conservative stance on questions of interpretation regarding the asset encumbrance. Any over-collateralization is also considered to be encumbered.

The full share of encumbered assets in the VP Bank Group comes from VP Bank Liechtenstein itself.

Under normal circumstances, VP Bank considers some of the unencumbered assets (column 060 from EU AE1) to be unavailable for encumbrance. In addition to receivables from customers and banks, this mainly includes receivables from reverse repo transactions and other assets such as property, plant and equipment or tax assets.

The encumbered and unencumbered assets are shown below in the EU AE1 template.

EU AE1 – Encumbered and unencumbered assets

in CHF 1,000		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	508,422	508,422	n.a.	n.a.	12,557,305	3,766,281	n.a.	n.a.
030	Equity instruments	0	0	0	0	162,482	57,886	157,209	27,856
040	Debt securities	505,821	505,821	487,978	487,978	2,099,393	1,480,092	2,050,989	1,394,186
050	of which: covered bonds	113,556	106,188	113,533	106,125	227,066	177,201	225,675	173,096
060	of which: securitisations	0	0	0	0	0	0	0	0
070	of which: issued by general governments	172,751	159,834	171,201	157,413	493,936	431,900	492,195	425,147
080	of which: issued by financial corporations	196,647	196,647	190,556	190,556	588,619	178,610	585,729	179,017
090	of which: issued by non-financial corporations	149,340	149,340	140,009	140,009	933,422	712,900	903,786	630,389
120	Other assets	0	0	n.a.	n.a.	10,329,829	2,154,309	n.a.	n.a.

EU AE2 – Collateral received and own debt securities issued

in CHF 1,000				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution	33	0	166	0
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	0	0
170	of which: covered bonds	0	0	0	0
180	of which: securitisations	0	0	0	0
190	of which: issued by general governments	0	0	0	0
200	of which: issued by financial corporations	0	0	0	0
210	of which: issued by non-financial corporations	0	0	0	0
220	Loans and advances other than loans on demand	0	0	0	0
230	Other collateral received	33	0	166	0
240	Own debt securities issued other than own covered bonds or securitisations	0	0	229,666	0
241	Own covered bonds and securitisations issued and not yet pledged	n.a.	n.a.	0	0
250	**Total collateral received and own debt securities issued**	**508,422**	**258,678**	**n.a.**	**n.a.**

The EU AE3 template discloses the total on- and off-balance sheet sources of encumbrance. This includes both selected secured financial liabilities (particularly repo transactions) and encumbrances without associated refinancing.

EU AE3 – Sources of encumbrance

in CHF 1,000		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**230,965**	**97,480**

Use of ECAIs (Article 444 CRR)

Use of external rating agencies

To determine regulatory capital requirements under the Credit Risk Standardized Approach, the credit assessments of recognized rating agencies (External Credit Assessment Institutions (ECAIs)) pursuant to Article 135 CRR are used for the following asset classes:

- Exposure value vis-à-vis central governments or central banks
- Exposure value vis-à-vis regional governments or local authorities
- Exposure value vis-à-vis public sector agencies
- Exposure value vis-à-vis multilateral development banks
- Exposure value vis-à-vis institutions
- Exposure value vis-à-vis corporates.

If a directly applicable rating exists for an exposure value, this shall be used for the risk weighting. In all other cases, the exposure shall be deemed not to have been assessed.

External ratings are assigned to the regulatory credit quality steps ratings in accordance with the standard EBA allocation.

The following overviews contain the respective total of the risk exposure values using the standardized approach in accordance with Article 444(e) of the CRR. The risk exposure values are presented broken down by risk exposure classes before and after factoring in credit risk mitigation effects of collateral.

EU CR5 – standardised approach

in CHF 1,000	Risk weight											
	0%	10%	20%	35%	50%	75%	100%	150%	1,250%	Others	Total	Of which unrated
Exposure classes												
1 Central governments or central banks	2,423,061	0	6,932	0	0	0	29,400	0	0	0	2,459,393	0
2 Regional government or local authorities	186,855	0	8,351	0	0	0	115	0	0	0	195,321	53,890
3 Public sector entities	149,289	0	5,745	0	0	0	0	0	0	0	155,034	0
4 Multilateral development banks	70,509	0	2,994	0	0	0	0	0	0	0	73,503	4,110
5 International organisations	0	0	0	0	0	0	0	0	0	0	0	0
6 Institutions	0	0	1,604,937	0	188,014	0	8,124	0	0	0	1,801,075	1,545,903
7 Corporates	86,498	0	435,441	0	539,050	0	1,354,646	38	0	0	2,415,674	747,114
8 Retail exposures	1,169	0	0	0	0	93,963	0	0	0	0	95,132	64,875
9 Exposures secured by mortgages on immovable property	0	0	0	2,211,385	767,034	12,567	119,511	0	0	0	3,110,498	3,147,272
10 Exposures in default	0	0	0	0	0	0	21,505	5,962	0	0	27,467	27,467
11 Exposures associated with particularly high risk	0	0	0	0	0	0	0	9,446	0	0	9,446	9,446
12 Covered bonds	0	333,660	0	0	0	0	0	0	0	0	333,660	4,156
13 Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
14 Units or shares in collective investment undertakings	858	0	45	0	3,477	0	20,983	20,397	5,490	0	51,249	51,171
15 Equity exposures	0	0	0	0	0	0	129,329	0	0	0	129,329	228,504
16 Other items	40,703	0	30,587	0	0	4	146,796	0	0	0	218,090	361,441
17 Total	**2,958,942**	**333,660**	**2,095,032**	**2,211,385**	**1,497,575**	**106,534**	**1,830,410**	**35,842**	**5,490**	**0**	**11,074,870**	**6,245,349**

Exposure to market risk (Article 445 CRR)

Risk management and risk monitoring

Market risks arise from taking positions in financial assets (debt instruments, shares and other securities), foreign currencies, precious metals and corresponding derivative transactions, as well as from client business, interbank business and from consolidated subsidiaries whose functional currency is a foreign currency.

The Bank employs a comprehensive set of methods and key figures for the monitoring and management of market risks. In this respect, the value-at-risk approach has established itself as the standard method to measure general market risk. The value-at-risk for market risks quantifies the potential loss in market value of all market risk positions on the evaluation date, expressed in CHF. The value-at-risk is computed on a Group-wide basis with the aid of historic simulation. In this process, the historical movements in market data over a period of at least five years are used in order to evaluate all positions subject to market risk.

VP Bank uses foreign exchange transactions to control the currency positions from its own financial assets. Currency risks from the client business generally may not arise; currency positions that remain open are closed via the foreign exchange market. Group Treasury & Execution is responsible for the management of foreign currency risks from client business.

The projected loss refers to an investment horizon of 250 trading days and will not be exceeded with a probability of 99%.

As the maximum losses arising from extreme market situations cannot be determined with the value-at-risk approach, the market risk analysis is supplemented by stress tests that allow an assessment of the effects of extreme market fluctuations on the current value of equity capital and on net interest income. In this manner, the fluctuations in net current value of all balance sheet items and derivatives in the area of market risks are computed with the aid of sensitivity indicators based on simulated market movements (parallel shift, rotation or inclination changes in interest-rate curves, exchange rate fluctuations by a multiple of their implicit volatility, slump in equity share prices). In addition, the development of interest income is simulated for selected market scenarios (rising interest rates, falling interest rates).

While engaged in complying with the relevant statutory and regulatory provisions, the monitoring and management of financial risks is based on internal bank objectives and limits relating to volumes, sensitivities and risk metrics. Scenario analyses and stress tests also demonstrate the effect of events which possibly were not or not sufficiently taken into consideration within the scope of ordinary risk evaluation.

Group Treasury & Execution is responsible for the central management of market risks within the set limits. GEM allocates the financial risks limits set by the Board of Directors to the individual subsidiaries and risk types. Group Financial Risk in the CRO area monitors independently and Group-wide compliance with the relevant limits.

To calculate additional value adjustments (AVA), VP Bank applies the simplified concept defined under Article 4 of Delegated Regulation (EU) No. 2016/101. Thus, for all items valued at market prices or fair value, 0.1 per cent of the absolute value is deducted from equity capital as an additional valuation adjustment.

EU MR1 – Market risk under the standardised approach

in CHF 1,000		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	n.a.
2	Equity risk (general and specific)	n.a.
3	Foreign exchange risk	92,740
4	Commodity risk	15,792
9	**Total**	**108,532**

Operational risk (Article 446 CRR)

Operational risk

There are a wide variety of causes for operational risks. People make mistakes, IT systems fail, external risks affect the Bank or business processes do not work. It is therefore necessary to determine the factors which trigger important risk events and their impact in order to contain them with suitable preventive measures.

The management of operational risks is understood in VP Bank to be an integral cross-divisional function which is to be implemented across all business units and processes on a uniform Group-wide basis. The following methods are used for this purpose:
- VP Bank's internal control system
- Early warning indicators
- Systematic recording of significant loss events and centralized evaluation
- Periodic top-down and bottom-up risk assessments
- Quarterly reporting
- Business continuity management (BCM)

Strategy and business risk

Business risk on the one hand results from unexpected changes in market and underlying conditions with an adverse effect on profitability or equity. On the other hand, it indicates the danger of unexpected losses that may result from management decisions regarding the business policy orientation of the Group (strategy risk). Group Executive Management is responsible for managing business risk. Taking into account the banking environment and the internal company situation, this risk is analysed by Group Executive Management, top-risk scenarios are derived and appropriate measures are worked out, the implementation of which is entrusted to the responsible body or organisational unit (top-down process).

Compliance risk

Compliance risk is understood to be breaches of statutory and regulatory provisions that can cause significant damage to VP Bank's reputation or result in sanctions, fines or even in the Bank's licence being withdrawn. The compliance risk of VP Bank consists in particular in the fact that VP Bank does not or does not sufficiently recognise financial crime compliance risks of its clients and counterparties – such as money laundering, financing of terrorism, violations of sanctions and embargoes, and fraud and corruption activities – and has not established appropriate surveillance and monitoring processes/measures for identification, management and limitation of crossborder compliance risks as well as tax and investment compliance risks.

Further information on the above-mentioned risk types can be found in the Annual Report.

EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts

in CHF 1,000		Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities		31.12.2020	31.12.2021	31.12.2022		
1	Banking activities subject to basic indicator approach (BIA)	316,927	326,394	335,541	48,943	611,788
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	n.a.	n.a.	n.a.	n.a.	n.a.
3	Subject to TSA:	n.a.	n.a.	n.a.		
4	Subject to ASA:	n.a.	n.a.	n.a.		
5	Banking activities subject to advanced measurement approaches AMA	n.a.	n.a.	n.a.	n.a.	n.a.

Exposure to interest rate risk on positions not held in the trading book (Article 448 CRR)

Interest rate risks in the banking book

VP Bank refinances its medium and long-term client loans and its nostro positions in interest-bearing debt securities primarily with short-term client deposits and is therefore subject to an interest rate risk. Rising interest rates have an adverse impact on the net present value of fixed income business activities and they also increase refinancing costs. As part of VP Bank's asset and liability management, interest rate swaps measured at fair value are deployed to hedge this risk. VP Bank applies fair-value hedge accounting under IFRS in order to record the offsetting effect of changes in the value of the hedged item on the balance sheet.

VP Bank does not take any significant interest rate risks in the trading book. For the purposes of risk management, no distinction is made between trading and bank book positions.

The starting point for the risk management and risk monitoring is the cash flow structure of the interest-sensitive positions at the overall bank level. For this purpose, all on-balance sheet and off-balance-sheet assets and liabilities are allocated to the various maturity bands according to their contractually fixed interest rates. Products with indefinite interest rate and capital commitment are mapped using internal replication models. For this purpose, the affected transactions are grouped according to their characteristics, for example by product type, currency and customer segment. The models are derived based on a combination of historical data and an estimate of expected behavior in future scenarios. In the replication portfolios, individual tranches with maturities up to ten years are permitted. The average duration is 0.8 years. Implicit options in client loans business which may, for example, potentially result from special termination rights without early-redemption penalties are negligible and have not been modelled.

Interest rate risk is quantified monthly at individual and consolidated level. Key indicators include interest rate sensitivities, key rate durations, value-at-risk, interest income as well as static and dynamic earnings effects. There is a comprehensive limit system for this purpose, which is supplemented by regular stress tests. The risk management process for interest rate risks is part of the risk management process for market risks. Details on this can be found in the previous chapters and in the risk report of the annual report.

EU IRRBB1 – Interest rate risks of non-trading book activities

in CHF 1,000 Supervisory shock scenarios		Changes of the economic value of equity 31.12.2022	Changes of the net interest income 31.12.2022
1	Parallel up	–80,923	1,207
2	Parallel down	43,105	–40,507
3	Steepener	–9,396	n.a.
4	Flattener	–9,710	n.a.
5	Short rates up	–39,517	n.a.
6	Short rates down	20,678	n.a.

Template EU IRRBB1 presents the impact of interest rate changes on both the economic value of equity and net interest income at consolidated level as of December 31, 2022.

The economic value of equity is derived from the present values of assets, liabilities and derivative financial instruments. This present value of equity is calculated once using the market parameters as of the reporting date. There is then a change in interest rates per currency for each scenario in accordance with the six supervisory interest rate shock scenarios (early warning indicators according to Article 114 of the EBA Guideline 2018/02) and the present value of equity is recalculated. The changes shown represent the profit or loss of the present value in the respective scenario. Negative values in the event of an interest rate increase (in particular scenario 1 parallel upward shock) indicate an asset surplus, positive values indicate a liability surplus with regard to the fixed interest rate.

Net interest income is derived from a simulation of interest income and expense for the year (twelve months) immediately following the reporting date. The existing positions at the reporting date are included in the calculation up to maturity with their contractually agreed parameters (amounts, interest rates, and, if applicable, link to the reference interest rate). Expiring transactions are renewed taking into account the simulated interest rates. The assumptions for new business (maturities and interest margins) were derived from existing business on the one hand and take into account expected developments in the respective interest rate scenario on the other, such as changing margins in the event of a change in the interest rate level. Similarly, assumptions were made for the simulated development of interest rate for transactions without contractual maturity, which particularly affects sight and call money deposits. Based on the balance sheet at the reporting date, the planned development of the balance sheet over the next year (budget scenario) is taken as a basis, which means an expansion of the business volume over the year. In addition, balance sheet movements are assumed that result from the change in yield curves in the respective scenario. These are shifts within customer deposits that are intended to reflect the reaction of customers to the changed conditions.

The two interest rate shock scenarios presented for the interest income are closely based on the corresponding scenarios for the present values: The interest rate movements are 100 bps for CHF and 200 bps for EUR and USD, each modeled as an interest rate shock at the beginning of the simulation period. No interest rate floor is assumed. The changes of the net interest income shown in the template EU IRRB1 are the difference between the simulated interest income of the shock scenario and the simulated interest income of the budget scenario. Negative values do not indicate a negative net interest income for the next year, but indicate a lower net interest income compared with the budget scenario.

Remuneration policy (Article 450 CRR)

Acting on the basis of regulatory requirements, the Board of Directors has issued «remuneration policy» regulations for VP Bank Group. As a framework for compensation practice, the remuneration policy creates Group-wide commitment and thus ensures that employees are remunerated in accordance with uniform guidelines. The regulations are reviewed annually in order to ensure that they are up-to-date, compliant and reasonable.

For a number of years, the compensation policy of VP Bank Group corresponds to the size of VP Bank, its internal organisation and the scope and complexity of its business model.

Principles of compensation

Compensation plays a central role in the recruitment and retention of employees. VP Bank subscribes to fair, performance-oriented and balanced practices in terms of compensation which are in keeping with the long-term interests of shareholders, employees and clients alike.

The principles applied are laid down in the compensation policy.

- The compensation policy and practices of VP Bank Group are simple, transparent and sustainability-oriented – especially with regard to environmental, social and governance aspects. They are in line with the Group's business strategy, objectives and values, as well as its long-term overall success, and take its equity situation into account.
- Performance orientation and performance differentiation are substantive components of the compensation policy and ensure the interlinking of variable compensation with the achievement of the strategic goals of the company.
- The compensation policy is compatible with and helps foster robust and effective risk management. It makes sure that compensation-based conflicts of interests of the functions or persons involved are avoided. The assumption of excessive risks by employees to increase compensation in the short term should be prevented where possible by setting appropriate incentives.
- The compensation policy renders possible a fair and attractive remuneration in line with the market to enable VP Bank Group to attract, motivate and retain qualified and talented employees. Conformity with market conditions is reviewed regularly.
- The compensation system is not founded on a purely formula-based approach and therefore possesses sufficient flexibility to take account of the business performance of VP Bank Group or its subsidiary companies.
- Compensation practices follow the principle of equal treatment. The level of fixed compensation depends on the function. The level of variable compensation reflects Group performance, the performance of the segment or team and/or individual performance.
- The compensation policy is subject to regular review. Relevant legal provisions are applied and implemented in compensation practices. Prescriptions specific to functions, in particular those relating to identified employees (risk takers), are taken into account.

Components of compensation

The total compensation of the employees of VP Bank Group comprises a fixed compensation, an additional variable salary, an equity participation programme, as well as additional perquisites (fringe benefits). In laying down the structure of compensation, an appropriate relationship between the fixed components and variable compensation as well as a function-specific compensation is taken into account. In particular, risk takers, which include the Group Executive Management (GEM), receive a maximum variable compensation which complies with the legal relationship to the annual salary (maximum of 1:2). Limitation of the ratio of fixed to variable compensation at VP Bank to a maximum of 1:2 was approved by shareholders at the 53rd annual general meeting on 29 April 2016.

Fixed compensation

The annual salary set out in the individual employment contract and payable in cash in monthly instalments forms the basis of compensation. The level thereof varies in accordance with the function exercised and the demands and responsibilities deriving therefrom which are assessed based on objective criteria. This enables internal comparability as well as the equal treatment in compensation matters and also permits the comparison with market data. VP Bank considers the fixed compensation to be compensation for the employee's activities performed in an orderly manner. The fixed salary is reviewed annually for ongoing appropriateness within the scope of the salary and wage round negotiations and, where necessary, adjusted.

Variable compensation

The variable compensation can consist of a directly paid-out portion as well as of deferred compensation instruments.

- **Immediately payable variable compensation (bonus):** The bonus is the part of the variable compensation settled annually in cash as compensation for the contribution made to earnings in the previous business year. Should the bonus be particularly high in relation to overall compensation, a part of the payment thereof can be withheld. Where it appears sensible and appropriate, such withheld portion can also be settled in the form of deferred compensation instruments or in the form of equity shares which may not be disposed of during a limited period.
- **Deferred compensation instruments:** Using deferred compensation instruments, the long-term alignment of the interests of shareholders and employees is to be achieved by a participation of the employees in the growth in the value of the Group. VP Bank Group deploys both risk-exposed equity-share and index-based plans as well as cash plans as deferred compensation instruments. Entitlement to deferred compensation instruments is dependent on the function exercised and the individual. Deferred compensation instruments are used particularly by risk takers in order to comply with the regulatory requirements for variable compensation. VP Bank Group uses the following instruments:

Performance Share Plan (PSP)

The PSP is a long-term variable management equity participation programme in the form of registered shares A of VP Bank. At the end of the three-year plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of registered shares A of VP Bank. This vesting multiple is determined from the weighting of an average Group net income and the average net inflow of new client assets over a three-year period.

Cash Deferral Plan (CDP)

In the case of the CDP, the payment of the deferred cash portion is spread out pro rata over five years.

Restricted Share Plan (RSP)

The RSP will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A of VP Bank.

The payout conditions for all three instruments are regulated in separate regulations. In the event that a negative Group net income, a threat to adequate capital base, a significant downward adjustment of the Group net income, a restatement or similar circumstances or developments lead to variable compensation granted being based on incorrect data or some other oversight, the Board of Directors is entitled to reduce the current plans or reduce them to 0 at any time.

In the event of criminally relevant misconduct, fundamental violations of regulatory or legal requirements, VP Bank may withhold, reduce or cancel variable compensation components awarded to an employee (malus) or reclaim amounts which have already been paid (claw-back). This applies particularly in the case of the subsequently discovered fault of the employee or in the case of disproportionately high risks being entered into to increase revenues.

The variable compensation constitutes an additional voluntary benefit payable by VP Bank Group to which no legal entitlement exists, not even after repeated, unconditional payment thereof.

Equity-participation programme

Every year, employees are offered the chance to purchase VP Bank registered shares A on preferential terms. The number thereof depends in equal shares on the level of the fixed salary and the period of employment as of the measurement date, 1 May. The shares are subject to a sales restriction period of three years.

Fringe Benefits

Fringe benefits are ancillary benefits which VP Bank offers its employees on a voluntary basis, often as a result of practices which are customary in the given location or business segment. In principle, the benefits are only of a minor amount. They are settled and reported in accordance with local regulations.

They include the following benefits in particular:
- Insurance benefits in excess of statutory provisions
- Retirement-benefit-related amounts, in particular voluntary employer contributions
- Preferential conditions for employees in the case of banking transactions, such as reduced-rate mortgages for an individual's own home
- Further fringe benefits which are customary in the given location.

Governance

Responsibilities

The Board of Directors of VP Bank is responsible for managing and structuring the compensation policy. Any change or adjustment to the compensation policy must be approved by the Board of Directors.

The Nomination & Compensation Committee (NCC) supports the Board of Directors with regard to all aspects relating to the compensation policy. The NCC comprises the members Philipp Elkuch (Chairman), Beat Graf and Dr Thomas R. Meier. The Committee is primarily responsible for the following tasks:

- defining the criteria for the election of Board members; performing the evaluation and submitting the related motions to the Board of Directors;
- preparing and submitting motions to the Board of Directors concerning the appointment of the Chief Executive Officer and – in collaboration with the Chief Executive Officer – of the remaining members of Executive Management;
- submitting proposals to the Board as to the compensation to be paid to the members of Executive Management;
- dealing with fundamental issues concerning personnel policy (e.g. salary and equity participation systems, management development, succession planning, staff welfare benefits) for the attention of the Board of Directors;
- submitting motions to the Board with regard to the compensation paid to the Chairman and other members of the Board of Directors.

The Nomination & Compensation Committee usually meets six to ten times per annum. In case of need, the CEO participates in the meetings of the Nomination & Compensation Committee in an advisory capacity. During 2022, the Nomination & Compensation Committee met on a total of nine occasions. In addition, an exchange of information concerning developments in VP Bank's organisation took place at a joint meeting with the Strategy & Digitalisation Committee.

Group Executive Management is responsible for all aspects involving the implementation of compensation processes within the scope of the policy and lays down the framework thereof for the individual companies. It specifies the fixed and variable compensation of key managers, including the managers in charge of subsidiary companies. Furthermore, it issues annual implementing regulations to the companies and/or supervisors for the fixing of individual variable compensations.

Tasks and competencies

	Board of Directors	Nomination & Compensation Committee	Chief Executive Officer	Group Executive Management
Compensation policy	Approval	Review / request		Proposal
Compensation of the Chairman of the Board of Directors	Approval	Request		
Compensation of the other members of the Board of Directors	Approval	Request		
Total amount of variable compensation at VP Bank Group	Approval	Review / request		Proposal
Compensation of the Chief Executive Officer	Approval	Request		
Compensation of the other members of the Executive Board	Approval	Review / request	Proposal	
Compensation of the heads of Risk Management and Compliance	Approval	Review / request		Proposal
Compensation of other designated employees		Approval		Review / request
Compensation of other employees				Approval

HCM International Ltd., which has no other mandates from VP Bank Group, was commissioned to structure the compensation model, calibrate the performance share plan as well as to verify the vesting multiple.

Content and method of determining fixed and variable compensation

The compensation policy regulations as well as the risk policy regulations of VP Bank stipulate that the Bank's compensation systems and human resources management are to be designed in a manner that minimises personal conflicts of interest and behavioural risks.

With the budget, the Board of Directors approves the framework for the fixed compensation and, at the end of the year, decides on the level of provisions for the variable portion of salary – taking the annual results into account.

The total amount of variable compensation is determined within a range known as the "value share" and is based primarily on the net profit of VP Bank Group. The Board of Directors makes a facts-based assessment of the total amount of variable compensation and can adapt the amount. In times of adverse operating conditions, the overall amount of variable compensation is reduced accordingly and can even amount to zero. This takes into consideration the multi-annual, risk-adjusted profitability of VP Bank Group (cf. graph below), the sustainable level of profitability, capital costs and therefore takes account of current and future risks.

The sum of provisions for variable compensation must be affordable in the aggregate. This should never result in VP Bank Group nor any individual Group subsidiary falling into financial difficulties. The impact on the Group's equity situation is taken into consideration in this process.

Compensation of selected groups of persons

As part of the Disclosure Report, the remuneration policy and practice for employees whose professional activities have a material impact on the risk profile of VP Bank Group must be presented.

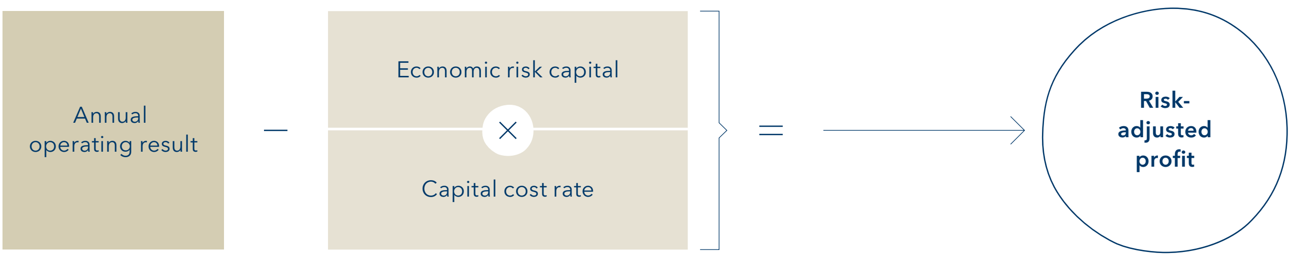
The criteria for identifying these employees, so-called risk takers, are based on Annex 4.4 of the FL Banking Ordinance and Delegated Regulation (EU) 2021/923 of March 25, 2021.

Board of Directors

The Board of Directors receives compensation for the duties and responsibilities conferred on them by law and pursuant to Article 20 of the Articles of Association. This is laid down annually by the Board of Directors in plenary session acting on the proposal of the Nomination & Compensation Committee. Compensation to the members of the Board of Directors is paid on a graduated basis according to their function in the Board of Directors and its committees or in other bodies (e.g. the pension fund). Three quarters of this compensation is paid in cash and one quarter is settled in the form of freely disposable VP Bank registered shares A, the number of which is determined by the current marketprice at the time of receipt.

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

Calculation of the risk-adjusted profit



Group Executive Management

In accordance with the Long Term Incentive (LTI) model approved by the Board of Directors on 11 November 2021, the compensation payable to the Group Executive Management consists of the following components:

1. A fixed base salary
2. A Performance Share Plan (PSP); this is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd. The share of the PSP generally makes up 50 per cent of total variable performance-related compensation. Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences and in extraordinary situations.
3. A Cash Deferral Plan (CDP); this is a long-term management equity-participation programme in the form of cash payments. Payment is spread out pro rata over five years. The share of the cash deferral generally makes up 25 per cent of total variable performance-related compensation. Until the time when each respective payment is made, the Board of Directors reserves the right to reduce or suspend the cash benefits allocated in the case of defined occurrences and in extraordinary situations.
4. Direct cash compensation (STI), the share of which generally amounts to 25 per cent of total variable performance-related compensation.

Each year the Board of Directors establishes the planning parameters for variable profit-related compensation (PSP, CDP, STI) as well as the respective amounts. The target share of total compensation varies according to function and market customs. Furthermore, the Board of Directors annually approves the compensation of the Group Executive Management based on a review and recommendation of the Nomination & Compensation Committee.

VP Bank has concluded no agreements on severance pay with members of the Group Executive Management.

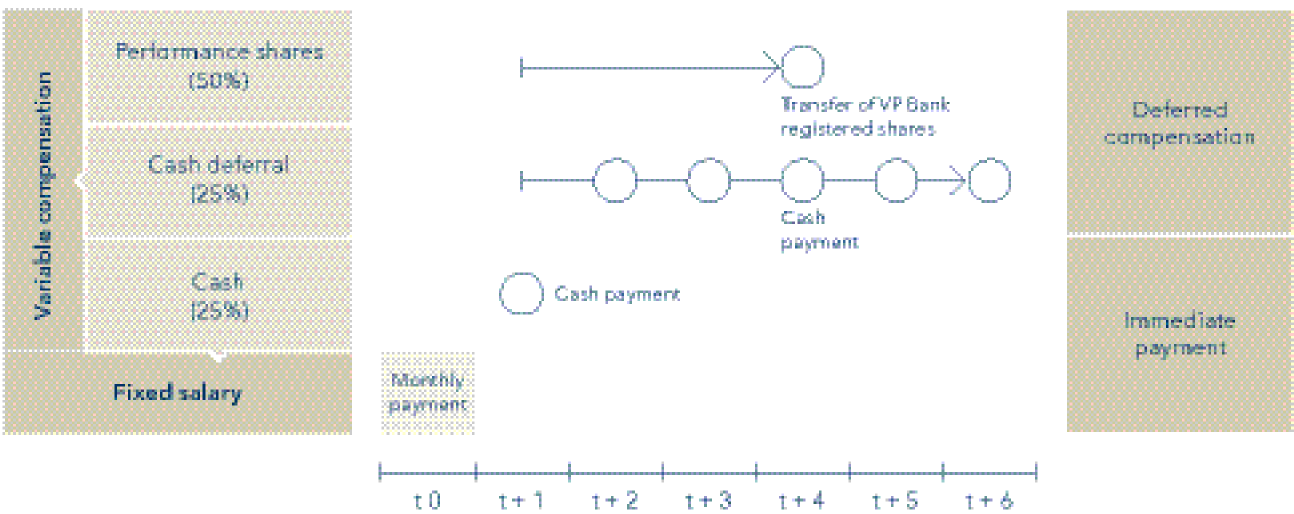
Other risk taker

For the other risk takers, who already participate in the LTI model due to their function, the compensation is analogous to that of the Group Executive Management. The same conditions apply.

For the other risk takers, a remuneration model consisting of the following three components is applied in order to comply with the regulatory provisions:

1. A fixed base salary
2. A Restricted Share Plan (RSP); this is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd, which will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A. The share of the RSP makes up 40 per cent of total variable performance-related compensation. The share increases to 60 percent if the variable compensation is particularly high. The threshold value has been set at EUR 300,000.

Instruments of variable compensation of the Group Executive Management



Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences and in extraordinary situations.

3. Direct cash compensation (STI), the share of which amounts to 60 per cent or, if the above-mentioned threshold is reached, 40 per cent of variable performance-related compensation.

Each year the Board of Directors establishes the planning parameters for variable profit-related compensation (PSP, CDP, STI) as well as the respective amounts. The target share of total compensation varies according to function and market customs. Based on a review and recommendation by the Group Executive Management, the Nomination & Compensation Committee approves the remuneration of the other Risk Takers.

VP Bank has concluded no agreements on severance pay with the other risk taker.

Additional provisions

Compensation of employees in control functions

The variable compensation of employees in controlling functions, internal audit or with legal and compliance tasks is determined based upon the achievement of the targets related to their tasks irrespective of the results of the business units being controlled. A participation in the results of the company or of VP Bank Group is admissible within normal limits and is sensible within the spirit of equal treatment.

Prohibition of hedging practices

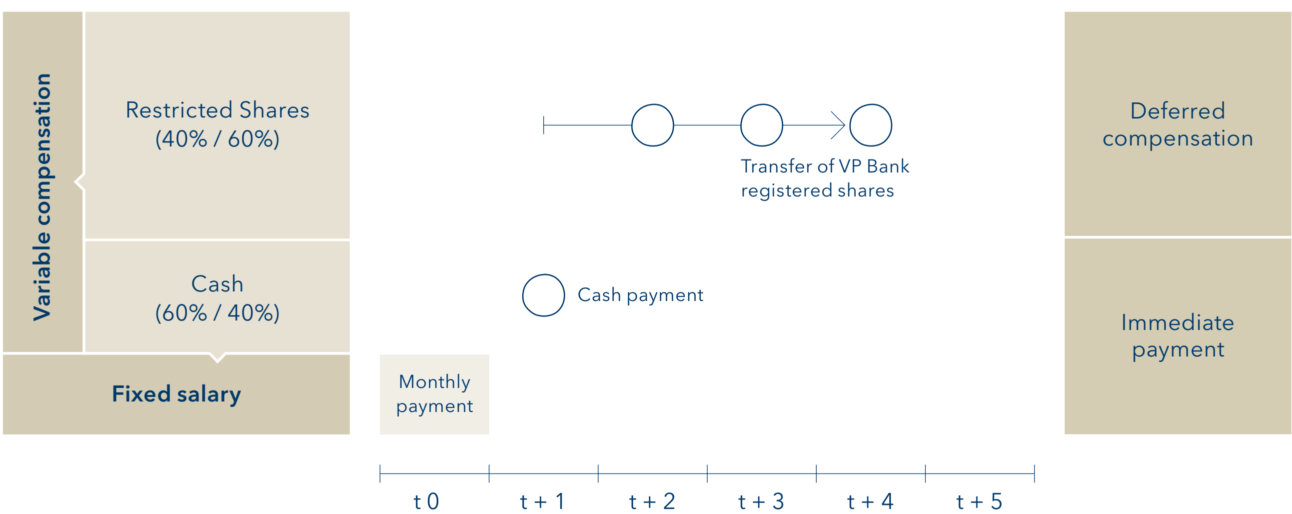
Individual hedging of downside risks that may arise from the PSP is prohibited.

Special payments

VP Bank does not make guaranteed payments in addition to fixed salaries such as end-of-service indemnities agreed in advance. Any performance-related compensation will be granted on a pro-rata basis at most until the end of the notice period.

Special payments upon commencement of employment may occur in given individual cases for the first year of employment – as a rule, these relate to compensation for foregone benefits from the previous employer, which is based on the VP Bank's remuneration instruments and therefore in accordance with the Risk profile can be paid out.

Instruments of variable compensation of the other risk takers



Quantitative information

A total of CHF 4.8 million in variable compensation was granted to Group Executive Management and risk takers for the 2022 financial year.

EU REM1 – Remuneration awarded for the financial year

in CHF 1,000			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	6	5	34
2		Total fixed remuneration	1,445	3,668	1,592	7,400
3		Of which: cash-based	1,083	3,220	1,521	7,219
EU-4 a		Of which: shares or equivalent ownership interests	362	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-5x		Of which: other instruments	0	448	71	181
7		Of which: other forms	0	0	0	0
9	Variable remuneration	Number of identified staff	0	6	5	32
10		Total variable remuneration	0	1,695	874	2,256
11		Of which: cash-based	0	930	505	1,428
12		Of which: deferred	0	424	158	396
EU-13a		Of which: shares or equivalent ownership interests	0	765	369	829
EU-14a		Of which: deferred	0	765	368	820
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-14b		Of which: deferred	0	0	0	0
EU-14x		Of which: other instruments	0	0	0	0
EU-14y		Of which: deferred	0	0	0	0
15		Of which: other forms	0	0	0	0
16		Of which: deferred	0	0	0	0
17	Total remuneration (2 + 10)		1,445	5,363	2,465	9,656

VP Bank applies the exception rule whereby risk takers whose annual variable compensation does not exceed EUR 50,000 or the equivalent in Swiss francs and does not account for more than one-third of the risk taker's total annual compensation do not have a retention on their variable compensation. This exception affected 22 risk takers in the financial year, with a fixed compensation of CHF 3.6 million and a variable compensation of CHF 0.5 million (total compensation: CHF 4.1 million).

EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

in CHF 1,000		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards – Number of identified staff	0	0	1	3
2	Guaranteed variable remuneration awards – Total amount	0	0	150	225
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	0	0	225
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year – Number of identified staff	0	1	0	0
7	Severance payments awarded during the financial year – Total amount	0	165	0	0
8	Of which paid during the financial year	0	124	0	0
9	Of which deferred	0	41	0	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0		0	0
11	Of which highest payment that has been awarded to a single person	0	165	0	0

EU REM3 – Deferred remuneration

in CHF 1,000 Deferred and retained remuneration	Total amount of deferred remunera-tion awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred re-muneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 MB Supervisory function	0	0	0	0	0	0	0	0
2 Cash-based	0	0	0	0	0	0	0	0
3 Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
4 Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
5 Other instruments	0	0	0	0	0	0	0	0
6 Other forms	0	0	0	0	0	0	0	0
7 MB Management function	3,951	372	3,579	-93	0	-108	171	0
8 Cash-based	513	0	513	0	0	0	0	0
9 Shares or equivalent ownership interests	3,438	372	3,066	-93		-108	171	
10 Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
11 Other instruments	0	0	0	0	0	0	0	0
12 Other forms	0	0	0	0	0	0	0	0
13 Other senior management	894	123	771	-28	0	-37	58	0
14 Cash-based	126		126	0	0	0	0	0
15 Shares or equivalent ownership interests	768	123	645	-28	0	-37	58	0
16 Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
17 Other instruments	0	0	0	0	0	0	0	0
18 Other forms	0	0	0	0	0	0	0	0
19 Other identified staff	3,751	744	3,007	-186	0	-216	343	0
20 Cash-based	330		330					
21 Shares or equivalent ownership interests	3,421	744	2,677	-186	0	-216	343	0
22 Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
23 Other instruments	0	0	0	0	0	0	0	0
24 Other forms	0	0	0	0	0	0	0	0
25 Total amount	8,596	1,239	7,357	-307	0	-360	572	0

EU REM4 – Remuneration of 1 million CHF or more per year

	CHF	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	0
3	Over 2 000 000	0

EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

in CHF 1,000	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1 Total number of identified staff										52
2 Of which: members of the MB	7	6	13							
3 Of which: other senior management				0	4	1	0	0	0	
4 Of which: other identified staff				0	13	1	8	12	0	
5 Total remuneration of identified staff	1,445	5,363	6,808	0	5,619	858	3,143	2,502	0	
6 Of which: fixed remuneration	1,445	3,668	5,113	0	4,063	560	2,195	2,174	0	
7 Of which: variable remuneration	0	1,695	1,695	0	1,556	298	948	329	0	

Leverage ratio (Article 451 CRR)

In addition to the risk-based capital adequacy requirements, Basel III introduced a leverage ratio, which applies the equity capital in relation to unweighted-balance-sheet and off-balance-sheet risk exposures.

EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

in CHF 1,000		Applicable amount
1	Total assets as per published financial statements	12,631,060
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	94,935
9	Adjustment for securities financing transactions (SFTs)	0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	302,325
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	–22
13	**Total exposure measure**	**13,006,145**

EU LRA: Disclosure of LR qualitative information

The leverage ratio (according to Article 429 CRR) is shown in table LR2. There were no strategic changes or external factors that had a negative impact on the leverage ratio during the reporting period. As at the reporting date, no use is made of transitional provisions. The regulatory minimum requirement for a leverage ratio of >3 % is significantly exceeded at VP Bank Group.

As part of the annual capital planning, a projection of the leverage ratio is made over the next three years. This ensures forward-looking monitoring of potential excessive debt. In addition, monthly monitoring is carried out by Group Financial Management & Reporting. In the recovery plan, the leverage ratio is not used as a separate indicator because, unlike the tier 1 ratio, the threshold value of the leverage ratio would only be breached downstream; however, the share of the exposure measure is used as an additional quantitative criterion in the recovery plan for the purposes of the materiality review.

EU LR2 – LRCom: Leverage ratio common disclosure

in CHF 1,000		CRR leverage ratio exposures
		31.12.2022
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	12,530,667
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0
5	(General credit risk adjustments to on-balance sheet items)	0
6	(Asset amounts deducted in determining Tier 1 capital)	0
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**12,530,667**
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	78,217
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	94,935
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0
EU-9b	Exposure determined under Original Exposure Method	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0
11	Adjusted effective notional amount of written credit derivatives	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
13	**Total derivatives exposures**	**173,152**
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
16	Counterparty credit risk exposure for SFT assets	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0
17	Agent transaction exposures	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0
18	**Total securities financing transaction exposures**	**0**
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	611,794
20	(Adjustments for conversion to credit equivalent amounts)	–309,469
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	0
22	**Off-balance sheet exposures**	**302,325**
Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	0
EU-22c	(Excluded exposures of public development banks (or units) – Public sector investments)	0
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans)	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0
EU-22k	**(Total exempted exposures)**	**0**

EU LR2 – LRCom: Leverage ratio common disclosure (continued)

in CHF 1,000		CRR leverage ratio exposures
Capital and total exposure measure		
23	Tier 1 capital	1,046,158
24	Total exposure measure	13,006,145
Leverage ratio		
25	Leverage ratio (%)	8.0%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.0%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.0%
26	Regulatory minimum leverage ratio requirement (%)	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0
EU-26b	of which: to be made up of CET1 capital	0
27	Leverage ratio buffer requirement (%)	0
EU-27a	**Overall leverage ratio requirement (%)**	**3.0%**
Choice on transitional arrangements and relevant exposures		
EU-27b	**Choice on transitional arrangements for the definition of the capital measure**	**0**
Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13,006,145
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13,006,145
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.0%
31a	**Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)**	**8.0%**

EU LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

in CHF 1,000		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)**	**12,484,175**
EU-2	of which Trading book exposures	172
EU-3	Banking book exposures	12,484,003
EU-4	of which Covered bonds	333,660
EU-5	Exposures treated as sovereigns	2,879,187
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2,994
EU-7	Institutions	1,792,826
EU-8	Secured by mortgages of immovable properties	3,067,443
EU-9	Retail exposures	226,467
EU-10	Corporate	3,775,342
EU-11	Exposures in default	38,620
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	367,466

Liquidity requirements (Article 451a CRR)

EU LIQA Liquidity risk management (Artikel 451a Abs. 4 CRR)

The Internal Liquidity Adequacy Assessment Process (ILAAP) established at VP Bank ensures a risk-adequate level of liquidity. The ILAAP approach involves two complementary perspectives: the normative perspective is based on ensuring the continuous compliance with all regulatory requirements (Liquidity Coverage Ratio, LCR and Net Stable Funding Ratio, NSFR), while the economic perspective requires compliance with internal requirements in various risk scenarios (liquidity survival horizon).

Liquidity risk represents the risk that the Bank will ultimately not be able to meet its payment obligations (insolvency risk). It includes market liquidity risk on the one hand and idiosyncratic liquidity risk on the other. In the case of market liquidity risk, the risk lies in the fact that the Bank is unable to procure the required liquidity due to market distortions on the money or capital markets, or can do so only on inadequate terms and conditions. For example, the market for securities, which can normally be sold at market value, might not be sufficiently liquid, or the interbank market might not be available, or only to a limited extent, to all market participants for short-term liquidity procurement. Idiosyncratic liquidity risk, on the other hand, represents the risk that the Bank cannot procure liquidity for VP Bank-specific reasons or can do so only on inadequate terms £and conditions. Refinancing risk, term risk or call risk can manifest themselves both as a result of the market situation and for idiosyncratic reasons.

In compliance with statutory liquidity requirements and provisions contained in the BankO, CRR and Capital Requirements Directive (CRD), VP Bank monitors and manages liquidity risks using internal directives and limits regarding interbank business and credit-granting activities. Maintaining liquidity within VP Bank Group has the highest priority at all times. This is assured with large cash and cash-equivalent holdings as well as high-quality liquid assets (HQLA). VP Bank has significantly exceeded the minimum regulatory liquidity requirements at all times in 2022.

VP Bank can rapidly procure liquidity on a secured basis in case of need through its access to the Eurex repo market. In addition, VP Bank possesses a credit facility (Liquidity Shortage Financing Facility, LSFF), that the SNB provides to commercial banks for bridging liquidity shortages. The liquidity coverage ratio (LCR) is actively managed and monitored in the main currencies (CHF, EUR and USD). Continuous checks are carried out to ensure that liquid assets which do not qualify as liquid assets in a third country are not factored into the LCR calculation at Group level either. Short-term client deposits play a significant role in the Bank's refinancing. The NSFR also plays a crucial role as a steering tool in managing liquidity risk, as the ratio of required stable funding (RSF) to available stable funding (ASF) is constantly monitored. It is only dependent on the capital market to a minor extent. VP Bank has reliable access to the capital market (e.g. through the issuance of bonds) and has also already issued bonds. Derivative items which might involve potential collateral requirements consist primarily of interest-rate swaps and currency swaps.

Group Treasury & Execution (GTR) takes care of operational liquidity risk management. Group Financial Management & Reporting (GFI) conducts daily monitoring and analysis as the 1st line of defense, followed by Group Financial Risk (GFR) as the 2nd line of defense. Responsibilities and areas of responsibility are defined in the liquidity risk management framework directive and in the Group standard on liquidity management.

The liquidity risk is actively managed and controlled by the VP Bank Group as a consistent consequence of the business model, in which larger balance sheet inflows and outflows can occur. This ensures a solid liquidity position for the group as well as individual entities at all times. Regulatory, normative and economic steering instruments are used here. These are monitored consistently and with the highest priority. For instance, forward-looking liquidity maturity reports provide information concerning forthcoming inflows and outflows of the balance sheet. In the liquidity stress test, the survival horizon of VP Bank is simulated in various scenarios. This allows VP Bank to take any countermeasures in a timely manner and, if necessary, set limits. Based on the steering instruments, the Board of Directors defines limits and targets that define the relevant risk appetite. Compliance with the limits and targets is reviewed on a regular basis, reported to various committees, and subjected to an annual review as standard procedure. VP Bank organizes liquidity risk management within the framework of the Group-wide applicable directive system. This includes the framework guidelines and the group standard, as well as a liquidity emergency plan that outlines predefined measures that can be implemented promptly in the event of a liquidity shortage.

The liquidity emergency plan is designed to ensure that VP Bank possesses adequate liquidity, even in the event of bankspecific or market-triggered liquidity crises as well as combinations thereof. For this purpose, suitable early warning indicators (LCR, NSFR, survival horizon, concentration risks, etc.) are identified and regularly monitored. Possible measures are set out in the emergency liquidity plan.
The liquidity emergency plan includes different sets of

measures, taking into account the time effectiveness of each measure. The measures are reviewed regularly and are clearly defined.

The adequacy of liquidity risk management is assessed and ensured within the framework of an annual Group-wide process (ILAAP) and subsequently reported to the Group Executive Management and the Board of Directors. Liquidity risk management is derived from the business strategy in conjunction with the risk strategy (risk tolerance) and is comprehensively described in regulations, framework directives, group standards and directives.

Declaration of the Board of Directors

The Board of Directors bears overall responsibility for liquidity management that is appropriate for the profile and strategy of VP Bank.

Key performance indicators in VP Bank's liquidity management include the LCR, NSFR, the liquidity reserve and survival horizon. To bring the liquidity risk profile into line with the defined risk tolerance, the Bank sets itself minimum requirements that are above the statutory minimum in each case. Key performance indicators in VP Bank's liquidity management include the LCR, NSFR, the liquidity reserve and survival horizon. To bring the liquidity risk profile into line with the defined risk tolerance, the Bank sets itself minimum requirements that are above the statutory minimum in each case. As of 31 December 2022, the LCR is 232.63 per cent and the NSFR is 158.39 per cent, which is both ratios are well above the minimum requirement of 100 percent. Similarly, the survival horizon according to the stress test was significantly more than 31 days. VP Bank complied with the requirements of the liquidity coverage ratio (LCR) and the structural liquidity ratio (NSFR) at all times during 2022.

EU LIQB on qualitative information on LCR, which complements template EU LIQ1 (Artikel 451a Abs. 2 CRR)

The LCR results are primarily driven by developments in deposit and loan volumes, that are affected by ordinary business activities. Excess liquidity is invested in the long-term in predominantly HQLA-eligible bonds, as well as in the short-term at central banks and as receivables from banks. If there is excess liquidity on the assets side, the LCR increases accordingly.

There is no excessive concentration of funding sources. Early warning indicators are used to monitor concentration risks in the liquidity emergency plan. The liquidity buffer (weighted) of VP Bank Group consists of 77% Level 1 instruments (excluding covered bonds), 4% Level 1 covered bonds, 11% Level 2a instruments and 8% Level 2b instruments.

Derivative exposures and potential collateral requirements are included in the item "Outflows related to derivative exposures and other collateral requirements" and represent a relatively small proportion of total outflows.

There are no significant currency mismatches in the LCR at VP Bank Group. The LCR is calculated in the main foreign currencies and there are minimum requirements for the LCR by currency, which are monitored and limited using early warning indicators in the liquidity emergency plan.

The VP Bank Group has no other significant positions in the liquidity profile that are not included in the template EU LIQ1.

EU LIQ1 – Quantitative information of LCR

in CHF 1,000		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2022	30.09.2022	30.06.2022	31.03.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	3,886,214	3,577,114	3,957,985	4,006,421
	Cash outflows	**12,134,555**	**11,483,131**	**12,657,386**	**12,074,146**	**4,760,285**	**4,781,169**	**5,448,210**	**5,523,736**
2	Retail deposits and deposits from small business customers, of which:	4,492,958	4,269,565	4,750,152	4,604,481	609,707	535,784	564,846	530,288
3	Stable deposits	322,536	443,161	587,387	675,374	16,127	22,158	29,369	33,769
4	Less stable deposits	4,170,422	3,826,403	4,162,765	3,929,107	593,580	513,626	535,477	496,519
5	Unsecured wholesale funding	6,283,096	4,282,370	3,261,954	1,632,916	3,681,591	2,617,917	2,080,196	1,131,882
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	6,282,754	5,973,984	6,565,539	6,595,446	3,681,249	3,795,265	4,384,046	4,604,118
8	Unsecured debt	342	342	342	261	342	342	342	261
9	Secured wholesale funding	n.a.	n.a.	n.a.	n.a.	0	0	0	0
10	Additional requirements	615,752	630,798	713,501	734,623	274,060	255,965	271,569	268,469
11	Outflows related to derivative exposures and other collateral requirements	358,130	298,231	278,681	227,513	187,284	159,230	154,793	139,685
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	257,622	332,567	434,821	507,111	86,776	96,735	116,775	128,784
14	Other contractual funding obligations	18,346	40,179	68,400	96,876	291	28,689	60,193	91,952
15	Other contingent funding obligations	467,122	236,041	124,973	42,719	108,203	68,730	50,780	28,908
16	**Total cash outflows**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**4,673,851**	**3,507,085**	**3,027,585**	**2,051,499**
	Cash inflows	**4,315,650**	**4,093,801**	**4,591,094**	**4,617,241**	**2,857,695**	**2,728,163**	**3,052,352**	**3,057,862**
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	4,110,826	3,907,801	4,413,022	4,487,365	2,778,735	2,662,664	2,991,772	3,016,856
19	Other cash inflows	204,824	186,000	178,072	129,875	78,960	65,499	60,580	41,006
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	n.a.	n.a.	n.a.	n.a.	0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)	n.a.	n.a.	n.a.	n.a.	0	0	0	0
20	**Total cash inflows**	**4,315,650**	**4,093,801**	**4,591,094**	**4,617,241**	**2,857,695**	**2,728,163**	**3,052,352**	**3,057,862**
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	4,315,650	4,093,801	4,591,094	4,617,241	2,857,695	2,728,163	3,052,352	3,057,862
	Total adjusted value	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
EU-21	**Liquidity buffer**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**3,886,214**	**3,577,114**	**3,957,985**	**4,006,421**
22	**Total net cash outflow**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**1,902,590**	**2,053,006**	**2,395,857**	**2,465,873**
23	**Liquidity Coverage Ratio (LCR)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**204.3%**	**174.2%**	**165.2%**	**162.5%**

EU LIQ2 – Net Stable Funding Ratio

in CHF 1,000		No maturity	Unweighted value by residual maturity < 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	1,046,158	0	0	0	1,040,579
2	Own funds	1,046,158	0	0	0	1,040,579
3	Other capital instruments	n.a.	0	0	0	0
4	Retail deposits	n.a.	4,350,704	140,862	0	4,049,543
5	Stable deposits	n.a.	142,673	0	0	135,539
6	Less stable deposits	n.a.	4,208,031	140,862	0	3,914,004
7	Wholesale funding:	n.a.	6,073,915	35,246	400	2,240,483
8	Operational deposits	n.a.	0	0	0	0
9	Other wholesale funding	n.a.	6,073,915	35,246	400	2,240,483
10	Interdependent liabilities	n.a.	0	0	0	0
11	Other liabilities:	28,084	52,344	7,968	285,185	289,169
12	NSFR derivative liabilities	28,084	n.a.	n.a.	n.a.	n.a.
13	All other liabilities and capital instruments not included in the above categories	n.a.	52,344	7,968	289,169	289,169
14	**Total available stable funding (ASF)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**7,619,773**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	411,109
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool	n.a.	0	0	0	0
16	Deposits held at other financial institutions for operational purposes	n.a.	0	0	0	0
17	Performing loans and securities:	n.a.	5,825,926	740,865	1,811,900	4,103,989
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	n.a.	0	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	n.a.	1,843,846	204,469	32,630	319,250
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	n.a.	3,074,905	491,037	1,170,820	3,193,613
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	n.a.	52,344	0	1,193	26,948
22	Performing residential mortgages, of which:	n.a.	820,915	9,518	550	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	n.a.	0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	n.a.	86,261	35,842	607,900	591,127
25	Interdependent assets	n.a.	0	0	0	0
26	Other assets:	0	309,851	0	172,038	693,030
27	Physical traded commodities	n.a.	n.a.	n.a.	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	n.a.	0	0	0	0
29	NSFR derivative assets	n.a.	0	n.a.	n.a.	0
30	NSFR derivative liabilities before deduction of variation margin posted	n.a.	81,716	n.a.	n.a.	4,086
31	All other assets not included in the above categories	n.a.	228,136	0	172,038	688,944
32	Off-balance sheet items	n.a.	431,339	11,348	78,538	13,598
33	**Total RSF**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**4,810,618**
34	**Net Stable Funding Ratio (%)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**158.4%**

EU LIQ2 – Net Stable Funding Ratio

in CHF 1,000		Unweighted value by residual maturity No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	1,022,931	0	0	0	1,022,931
2	Own funds	1,022,931	0	0	0	1,022,931
3	Other capital instruments	n.a.	0	0	0	0
4	Retail deposits	n.a.	4,532,341	33,322	0	4,116,433
5	Stable deposits	n.a.	146,709	0	0	139,374
6	Less stable deposits	n.a.	4,385,632	33,322	0	3,977,059
7	Wholesale funding:	n.a.	6,499,399	15,233	422	2,411,162
8	Operational deposits	n.a.	0	0	0	0
9	Other wholesale funding	n.a.	6,499,399	15,233	422	2,411,162
10	Interdependent liabilities	n.a.	0	0	0	0
11	Other liabilities:	0	57,347	6,151	284,780	287,856
12	NSFR derivative liabilities	0	n.a.	n.a.	n.a.	n.a.
13	All other liabilities and capital instruments not included in the above categories	n.a.	57,347	6,151	287,856	287,856
14	**Total available stable funding (ASF)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**7,838,381**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	418,985
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool	n.a.	0	0	0	0
16	Deposits held at other financial institutions for operational purposes	n.a.	0	0	0	0
17	Performing loans and securities:	n.a.	5,886,935	597,667	1,873,248	4,112,013
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	n.a.	0	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	n.a.	1,910,305	154,320	35,901	304,092
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	n.a.	3,042,756	434,944	1,212,513	3,192,357
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	n.a.	71,205	0	1,289	36,440
22	Performing residential mortgages, of which:	n.a.	837,855	8,403	0	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	n.a.	0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	n.a.	96,019	0	624,834	615,564
25	Interdependent assets	n.a.	0	0	0	0
26	Other assets:	0	364,425	0	179,078	296,401
27	Physical traded commodities	n.a.	n.a.	n.a.	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	n.a.	0	0	0	0
29	NSFR derivative assets	n.a.	2,963	n.a.	n.a.	2,963
30	NSFR derivative liabilities before deduction of variation margin posted	n.a.	132,990	n.a.	n.a.	6,650
31	All other assets not included in the above categories	n.a.	228,473	0	179,078	286,789
32	Off-balance sheet items	n.a.	448,526	21,084	64,540	13,454
33	**Total RSF**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**4,840,853**
34	**Net Stable Funding Ratio (%)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**161.9%**

EU LIQ2 – Net Stable Funding Ratio

in CHF 1,000		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,021,861	0	0	0	1,021,861
2	Own funds	1,021,861	0	0	0	1,021,861
3	Other capital instruments	n.a.	0	0	0	0
4	Retail deposits	n.a.	4,751,926	62,465	383	4,340,673
5	Stable deposits	n.a.	146,749	0	0	139,411
6	Less stable deposits	n.a.	4,605,177	62,465	383	4,201,261
7	Wholesale funding:	n.a.	6,517,370	24,821	423	2,560,117
8	Operational deposits	n.a.	0	0	0	0
9	Other wholesale funding	n.a.	6,517,370	24,821	423	2,560,117
10	Interdependent liabilities	n.a.	0	0	0	0
11	Other liabilities:	51,118	48,457	11,418	283,827	289,536
12	NSFR derivative liabilities	51,118	n.a.	n.a.	n.a.	n.a.
13	All other liabilities and capital instruments not included in the above categories	n.a.	48,457	11,418	289,536	289,536
14	**Total available stable funding (ASF)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**8,212,187**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	413,866
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool	n.a.	0	0	0	0
16	Deposits held at other financial institutions for operational purposes	n.a.	0	0	0	0
17	Performing loans and securities:	n.a.	6,469,624	582,764	1,863,732	4,222,424
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	n.a.	0	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	n.a.	2,315,563	120,501	35,175	326,982
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	n.a.	3,146,406	453,133	1,218,177	3,270,984
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	n.a.	50,093	0	1,283	25,880
22	Performing residential mortgages, of which:	n.a.	862,910	9,130	0	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	n.a.	0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	n.a.	144,746	0	610,380	624,458
25	Interdependent assets	n.a.	0	0	0	0
26	Other assets:	0	644,082	0	179,078	441,014
27	Physical traded commodities	n.a.	n.a.	n.a.	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	n.a.	0	0	0	0
29	NSFR derivative assets	n.a.	0	n.a.	n.a.	0
30	NSFR derivative liabilities before deduction of variation margin posted	n.a.	119,202	n.a.	n.a.	5,960
31	All other assets not included in the above categories	n.a.	524,880	0	179,078	435,054
32	Off-balance sheet items	n.a.	419,627	19,130	70,638	12,585
33	**Total RSF**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**5,089,889**
34	**Net Stable Funding Ratio (%)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**161.3%**

Use of credit risk mitigation techniques (Article 453 CRR)

EU CRC: Qualitative disclosure requirements related to CRM techniques

VP Bank does not apply on-balance sheet netting (in accordance with Article 195 CRR). Mutual claims of VP Bank and other counterparties are therefore not an eligible form of credit risk mitigation.

A clear separation of front-office and independent credit control function is in place within the credit area of VP Bank. The Group Credit Consulting department is responsible for front-office tasks, while the Group Credit Risk department oversees the monitoring and management of loan collateral. The legal basis for the enforceability of the credit collateral is provided by the pledge and loan agreements. All financial collateral is valued daily by the core banking system Avaloq or the corresponding data providers. For real estate collateral, external estimates from recognized real estate appraisers as well as internal hedonic assessments using standardized tools from external providers, including income and property valuations, are used. In accordance with regulatory requirements, real estates are reviewed annually (commercial real estate) or every three years (residential real estate with an equivalent value of EUR 5 million).

If there is a loss in value of Lombard collateral in the event of value fluctuations, this will lead to an obligation of the client to make additional contributions or will directly trigger a margin call process as well as the realization of the collateral.

Market fluctuations in real estate valuations or revaluation losses that result in over-lending are initially discussed with the client. An effort is made to achieve an adjustment by introducing amortization and/or increasing the mortgage. If the client is unable to pledge any further collateral, an individual value adjustment will be made.

If recovery cases arise, they are closely monitored throughout the entire value chain aiming the highest possible recovery rate.

VP Bank applies the comprehensive method (according to Articles 223 to 228 CRR) to take the volatility adjustments of financial collateral into account.

The following table shows the types of credit risk mitigation applied at VP Bank (according to Articles 197, 198 and 200 CRR). These collateral types are subsequently used as risk mitigants in the capital requirements calculation for credit risk.

According to the CRR, the standard approach for credit risk, is not considered to be a risk mitigating technique for real estate collateral, but rather reduces the capital requirement by applying a lower risk weight to the part of a risk position secured by the property. For a better understanding these are nevertheless listed below:

Collateral type	Collateral
Financial collateral	Cash deposits or cash-equivalent instruments
	Debt securities
	Shares or convertible bonds listed in a major index or index
	Shares in CIUs (investment funds)
	Gold
Real estate collateral	Residential real estate
	Commercial real estate
Other forms of collateral	Pledged life insurances

At VP Bank, no credit derivatives are used to reduce the capital requirement. The most important guarantors of life insurance policies are allocated to the risk exposure class "corporates", while the most important guarantors are allocated to the risk position class "institutions". Loans secured by life insurance policies and guarantees are monitored on an ongoing basis.

In application of Article 453(f) CRR, the following EU CR3 template provides an overview of the overall extent to which credit risk mitigation techniques are used. The collateral reported in the column "Of which secured by collateral" includes financial collateral, real estate collateral and physical collateral. Both unsecured and secured net carrying amounts are disclosed.

VP Bank is not exposed to any concentration risk when taking in collateral. To prevent concentrations, various approval powers exist. In addition, there are special credit-risk limits in place which counteract a concentration. The limits and their utilisation are reported monthly to the Group Executive Management and the Board of Directors.

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

in CHF 1,000		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	3,746,596	5,716,208	5,693,316	22,892	0
2	Debt securities	2,651,646	0	0	0	n.a.
3	**Total**	**6,398,242**	**5,716,208**	**5,693,316**	**22,892**	**0**
4	Of which non-performing exposures	38,580	0	0	0	0
EU-5	Of which defaulted	0	0	n.a.	n.a.	n.a.

The EU CR4 template shows the effect of credit risk mitigation techniques on the risk-weighted exposure amounts on both the on-balance and off-balance sheets under the standardised approach by exposure class in accordance with Article 453(g-i) CRR.

EU CR4 – standardised approach – Credit risk exposure and CRM effects

in CHF 1,000		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	Exposure classes						
1	Central governments or central banks	2,459,393	0	2,459,393	0	30,787	1.3%
2	Regional government or local authorities	194,250	2,867	193,903	1,418	1,785	0.9%
3	Public sector entities	155,034	0	155,034	0	1,149	0.7%
4	Multilateral development banks	73,503	0	73,503	0	599	0.8%
5	International organisations	0	0	0	0	0	0.0%
6	Institutions	1,792,826	15,719	1,799,605	1,470	426,433	23.7%
7	Corporates	3,775,342	201,046	2,358,902	56,771	1,710,882	70.8%
8	Retail	242,941	125,075	73,217	21,915	70,168	73.8%
9	Secured by mortgages on immovable property	3,067,443	267,087	2,979,706	130,791	1,286,412	41.4%
10	Exposures in default	38,620	0	27,467	0	30,448	110.9%
11	Exposures associated with particularly high risk	9,626	0	9,446	0	14,168	150.0%
12	Covered bonds	333,660	0	333,660	0	33,366	10.0%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.0%
14	Collective investment undertakings	51,249	0	51,249	0	121,950	238.0%
15	Equity	129,329	0	129,329	0	129,329	100.0%
16	Other items	207,453	0	212,539	5,551	153,406	70.3%
17	**TOTAL**	**12,530,667**	**611,794**	**10,856,954**	**217,916**	**4,010,882**	**36.2%**

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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This disclosure report has been produced with the greatest possible care and all data have been closely examined. Rounding, typeset or printing errors, however, cannot be ruled out.

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