Disclosure report

as of June 2021

Seize opportunities

"Seize opportunities"

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

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

report.vpbank.com

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. Today, 1,013 employees manage client assets of CHF 60.8 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 the disclosure

The Disclosure Report is based upon Part 8 of the Regulation (EU) No. 575/2013 CRR, which has been directly applicable in Liechtenstein with amendments of the Banking Act Liechtenstein (BankA) and the Banking Ordinance Liechtenstein (BankO) since 1 February 2015.

The Disclosure Report provides a comprehensive picture 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 Art. 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 Art. 13 Para. 1 CRR on a consolidated level. The basis for this is the prudential scope of consolidation pursuant to Art. 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. An additional disclosure is made every six months and is also published on VP Bank's homepage.

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.

Changes compared to the disclosure report from 30.06.2020

Compared to the previous year, the scope of disclosure was not adjusted.

Key metrics

Key metrics

in CHF 1,000	30.06.2021	31.12.2020
Own Funds		
Tier 1 Capital	977,279	972,754
Tier 1 Ratio	20.8%	20.8%
Risk weighted assets	4,702,908	4,675,482
Combined capital buffer requirement	213,358	212,314
Leverage		
Total exposure measure	13,665,945	13,725,548
Leverage Ratio	7.15%	7.09%
Liquidity		
Liquidity Coverage Ratio (LCR)	153.4%	179.4%

Own funds

The Tier 1 Ratio did not change in the first half of 2021 and remains well above the regulatory minimum requirement. The increase in loans and advances to customers leads to an increase in risk-weighted assets in credit risk.

Leverage

The Leverage Ratio changes only slightly compared with 31 December 2020.

Liquidity

The LCR decreased from 179 per cent to 153 per cent in the first half of 2021 and remains well above the regulatory minimum requirement of 100 per cent. The decline in the LCR is attributable to the active management of Amounts due from Banks and the increase in liabilities to customers.

Own funds (Art. 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(1) 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.

Capital instruments

in CHF 1,000		
Issuer	**VP Bank Ltd, Vaduz**	**VP Bank Ltd, Vaduz**
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	registered share A	registered share B
Governing law(s) of the instrument	Liechtenstein law	Liechtenstein law
Regulatory treatment		
Transitional CRR rules	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)
Post-transitional CRR rules	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)
Eligible at solo(sub-)consolidated/ solo & (sub-)consolidated	solo and consolidated	solo and consolidated
Instrument type (types to be specified by each jurisdiction)	fully paid-up share capital	fully paid-up share capital
Amount recognised in regulatory capital	60,150	6,004
Nominal amount of instrument	60,150	6,004
Issue price	60,150	6,004
Redemption price	n.a.	n.a.
Accounting classification	equity	equity
Original date of issuance	n.a.	n.a.
Perpetual or dated	perpetual	perpetual
Original maturity date	n.a.	n.a.
Issuer call subject to prior supervisory approval	no	no
Optional call date, contingent call dates and redemption amount	n.a.	n.a.
Subsequent call dates, if applicable	n.a.	n.a.
Coupons / dividends		
Fixed or floating dividend/coupon	floating	floating
Coupon rate and any related index	n.a.	n.a.
Existence of a dividend stopper	n.a.	n.a.
Fully discretionary, partially discretionary or mandatory (in terms of timing)	fully discretionary	fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	fully discretionary	fully discretionary
Existence of step up or other incentive to redeem	n.a.	n.a.
Noncumulative or cumulative	n.a.	n.a.
Convertible or non-convertible	non-convertible	non-convertible
If convertible, conversion trigger(s)	n.a.	n.a.
If convertible, fully or partially	n.a.	n.a.
If convertible, conversion rate	n.a.	n.a.
If convertible, mandatory or optional conversion	n.a.	n.a.
If convertible, specify instrument type convertible into	n.a.	n.a.
If convertible, specify issuer of instrument it converts into	n.a.	n.a.
Write-down features	n.a.	n.a.
If write-down, write-down trigger(s)	n.a.	n.a.
If write-down, full or partial	n.a.	n.a.
If write-down, permanent or temporary	n.a.	n.a.
If temporary write-down, description of write-up mechanism	n.a.	n.a.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a.	n.a.
Irregular features of the converted instruments	n.a.	n.a.
Description of any irregular features	n.a.	n.a.

Own funds

in CHF 1,000	30.06.2021
Common equity tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	103,666
of which: shares	103,666
Retained earnings	1,034,649
Accumulated other comprehensive income (and other reserves)	–28,553
Funds for general banking risk	n.a.
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	n.a.
Minority interests (amount allowed in consolidated CET1)	n.a.
Independently reviewed interim profits net of any foreseeable charge or dividend	n.a.
Common equity tier 1 (CET1) capital before regulatory adjustments	**1,109,762**
Common equity tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments (negative amount)	–355
Intangible assets (net of related tax liability) (negative amount)	–73,261
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) are met) (negative amount)	–1,713
Fair value reserves related to gains or losses on cash flow hedges	n.a.
Negative amounts resulting from the calculation of expected loss amounts	n.a.
Any increase in equity that results from securitised assets (negative amount)	n.a.
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	n.a.
Defined-benefit pension fund assets (negative amount)	n.a.
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–57,154
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 initiate artificially the own funds of the institution (negative amount)	n.a.
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)	n.a.
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)	n.a.
Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative	n.a.
of which: qualifying holdings outside the financial sector (negative amount)	n.a.
of which: securitisation positions (negative amount)	n.a.
of which: free deliveries (negative amount)	n.a.
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	n.a.
Amount exceeding the 15% threshold (negative amount)	n.a.
of which: 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	n.a.
of which: deferred tax assets arising from temporary differences	n.a.
Losses for the current financial year (negative amount)	n.a.
Foreseeable tax charges relating to CET1 items (negative amount)	n.a.
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	n.a.
Total regulatory adjustments to common equity tier 1 (CET1)	**–132,483**
Common equity tier 1 (CET1) capital	**977,279**
Additional tier 1 (AT1) capital: instruments	
Capital instruments and the related share premium accounts	n.a.
of which: classified as equity under applicable accounting standards	n.a.
of which: classified as liabilities under applicable accounting standards	n.a.
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	n.a.

Own funds (continued)

in CHF 1,000	30.06.2021
Qualifying tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	n.a.
of which: classified as liabilities under applicable accounting standards	n.a.
Additional tier 1 (AT1) capital before regulatory adjustments	**n.a.**
Additional tier 1 (AT1) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	n.a.
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)	n.a.
Direct, indirect and synthetic holding 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)	n.a.
Direct, indirect and synthetic holdings by the institution of the AT1 instrument of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	n.a.
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	n.a.
Total regulatory adjustments in additional tier 1 (AT1) capital	**n.a.**
Additional tier 1 (AT1) capital	**n.a.**
Tier 1 capital (T1 = CET1 + AT1)	**977,279**
Tier 2 (T2) capital: instruments and provisions	
Capital instruments and the related share premium accounts	n.a.
Amount of qualifying items referred to in article 484 (5) and the related share premium account subject to phase out from T2	n.a.
Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	n.a.
of which: instruments issued by subsidiaries subject to phase out	n.a.
Credit risk adjustments	n.a.
Tier 2 (T2) capital before regulatory adjustments	**n.a.**
Tier 2 (T2) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	n.a.
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)	n.a.
Direct and indirect 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)	n.a.
Direct and indirect 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)	n.a.
Total regulatory adjustments of Tier 2 (T2) capital	**n.a.**
Tier 2 (T2) capital	**n.a.**
Total capital (TC = T1 + T2)	**977,279**
Total risk weighted assets	**4,702,908**
Capital ratios and buffers	
Common equity tier 1 (as a percentage of total risk exposure amount)	20.8%
Tier 1 (as a percentage of total risk exposure amount)	20.8%
Total capital (as a percentage of total risk exposure amount)	20.8%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	9.0%
of which: capital conservation buffer requirement	2.5%
of which: countercyclical buffer requirement	0.0%
of which: systemic risk buffer requirement	2.0%
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.0%[1]
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.8%

Own funds (continued)

in CHF 1,000	30.06.2021
Amount below the thresholds for deduction (before risk weighting)	
Direct and indirect holdings of the capital 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)	n.a.
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 10% threshold and net of eligible short positions)	n.a.
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	n.a.
Applicable caps on the inclusion of provisions in tier 2	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	n.a.
Cap on inclusion of credit risk adjustments in T2 under standardised approach	n.a.
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	n.a.
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	n.a.
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
Current cap on CET1 instruments subject to phase out arrangements	n.a.
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n.a.
Current cap on AT1 instruments subject to phase out arrangements	n.a.
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	n.a.
Current cap on T2 instruments subject to phase out arrangements	n.a.
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n.a.

[1] When both the SyRB and the other systemically institutions (O-SII) buffer applies to the same institution, only the higher of the two must be applied.

The Tier 1 Ratio did not change in the first half of 2021 and remains well above the regulatory minimum requirement. The increase in loans and advances to customers leads to an increase in risk-weighted assets in credit risk. The equity base is very solid and enables successful growth.

The full reconciliation of the core capital items with the consolidated balance sheet in accordance with Article 437 (1) a CRR is shown in the table below.

Reconciliation between balance sheet items used to calculate own funds and regulatory own funds

in CHF 1,000	30.06.2021	31.12.2020
Core capital		
Share capital	66,154	66,154
Less: treasury shares	–57,154	–61,071
Capital reserves	22,462	23,377
Income reserves	1,113,347	1,107,739
of which premium for capital instruments	47,505	47,505
Group net income	29,897	41,622
Actuarial gains/losses from defined-benefit pension plans	–49,322	–57,859
Unrealised gains/losses on Fair Value Through OCI (FVTOCI) financial instruments	–17,688	–23,332
Foreign-currency translation differences	–27,162	–29,951
Total shareholders' equity	**1,050,637**	**1,025,057**
Group net income not eligible	–29,897	0
Deduction for dividends as per proposal of Board of Directors	0	–26,462
Deduction for equity instruments as per art. 28 CRR	–9,993	–9,989
Deduction for actuarial gains/losses from IAS19	49,322	57,859
Deduction of deferred taxes on IAS 19	–6,165	–7,232
Deduction for goodwill and intangible assets	–73,261	–63,781
Other regulatory adjustments (deferred tax, additional value adjustments (AVA), securisation positions, prudential filter)	–3,364	–2,698
Eligible core capital (tier 1)	**977,279**	**972,754**
Eligible core capital (adjusted)	977,279	972,754

Capital requirements (Art. 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)

Overview of risk weighted assets (RWAs) (EU OV1)

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.

in CHF 1,000		Risk weighted assets		Minimum capital requirements	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
1	Credit risk (excluding CCR)	3,906,245	3,833,968	312,500	306,717
2	of which the standardised approach	3,906,245	3,833,968	312,500	306,717
6	Counterparty credit risk (CCR)	27,753	50,304	2,220	4,024
7	of which mark to market	16,458	36,646	1,317	2,932
12	of which CVA	11,295	13,659	904	1,093
19	Market risk	181,612	203,913	14,529	16,313
20	of which the standardised approach	181,612	203,913	14,529	16,313
23	Operational risk	587,298	587,298	46,984	46,984
24	of which basic indicator approach	587,298	587,298	46,984	46,984
29	**Total**	**4,702,908**	**4,675,482**	**376,233**	**374,039**

The increase in risk-weighted assets in credit risk is mainly due to the increase in Amounts due from Customers. Counterparty default risk decreased due to the lower volume of derivatives.

Use of ECAIs (Art. 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 a 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.

Standardised approach (EU CR5)

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

in CHF 1,000		Risk weight											
		0%	10%	20%	35%	50%	70%	75%	100%	150%	250%	Total	Of which unrated
	Exposure classes												
1	Central governments or central banks	2,707,236	0	9,596	0	0	0	0	462	0	0	2,717,294	0
2	Regional governments or local authorities	110	0	168,904	0	8,370	0	0	0	0	0	177,385	25,511
3	Public sector entities	15,142	0	186,329	0	5,083	0	0	0	0	0	206,554	8,364
4	Multilateral development banks	77,630	0	2,027	0	8,073	0	0	0	0	0	87,730	0
5	International organisations	11,125	0	0	0	0	0	0	0	0	0	11,125	0
6	Institutions	11,767	0	1,687,403	0	20,486	0	0	0	0	0	1,719,656	655,607
7	Corporates	11,987	0	771,738	22,197	488,326	24,468	0	851,796	41	0	2,170,552	1,048,189
8	Retail	0	0	539	0	0	0	71,966	282,231	0	0	354,736	354,736
9	Secured by real estate	0	0	0	2,254,140	839,860	0	0	208,537	0	0	3,302,537	3,302,537
10	Exposures in default	0	0	0	0	0	0	0	9,702	31,850	0	41,552	41,552
11	Items associated with particularly high risk	0	0	0	0	0	0	0	0	35,162	0	35,162	35,162
12	Covered bonds	0	407,534	0	0	0	0	0	0	0	0	407,534	0
13	Securitisation positions	0	0	0	0	0	0	0	0	0	0	0	0
14	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
15	Collective investments undertakings	0	0	0	0	0	0	0	37,219	0	0	37,219	37,219
16	Equity exposures	0	0	0	0	0	0	0	128,384	0	0	128,384	128,384
17	Other items	26,536	0	3,036	0	0	0	0	111,720	0	11,721	153,014	68,483
18	**Total**	**2,861,532**	**407,534**	**2,829,573**	**2,276,337**	**1,370,200**	**24,468**	**71,966**	**1,630,050**	**67,052**	**11,721**	**11,550,434**	**5,705,744**

Leverage (Art. 451 CRR)

In addition to the risk-based capital adequacy requirements, a Leverage Ratio exists which sets equity in relation to the unweighted balance sheet and off-balance sheet risk positions.

Leverage ratio

in CHF 1,000		30.06.2021
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13,464,301
2	Asset amounts deducted in determining tier 1 capital	–132,483
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**13,331,817**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	95,318
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	88,012
EU-5a	Exposure determined under original exposure method	n.a.
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	n.a.
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	n.a.
8	Exempted CCP leg of client-cleared trade exposures	n.a.
9	Adjusted effective notional amount of written credit derivatives	n.a.
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	n.a.
11	**Total derivatives exposures (sum of lines 4 to 10)**	**183,330**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	n.a.
13	Netted amounts of cash payables and cash receivables of gross SFT assets	n.a.
14	Counterparty credit risk exposure for SFT assets	n.a.
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	n.a.
15	Agent transaction exposures	n.a.
EU-15a	Exempted CCP leg of client-cleared SFT exposure)	n.a.
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	657,346
18	(Adjustments for conversion to credit equivalent amounts)	–506,549
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**150,797**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	n.a.
EU-19b	**Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)**	**n.a.**
Capital and total exposure measure		
20	Tier 1 capital	977,279
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**13,665,945**
Leverage ratio		
22	**Leverage ratio**	**7.15%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	n.a.
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	n.a.

The Leverage Ratio has changed only slightly compared with 31 December 2020. As of June 2021, the Leverage Ratio was 7.15 per cent. A regulatory minimum ratio does not yet exist in Liechtenstein as of 30 June 2021.

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

in CHF 1,000	30.06.2021
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	13,464,301
of which Trading book exposures	3,010
Banking book exposures	13,461,291
of which Covered bonds	407,534
Exposures treated as sovereigns	2,990,020
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	228,241
Institutions	1,854,495
Secured by mortgages of immovable properties	3,245,062
Retail exposures	684,535
Corporate	3,576,953
Exposures in default	47,948
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	426,503

Summary reconciliation of accounting assets and leverage ratio exposures

in CHF 1,000	30.06.2021
Total assets as per published financial statements	13,499,097
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	0
Adjustments for derivative financial instruments	88,012
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	150,797
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013	0
Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013	0
Other adjustments	–71,961
Leverage ratio total exposure measure	**13,665,945**

Risk of excessive indebtedness

In order to prevent the risk of excessive indebtedness, VP Bank has defined a minimum value for the Leverage Ratio and monitors compliance therewith on an ongoing basis.

Liquidity risks

VP Bank has implemented a process, the Internal Liquidity Adequacy Assessment Process (ILAAP), to ensure risk-adequate liquidity. The ILAAP approach involves two complementary perspectives: the normative perspective is based on ensuring the continuous fulfilment of all legal and internal requirements, while the economic perspective ensures the institution's ability to survive.

Liquidity risk includes insolvency/maturity, refinancing, market liquidity, withdrawal and step-in risk. Liquidity risk includes, for example, the risk of current and future payment obligations not being able to be refinanced in full or on time, in the right currency or at the standard market conditions, as well as cases where, due to insufficient market liquidity, it is not possible to liquidate or collateralise high-risk items on time or to the extent necessary and on reasonable terms.

Liquidity risks – taking account of statutory liquidity standards and regulations – are monitored and controlled using internal criteria and limits for the interbank and lending activities. Liquidity management at VP Bank Group is performed centrally at head office in Liechtenstein. Safeguarding liquidity within VP Bank Group at all times has absolute priority. This is ensured with a substantial holding of liquid assets and investments with high liquidity (high quality liquid assets / HQLA), which also represents the main source of liquidity. Around two thirds of the HQLA are held at central banks. VP Bank has met the minimum liquidity requirements at all times in the first half of 2021.

If necessary, VP Bank can access the Eurex repo market to procure covered liquidity at short notice.

The liquidity coverage ratio (LCR) is actively managed and monitored in all significant currencies (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 with only a minor dependency on the capital markets.

Derivative transactions which might involve potential collateral requirements consist primarily of interest-rate swaps and currency swaps – the potential collateral requirements are small.

With the help of regular stress tests, the impact of extraordinary (although plausible) events on liquidity is analysed. This enables VP Bank to take countermeasures during good times and set limits, where necessary.

A liquidity emergency plan is designed to ensure that VP Bank continues to have sufficient liquidity, even in cases of bank-specific or market-triggered liquidity crises as well as combinations thereof. For this purpose, suitable early warning indicators are identified and regularly monitored. Possible measures are set out in the emergency liquidity plan.

Although the Net Stable Funding Ratio (NSFR) is only mandatory with CRR II, VP Bank monitors the NSFR on a regular basis.

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, the NSFR, the liquidity reserve and survial 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 at 30 June 2021, the LCR was 153 per cent, the NSFR was in excess of 100 per cent. VP Bank complied with the LCR requirements at all times during the first half of 2021.

Liquidity Coverage Ratio

in CHF 1,000		**Weighted value (average)**		
Quarter ending	30.09.2020	31.12.2020	31.03.2021	30.06.2021
Number of data points used	12	12	12	12
Liquidity buffer	4,704,579	4,542,013	4,387,949	4,312,495
Total net cash outflow	2,475,901	2,463,977	2,494,493	2,581,555
Liqudity Coverage Ratio (LCR)	193.6%	188.0%	178.6%	168.0%

Credit risk adjustments (Art. 442 CRR)

The following tables "Credit quality of forborne exposures (template 1)", "Credit quality of performing and non-performing exposures by past due days (template 3)" and "Performing and non-performing exposures and related provisions (template 4)" must be disclosed in accordance with Directive (EBA/GL/2018/10) on the disclosure of non-performing and deferred risk positions.

Credit quality of forborne exposures (template 1)

The forbone exposures were created in connection with the COVID-19 crisis.

in CHF 1,000	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment[1]		Collateral received[2]	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposure	Total	for non-performing exposures[3]
		Total	Of which defaulted	Of which impaired				
Loans and advances	185,380	5,690	5,690	5,690	58	2,065	171,764	5,690
Central banks	0	0	0	0	0	0	0	0
General governments	110	0	0	0	0	0	110	0
Credit institutions	11,239	0	0	0	0	0	11,239	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	134,212	4,140	4,140	4,140	57	1,725	126,048	4,140
Household	39,819	1,550	1,550	1,550	1	340	34,367	1,550
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	0	0	0	0	0	0	0	0
Total	**185,380**	**5,690**	**5,690**	**5,690**	**58**	**2,065**	**171,764**	**5,690**

[1] Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions.
[2] Collateral received and financial guarantees received on forborne exposures.
[3] Of which collateral and financial guarantees received on nonperforming exposures with forbearance measures.

Credit quality of performing and non-performing exposures by past due days (template 3)

in CHF 1,000	Gross carrying amount/nominal amount Performing exposures Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
Loans and advances	**9,974,940**	**9,949,344**	**25,596**
Central banks	2,379,952	2,379,952	0
General governments	0	0	0
Credit institutions	1,588,664	1,588,664	0
Other financial corporations	1,476,054	1,469,103	6,951
Non-financial corporations	1,353,011	1,341,029	11,982
Households	3,177,258	3,170,595	6,663
Debt securities	**2,439,758**	**2,439,758**	**0**
Central banks	728,828	728,828	0
General governments	0	0	0
Credit institutions	553,035	553,035	0
Other financial corporations	71,104	71,104	0
Non-financial corporations	1,086,791	1,086,791	0
Off-balance-sheet exposures	**641,070**	**n.a.**	**n.a.**
Central banks	22	n.a.	n.a.
General governments	0	n.a.	n.a.
Credit institutions	4,056	n.a.	n.a.
Other financial corporations	224,682	n.a.	n.a.
Non-financial corporations	149,140	n.a.	n.a.
Households	263,170	n.a.	n.a.
Total	**13,055,767**	**12,389,102**	**25,596**

in CHF 1,000	Non-performing exposures Total	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
Loans and advances	**76,862**	**1,813**	**754**	**0**	**38,031**	**36,264**	**0**	**0**	**76,862**
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	34,704	0	0	0	28,765	5,939	0	0	34,704
Non-financial corporations	13,752	1,476	754	0	29	11,493	0	0	13,752
Households	28,407	337	0	0	9,238	18,831	0	0	28,407
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	**1**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**1**
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	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Non-financial corporations	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Households	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1
Total	**76,864**	**1,813**	**754**	**0**	**38,031**	**36,264**	**0**	**0**	**76,864**

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

Performing and non-performing exposures and related provisions (template 4)

in CHF 1,000	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3
Loans and advances	**9,974,940**	**9,856,324**	**118,616**	**76,862**	**0**	**76,862**
Central banks	2,379,952	2,379,952	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	1,588,664	1,588,164	500	0	0	0
Other financial corporations	1,476,054	1,456,698	19,357	34,704	0	34,704
Non-financial corporations	1,353,011	1,325,578	27,434	13,752	0	13,752
Households	3,177,258	3,105,933	71,325	28,407	0	28,407
Debt securities	**2,439,758**	**2,420,655**	**19,103**	**0**	**0**	**0**
Central banks	728,828	728,828	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	553,035	553,035	0	0	0	0
Other financial corporations	71,104	67,060	4,044	0	0	0
Non-financial corporations	1,086,791	1,071,732	15,059	0	0	0
Off-balance-sheet exposures	**641,070**	**641,070**	**0**	**1**	**0**	**1**
Central banks	22	22	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	4,056	4,056	0	0	0	0
Other financial corporations	224,682	224,682	0	0	0	0
Non-financial corporations	149,140	149,140	0	0	0	0
Households	263,170	263,170	0	1	0	1
Total	**13,055,767**	**12,918,049**	**137,719**	**76,864**	**0**	**76,864**

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[1]			Non-performing exposures[2]					
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3		per-forming	non-per-forming
Loans and advances	2,119	1,273	846	25,417	0	25,417	0	5,490,642	56,966
Central banks	129	129	0	0	0	0	0	110	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	134	134	0	0	0	0	0	0	0
Other financial corporations	1,158	420	738	8,098	0	8,098	0	1,401,602	34,648
Non-financial corporations	366	266	100	3,388	0	3,388	0	1,233,391	13,150
of which SMEs	28	13	15	3,388	0	3,388	0	827,598	13,150
Households	332	324	8	13,932	0	13,932	0	2,855,539	9,168
Debt securities	**1,596**	**1,357**	**239**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	379	379	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	306	306	0	0	0	0	0	0	0
Other financial corporations	77	39	38	0	0	0	0	0	0
Non-financial corporations	834	633	201	0	0	0	0	0	0
Off-balance-sheet exposures	**85**	**85**	**0**	**0**	**0**	**0**	**n.a.**	**132,887**	**0**
Central banks	0	0	0	0	0	0	n.a.	0	0
General governments	0	0	0	0	0	0	n.a.	0	0
Credit institutions	1	1	0	0	0	0	n.a.	0	0
Other financial corporations	65	65	0	0	0	0	n.a.	89,464	0
Non-financial corporations	3	3	0	0	0	0	n.a.	10,538	0
Households	16	16	0	0	0	0	n.a.	32,885	0
Total	**3,800**	**2,715**	**1,085**	**25,417**	**0**	**25,417**	**0**	**5,623,529**	**56,966**

[1] Performing exposures – accumulated impairment and provisions.
[2] Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions.

Collateral obtained by taking possession and execution processes (template 9)

At the reporting date VP Bank does not hold any collateral due to taking possession and execution processes. The disclosure of this table can be waived as there are no positions as of 30 June 2021.

VP Bank Group

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

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