Disclosure report 2018

VP BANK

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We reveal the best recipes from VP Bank's international cuisine: "À la carte" is the design theme of our 2018 annual report.

We focus on six VP Bank Group sites, their strengths and particularities. We offer our clients a global network along with regional know-how for customised and needs-based solutions – essentially "à la carte".

Discover succulent video footage and unusual recipes in the online annual report at report.vpbank.com

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Index disclosure part 8 Capital Requirements Regulation (CRR)

Article CRR	Topic	Disclosure document
435	Risk management objectives and policy	Disclosure report p. 10 ff., Annual report p. 118 ff.
436	Consolidation	Disclosure report p. 5ff., Annual report p. 107 ff.
437	Own funds	Disclosure report p. 16 ff., Annual report p. 124 ff.
438	Capital requirements	Disclosure report p. 20 ff., Annual report p. 124 ff.
439	Counterparty credit risk	Disclosure report p. 24 ff., Annual report p. 127 ff.
440	Capital buffers	Disclosure report p. 21 ff., Annual report p. 124 ff.
441	Indicators of global systemic importance	Not applicable
442	Credit risk adjustments	Disclosure report p. 30 ff., Annual report p. 124 ff.
443	Unencumbered assets	Disclosure report p. 40 ff.
444	Use of ECAIs	Disclosure report p. 27
445	Exposure to market risk	Disclosure report p. 34 ff., Annual report p. 125 ff.
446	Operational risk	Disclosure report p. 38 ff., Annual report p. 125 ff.
447	Equities not included in the trading book	Disclosure report p. 39 ff., Annual report p. 151 ff.
448	Interest rate risk on positions not included in the trading book	Disclosure report p. 34 ff., Annual report p. 125ff.
449	Securitisation positions	Not applicable
450	Remuneration policy	Disclosure report p. 42 ff., Annual report p. 81 ff.
451	Leverage	Disclosure report p. 22 ff.
452	IRB approach	Not applicable
453	Credit risk mitigation techniques	Disclosure report p. 31 ff., Annual report p. 110 ff.
454	Advanced Measurement Approaches to operation risk (AMA)	Not applicable
455	Internal market risk models	Not applicable
EBA/GL	Liquidity	Disclosure report p. 37 ff.

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, 933 employees manage client assets of CHF 41.5 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 ensure 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 equity and liquidity adequacy, the risk profile and the risk management of VP Bank.

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 annual 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 AG 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. Publications performed during the course of the year are set out in the interim 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 since last year's Disclosure Report

EBA Guidelines 2016/11 on the disclosure requirements under Part 8 of Regulation (EU) No. 575/2013 have been in force in Liechtenstein since 1 January 2018. As such, the present Disclosure Report dated 31 December 2018 will differ from the previous year in that, for the first time, it will contain full disclosure in line with EBA Guidelines 2016/11.

Consolidation

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

The following table shows the regulatory reporting entities and the reporting entities in accordance with the IFRS for VP Bank.

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proporational consolidation	Neither consolida-ted nor deducted	Deducted	
VP Bank AG, Vaduz	IFRS	x				Banks (regulated companies)
VP Bank (Schweiz) AG, Zürich[1]	IFRS	x				Banks (regulated companies)
VP Bank (Luxembourg) SA, Luxembourg	IFRS	x				Banks (regulated companies)
VP Bank Ltd, Singapore Branch[2]	IFRS	x				Banks (regulated companies)
VP Bank (BVI) Ltd, Tortola	IFRS	x				Banks (regulated companies)
VP Fund Solutions (Liechtenstein) AG, Vaduz	IFRS	x				Other financial institutions
VP Fund Solutions (Luxembourg) SA, Luxembourg	IFRS	x				Other financial institutions
VP Wealth Management (Hong Kong) Ltd, Hong Kong	IFRS	x				Other financial institutions
VPB Finanz Holding AG, Zürich[1]	IFRS	x				Other financial institutions
Data Info Services AG, Vaduz	IFRS		x			Ancillary services undertaking

[1] As part of structural realignments, VP Bank Ltd has now decided to manage VP Bank (Switzerland) Ltd directly as fully-owned subsidiary of VP Bank Ltd, Vaduz. The related acquisition/disposal took place at the end of 2018. The previous owner, VPB Finance Holding Ltd, a hundred-percent owned subsidiary of VP Bank Ltd, will be merged with VP Bank (Switzerland) in the spring of 2019 (merger of sister companies). The transaction has no impact of the consolidated financial statements of VP Bank Group.
[2] In order to serve its clients' needs even better in the future, VP Bank will be conducting its business in Singapore through a branch instead of a wholly owned subsidiary with effect from 1 September 2018. This is consistent with VP Bank's growth strategy because as a branch in Singapore, VP Bank is better positioned to expand and grow its client services in Asia. In addition, to enable VP Bank to offer a wider range of services, the licence in Singapore has been upgraded from a merchant bank licence to a wholesale banking licence with effect from 1 September 2018 as well. A wholesale banking licence provides the bank with a wider set of options to grow its product offerings. In relation to the change in the operating entity from subsidiary to a branch, VP Bank (Singapore) Ltd has transferred the assets and liabilities of its business in Singapore to the newly established Singapore branch of VP Bank on 1 September 2018.

Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (EU LI1)

in CHF 1,000 as of 31.12.2018	Carrying values as reported in published financial state-ments	Carrying values under scope of regulatory consolidation	Carrying values of items				
			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 require-ments or subject to deduction from capital
Assets							
Cash and cash equivalents[1]	2,521,276	2,520,087	2,520,087				
Receivables arising from money market papers	67,407	67,407	67,407				
Due from banks[1]	771,107	772,296	772,296			14,909	
Due from customers	6,196,326	6,196,326	6,196,326	2,976,768		119,615	
Trading portfolios[2]	123	123	123				
Derivative financial instruments[2]	42,164	42,164	42,164	42,164			
Financial instruments at fair value[3]	232,263	232,272	232,272			10,827	
Financial instruments measured at amortised cost	2,389,521	2,389,521	2,389,521			69,190	
Associated companies	30	30	30				
Property and equipment	87,819	87,819	87,819				
Goodwill and other intangible assets	51,454	51,454					51,454
Tax receivables[2]	1,407	1,407					1,407
Deferred tax assets[2]	15,581	15,581					15,581

EU LI1 (continued)

in CHF 1,000 as of 31.12.2018	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			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
Accrued receivables and prepaid expenses	28,102	28,102	28,102				
Assets held for sale							
Other assets	23,600	23,600	23,600				
Own Shares		61,396	61,396				
Total assets	**12,428,180**	**12,489,585**	**12,421,143**	**3,018,932**	**0**	**214,541**	**68,442**
Liabilities							
Due to banks	433,793	433,793	433,793				
Due to customers – savings and deposits	638,097	638,097	638,097				
Due to customers – other liabilities	9,696,786	9,696,786	9,696,786				
Derivative financial instruments	59,374	59,374	59,374	59,374			
Medium-term notes	240,616	240,616	240,616				
Debentures issued	200,474	200,474	200,474				
Tax liabilities	7,041	7,041	7,041				
Deferred tax liabilities							
Accrued liabilities and deferred items	36,530	36,530	36,530				
Other liabilities	132,680	132,680	132,680				
Provisions	1,209	1,209	1,209				
Share capital	66,154	66,154	66,154				
Less: treasury shares	–65,807	–4,411	–4,411				
Capital reserves	28,419	28,419	28,419				
Income reserves	994,582	994,582	994,582				
Unrealised gains/losses on FVTOCI financial instruments	–22,704	–22,695	–22,695				
Foreign-currency translation differences	–19,064	–19,064	–19,064				
Total liabilities and shareholders' equity	**12,428,180**	**12,489,585**	**12,489,585**	**59,374**	**0**	**0**	**0**

[1] Not disclosed under the same item in reporting.
[2] SECB Swiss Euro Clearing Bank GmbH is not reported under "Liquid assets" in reporting, but this item may be reported under "Liquid assets" (CHF 1.2 million) in accordance with local Liechtenstein generally accepted accounting principles (GAAP) (accounting)
[3] Disclosed as "Other assets" in reporting and not disclosed separately.

The delta between the published annual financial statements and the regulatory reporting entities is primarily due to the differing treatment of own shares (CHF 61 million), which are deducted from the equity capital in the annual financial statements but recognised as an asset item in the regulatory reporting entities.

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

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.

in CHF 1,000 as of 31.12.2018	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)	**12,489,585**	**12,421,134**	**3,018,932**		**2,568,966**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	59,374		59,374		2,574,186
Total net amount under the regulatory scope of consolidation	12,489,585	12,421,134	3,018,932	0	214,541
Off-balance-sheet amounts	2,584,351	285,479			
Differences in valuations	57,315		57,315		
Differences due to different netting rules, other than those already included in row 2					
Differences due to consideration of provisions					
Differences due to prudential filters	–53,136	–53,136			
Others	–24,172	–24,172			
Exposure amounts considered for regulatory purposes	**15,053,943**	**12,629,305**	**3,076,247**	**0**	**214,541**

Corporate governance

Board of Directors

Pursuant to Art. 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 Group Risk as well as assessing the appropriateness of the procedures deployed to control and monitor the risks
- Assessing the strategic, business, financial, operational and reputation risks as well as discussing these with the Chief Risk Officer and the Head of Group Risk
- 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
- Acknowledging material interactions with the respective supervisory authorities as well as assessing the precautions taken to implement conditions as well as assessing the integrity of the procedures deployed to fulfil the conditions and measures imposed by supervisory authorities
- Assessing the quality (effectiveness) of the risk governance as well as of the cooperation between Risk Control, Risk Supervision, Group Executive Management (GEM), Group Risk Committee, Risk Committee and the Board of Directors
- 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 meets five to eight times per annum. Seven ordinary and two extraordinary meetings took place in the 2018 financial year. The General Counsel & Chief Risk Officer, the Chief Financial Officer and the Head of Group Internal Audit took part in the meetings. At a joint meeting with the Audit Committee, there was a discussion with Group Executive Management (GEM) regarding the quality of the internal control system and additional concerns.

Members of the Board of Directors

Pursuant to Art. 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.

In professional and personal terms, the members of the Board of Directors must at all times ensure proper business operations. Criteria governing the selection of the members of the Board of Directors are prepared and reviewed by the Nomination & Compensation Committee. In this conjunction, attention is paid to the balance of the knowhow and capabilities, the diversity and the experience of the Board of Directors in its entirety.

Changes to business activities (e.g. expansion into new markets, products, etc.) or new regulatory requirements are leading to new tasks and increased complexity in business operations. This may result in additional requirements on the supervisory duties of the Board of Directors.

The Nomination & Compensation Committee therefore conducts ad hoc reviews at least annually as to any potential new requirements for the qualifications of members of the Board of Directors, and whether or not these requirements are adequately met by the body as a whole and/or by individuals. Where a deficit is discovered, the Nomination & Compensation Committee immediately initiates effective measures to ensure smooth management across all members of the body and within individual roles.

VP Bank is committed to diversity. Employees and managers are hired strictly on the basis of their qualifications without regard for age, gender or nationality. The Board of Directors has focused on this issue and prepared a skills analysis for future challenges. With two female Board members from the Legal/Compliance and HR/Business Development areas, these skills were expanded in optimal fashion in 2017.

A study on gender mix in Swiss companies showed the percentage of women on the Board of Directors of VP Bank to be above average in comparison to the other companies assessed.

At the 55th ordinary annual general meeting of VP Bank on 26 April 2018, Dr Florian Marxer and Fredy Vogt, whose mandates were expiring, were re-elected for a further term of office of three years.

Dr Thomas R. Meier was newly elected to the Board of Directors for a term of three years.

The Board of Directors of VP Bank comprises 10 members. None of the members of the Board of Directors have been part of GEM, the Executive Board of VP Bank or the Executive Board of a Group company during the last three financial years. Please refer to Section 3.1 of the 2018 Annual Report of VP Bank for their biographies as well as other roles and interest commitments.

Members of the Board of Directors Dr Beat Graf and Dr Florian Marxer are affiliated with companies which advise clients at VP Bank as intermediaries, and also represent the interests of important shareholders (anchor shareholders).

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. At VP Bank, the role of Chief Risk Officer is established at Group management level within the "General Counsel & Chief Risk Officer" organisational unit.

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.

The addition of Dr Felix Brill as Chief Investment Officer as of 1 March 2018 and Dr Urs Monstein as Chief Operating Officer as of 1 May 2018 saw GEM fully staffed for the 2018 financial year.

As of 31 December 2018, GEM comprised six members. Please refer to Section 4.1 of the 2018 Annual Report of VP Bank for their biographies as well as other roles and interest commitments.

At the beginning of 2019, the VP Bank Group Board of Directors and CEO Alfred W. Moeckli agreed to cease their collaboration. Alfred W. Moeckli relinquished all of his functions as of the end of January 2019 and left the Bank in order to dedicate his time to new challenges. Dr Urs Monstein has taken over management in the role of CEO on an ad interim basis.

Risk management goals and risk management policy

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 term 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 tolerance. The risk policy laid down by the Board of Directors of VP Bank Group constitutes the mandatory operating framework in this respect.

The risk policy regulations contain a comprehensive framework as well as a risk strategy for the risk groups business, financial and operational risks. These detail and clearly stipulate specific objectives and principles, organisational structures and processes, methods and instruments as well as targets and limits.

The following principles are applicable to risk management at VP Bank:

Alignment of risk tolerance and risk appetite

Risk appetite is reflected in the risk capital and indicates-the maximum loss which the bank is prepared to bear arising from crystallising risks without thereby jeopardising the bank's ability to continue as a going concern. As a strategic success factor, risk tolerance is to be maintained and enhanced by employing a suitable process to ensure and increase an appropriate capital base.

Clear 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 and responsibilities of all bodies, organisational units and committees involved in the risk and capital management process. Risk coverage potential, risk capital and limits are reviewed and, if necessary, adjusted as required, but once a year at the minimum.

Conscientious handling of risks

Strategic and operational decisions are taken based on risk/return calculations and aligned with the interests of the stakeholders. Whilst complying with legal and regulatory provisions as well as the principles underlying business and ethical policies, VP Bank takes on risks consciously so long as the extent of these are known and the technical prerequisites to map them are at hand and that the bank is adequately rewarded. It avoids transactions with an unbalanced relationship of risks to returns as well as large risks and extreme risk concentrations which could jeopardise risk tolerance and thus the ability of the Group to continue as a going concern.

Segregation of functions

Risk monitoring and risk reporting to GEM and the Board of Directors are ensured by an entity independent of the units which actively manage risk (Group Risk).

Transparency

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

Risk management process

Bank risk system

The following figure (page 11) provides an overview of the risks to which VP Bank is exposed as part of its business activities. These are divided into five risk groups and three risk categories (liquidity, market and credit risks).

Strategic risk refers to the risk of a potential decline in profits due to inadequate orientation of the company to the market environment (political, economic, social, technological, ecological, legal) and can result from unsuitable strategic positioning or a lack of effective countermeasures in the event of changes.

Business risk refers to the risk of:

- The attractiveness of location-specific advantages declining
- The importance/weighting of individual business segments changing due to external framework conditions and the business mix having to be adapted
- New product launches, market access or business development being restricted or prevented due to regulations, or existing products, market access and business development posing disproportionate cost implications or being unprofitable
- Negative developments resulting in connection with target markets due to political or geopolitical influences
- Exposure being influenced by macroeconomic risk factors

Business risk is reviewed within the framework of a periodic strategy workshop held by the Board of Directors.

Financial risk is taken consciously in order to generate earnings or to protect business policy interests.

Market risk refers to the risk of potential economic losses in value that emerge due to unfavourable changes in market prices (interest rates, foreign exchange rates, share prices, commodities) or other price-influencing parameters, such as volatility. These changes may have a negative impact on the economic or regulatory equity capital amount or the

IFRS result. There is also a close relationship between market and credit risks. Market fluctuations can, for instance, lead to shortfalls or limit violations in the credit area.

Credit risk includes default, creditworthiness, country, counterparty, liquidation and concentration risks:
- Default risk refers to the risk of a financial loss which may occur following the default of a debtor or loan collateral.
- Country risk – an additional expression of credit risk – is not posed by the counterparty itself, but by uncertain political, economic and social circumstances and due to restrictions in payment transactions in the risk domicile.
- Counterparty risk refers to the risk of a financial loss resulting from the default or a deterioration in the credit rating of a counterparty in trading activities or due to non-performance by the counterparty.
- Liquidation risk includes potential losses incurred by the Bank not due to the debtor themselves, but due to a lack of opportunities to liquidate collateral.
- Concentration risk includes potential losses incurred by the Bank not due to the debtor themselves, but due to an insufficiently diversified loan portfolio.

Liquidity risk includes insolvency/scheduling, refinancing, market liquidity and withdrawal risk. The liquidity risk includes the risk of present and future payment obligations not being able to be fulfilled in full or on time. It also includes the risk of potential losses of assets or earnings being incurred by the Bank as a result of a deterioration of refinancing conditions on the money or capital market, and the risk that the Bank's liquidity buffer cannot be liquidated within a certain time frame without a significant loss of value.

Liquidity risk also refers to the risk of irrevocable loan or liquidity commitments being drawn unexpectedly, or creditors disposing of their deposits unexpectedly. The most extreme case of withdrawal risk is known as "a run on the bank".

VP Bank generally defines operational risk as the risk of losses that occur as a result of the inadequacy or failure of internal procedures, people or systems, or as a result of external events. VP Bank pursues a systematic management approach when it comes to handling operational risk.

Reputational risk refers to the risk of:
- Losing the trust of employees, clients, shareholders, regulators and that of the public in general
- Damage to the Bank's public image or reputation caused by other types of risk or by other events
- The Bank sustaining a loss of assets or loss of earnings as a result of this.

Process to ensure an appropriate capital base

In order to ensure that it has adequate capital resources even in the event of adverse market developments or extreme events, VP Bank has established a process for ensuring risk-bearing capacity: the Internal Capital Adequacy Assessment Process (ICAAP).

As part of the annual planning process, the Board of Directors defines the risk strategy and risk tolerance on Group level, taking into consideration a Bank-wide stress test with different stress scenarios (idiosyncratic, market and combined stress), planned strategic initiatives and changes in legal and regulatory requirements.

Risk tolerance forms the starting point for the Board of Directors when it comes to limiting market, credit and operational risks. Furthermore, part of the free risk coverage potential is reserved as a risk buffer for any other non-objectively quantifiable or effectively manageable risks.

The risk-tolerance concept of VP Bank Group distinguishes between a regulatory and value-oriented perspective. From a regulatory perspective, the free risk-coverage potential results from the eligible equity less the regulatory required capital and an internal core-capital buffer. From a value-oriented point of view, the free risk-coverage potential results from the net present value of the equity less operating and risk costs as well as a risk buffer for other risks. Global limits are set on the value-oriented perspective.

For the operative risk control, the global limits set by the Board of Directors are assigned by the Executive Management to the individual subsidiaries, and are specified in greater detail, if necessary.

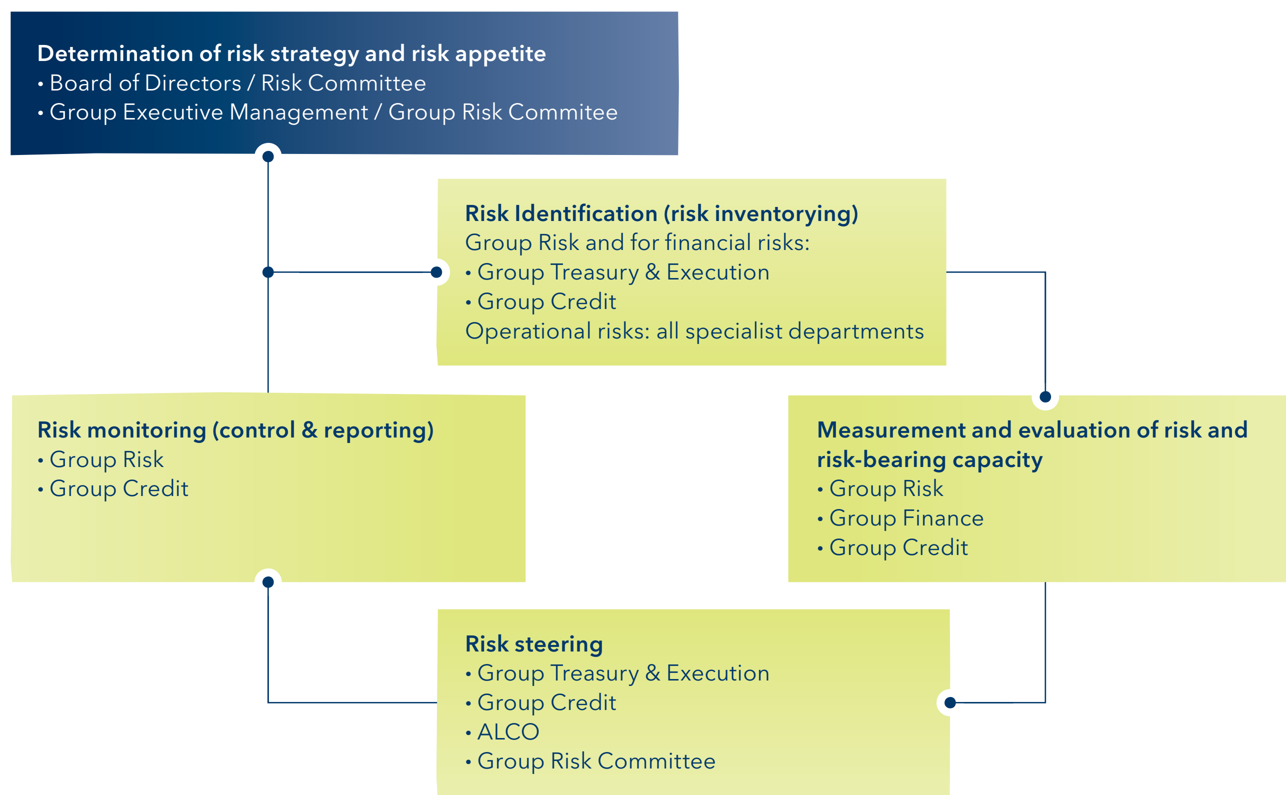
The annual identification of risks (risk inventory) ensures that all risks of relevance to the Group are identified. In addition, an identification of risks is undertaken on a mandatory basis as part of the process of introducing new financial instruments, the assumption of activities in new fields of business or geographic markets as well as in the event of changes to legal or regulatory provisions.

To assess risks and measure risk-bearing capacity, risks are aggregated in an overall estimation where the value-at-risk (VaR) method is used for financial risk with regard to market risk, and unexpected loss of credit for credit risk. The base-indicator approach is used to calculate operational risk.

Risk management is performed on a strategic level by setting goals, limits, principles of conduct as well as process guidelines. On an operating level, the diversification of risks is ensured by managing financial risks within the target measures and limits set as well by observing regulatory requirements.

Risk monitoring (control and reporting) encompasses the control of and reporting on the risk situation. The exceeding of limits highlighted by routine target-to-actual variance analyses, within the scope of controls, serves as an impetus for steering measures. The target values are derived from the internal target measures and limits set as well as legal and regulatory norms. In this respect, advance warning stages enable an early course of action in order to avoid exceeding limits. As part of reporting, the results of the review are set forth in a reliable, regular and transparent manner. Reporting is made ex ante to the preparation of decisions, ex post to control purposes as well as ad hoc in the case of suddenly and unexpectedly occurring risks. If a limit is exceeded, the monitoring entity immediately informs the relevant specialist division, the relevant member of GEM, the Chief Risk Officer and the committee that approved the breached limit.

Process supervision (Group Internal Audit, External Auditors)



The risk management process, which extends from risk identification to monitoring the response measures, is supplemented by rolling three-year capital planning. In addition to the baseline scenario, this includes two differently configured negative scenarios. This is designed to ensure that VP Bank continues to have sufficient equity capital to cover all material risks.

Tasks, authorities and responsibilities

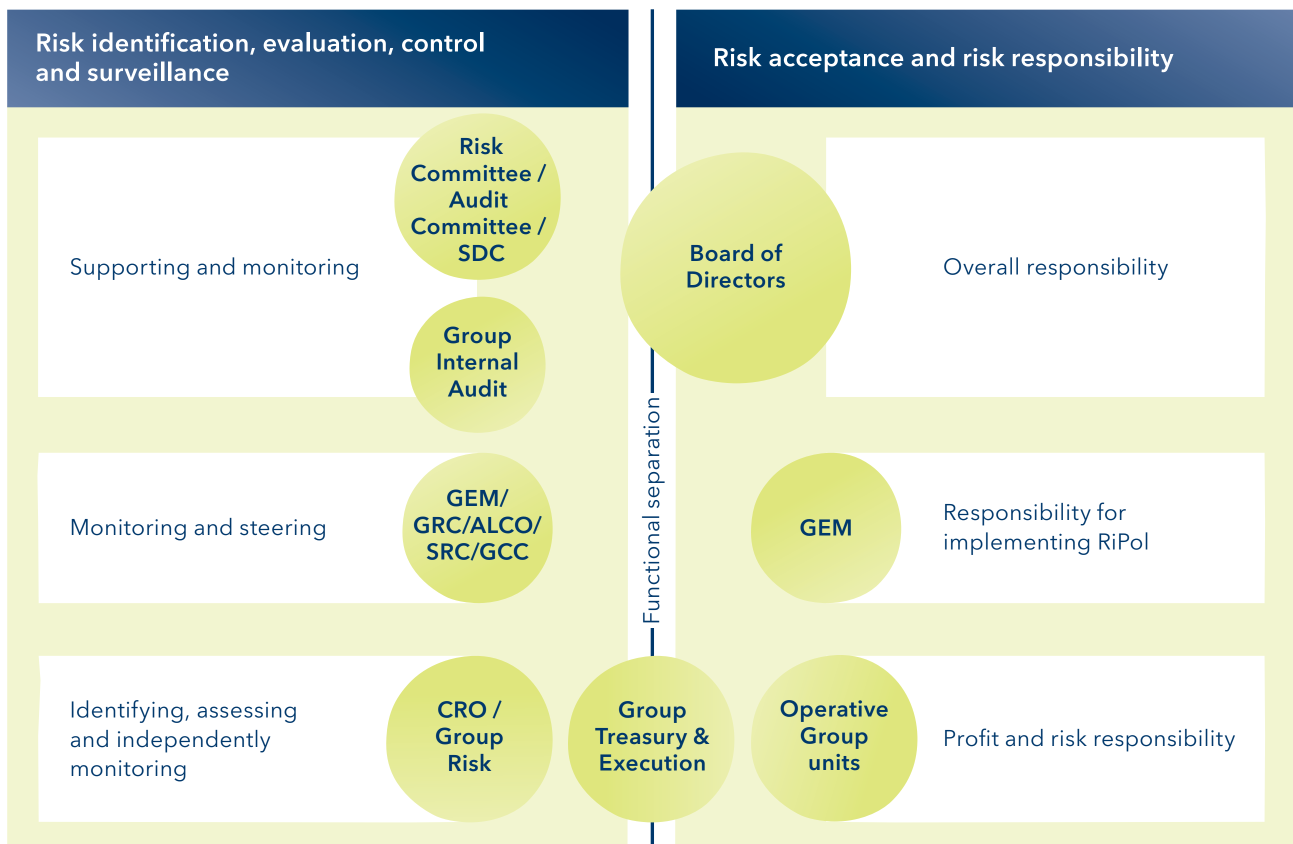
Pursuant to Art. 21d Para. 4 BankO, the risk management function must be headed by a member of the Executive Management who is specifically responsible for this function (Chief Risk Officer). Insofar as this is justified by the nature, scope and complexity of the business activity, and provided no conflict of interests exists, another executive within the bank may exercise this function Within VP Bank, one member of GEM heads the risk management function as Chief Risk Officer.

In addition to the Chief Risk Officer, a range of committees and operational units are involved in the risk management process. The previous figure shows the key responsibilities between the units involved in the risk management process, the organisational units and the committees for financial risk. These are actively initiated and incorporated in the risk management process. Their duties, powers and responsibilities are set out as follows. The roles and structures of risk management and risk monitoring are separated. This is intended to avoid conflicts of interest between the risk-taking and the risk-monitoring entities. The management and monitoring of risks are therefore divided up into three lines of defence (LoD):

- First LoD: risk management
- Second LoD: risk monitoring
- Third LoD: internal/external audit

Units taking over risk responsibilities and assuming risk management duties are functionally separated (see right-hand side of the previous chart). The duties, powers and responsibilities of the individual units, organisational units and committees are described below.

The Board of Directors bears the overall responsibility for capital, liquidity and risk management within the Group. It is its remit to establish and maintain an appropriate structure of business processes and organisation as well as an internal control system (ICS) for an effective and efficient management of capital, liquidity and risk thereby ensuring the risk tolerance of the bank on a sustainable basis. The Board of Directors approves the Risk Policy regulations and monitors its implementation, lays down the risk appetite on a Group level and stipulates the target measures and limits for capital, liquidity and risk management. In assuming its duties, the Board of Directors is supported by the Audit Committee, the Risk Committee and Group Internal Audit.



The GEM is responsible for the implementation and observance of the Risk Policy regulations approved by the Board of Directors. Amongst its core tasks are the responsibility to ensure the effective functioning of risk management processes and the internal control system, the allocation of the target measures and limits set by the Board of Directors for the individual Group companies, the Group-wide management of strategic, business, financial, operational, and reputational risks.

The GEM also takes the function of the Group Risk Committee. The Group Risk Committee is the supreme authority for monitoring and steering the risks to which VP Bank is exposed. The principal tasks of the Group Risk Committee are the implementation of the risk strategy for financial and operational risks within the overall framework of the target measures and limits laid down by the Board of Directors and GEM. Furthermore, the Group Risk Committee handles overarching issues as well as the approval of methods and key figures to be used in risk management, and the activation and deactivation of escalation levels.

Whilst complying with the relevant legal and regulatory provisions, the Asset & Liability Committee (ALCO) is responsible for the risk and return-oriented management of the balance sheet on the basis of the Economic Profit Model as well as for the steering of financial risks. The ALCO assesses the Group's risk situation in the area of financial risks and initiates remedial control measures, whenever necessary.

The Security Risk Committee (SRC), whose activities are oriented to coordination and strategy, is the supreme security committee of VP Bank which manages the operational implementation in the units involved by setting targets regarding the various security-related issues. The Security Risk Committee deals with all strategic security issues of VP Bank Group. This covers physical security, information security (incl. cyber security), business continuity management as well as the awareness of the need for security and culture.

As an independent function for the centralised identification, evaluation (measurement and assessment) and monitoring (control and reporting) of the risk situation and risk tolerance of the Group, Group Risk supports the Board of Directors, Group Executive Management, Group Risk Committee and the Chief Risk Officer in assuming their respective duties. A further task of Group Risk consists of ensuring that existing legal, regulatory and internal bank risk-management provisions are complied with and new risk-management prescriptions implemented. In addition thereto is the regular review and assessment of the effectiveness and appropriateness of the methods, performance indicators and systems deployed in risk management. A new Head of Group Risk was appointed as of 1 October 2018. A new appointment was also made to the management role in the Group Compliance department as of 1 November 2018, and, following the restructuring of the Group Legal, Compliance & Tax division, the Head of Group Compliance now reports directly to the Chief Risk Officer.

Group Treasury bears the responsibility for the day-to-day steering of financial risks within the target measures and limits laid down by the Board of Directors and Group Executive Management, whilst complying with legal and regulatory prescriptions. Key duties include balance sheet structure management, taking into consideration the earnings, market and credit risks as well as the liquidity and equity capital situation of VP Bank. Further responsibilities comprise, for example, liquidity and collateral management as well as limit management for banks and countries.

All risk-taking functions and organisational units are regarded as the operating units.

Risk declaration of the Board of Directors

The Board of Directors bears overall responsibility for risk management that is appropriate for the size, the complexity, the structure and the risk profile of VP Bank.

Based on the business model, the range of services and instruments used to manage the bank book, financial, business and operational risks as well as reputational risks are regarded as essential for the continued existence of VP Bank.

As at 31 December 2018, the economic capital requirement for unexpected losses amounted to CHF 225 million. Of this, market risks accounted for 59 percent, credit risks accounted for 22 percent and operational risks accounted for 19 percent. A risk buffer of CHF 95 million is deployed for risks that cannot be quantified or are incompletely identified.

As at the end of 2018, the utilised economic capital accounted for 26 percent of the risk cover potential. This means the risk bearing capacity of VP Bank is established.

Global risk limits and individual limits are defined by the Board of Directors for the VP Bank Group at least once a year. As part of operational management, GEM distributes the Board of Directors' limits to the individual Group companies and, if necessary, further refines these.

Risk control and risk monitoring processes and methods correspond to accepted standards and are reasonably structured.

Key metrics

Key metrics

in CHF 1,000	31.12.2018	31.12.2017
Own Funds		
Common Equity Tier 1 (CET 1)	942,783	976,553
Tier 1 Capital	942,783	976,553
Total Capital	942,783	976,553
Common Equity Tier 1 Ratio	20.9%	25.7%
Tier 1 Ratio	20.9%	25.7%
Total Capital Ratio	20.9%	25.7%
Risk weighted assets	4,510,319	3,799,412
Combined capital buffer requirement	227,570	191,347
Leverage		
Total exposure measure	12,951,594	13,095,264
Leverage Ratio	7.3%	7.5%
Liquidity		
Liquidity Coverage Ratio (LCR)	142.6%	161.0%

Equity capital was reduced, taking into consideration the share buyback programme in the 2018 financial year. The rise in risk-weighted assets is due primarily to a higher level of receivables from clients (CHF 0.5 billion) and an increase in financial investments (CHF 0.3 billion). To reduce the high costs for liquidity, deposits with the Swiss National Bank were reduced by CHF 1 billion.

Capital adequacy

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 AG, Vaduz**	**VP Bank AG, Vaduz**	**VP Bank Group**
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	registered share A	registered share B	disclosed reserves
Governing law(s) of the instrument	Liechtenstein law	Liechtenstein law	Liechtenstein law
Regulatory treatment			
Transitional CRR rules	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)
Post-transitional CRR rules	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)
Eligible at solo(sub-)consolidated/ solo & (sub-)consolidated	solo and 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	disclosed reserves
Amount recognised in regulatory capital			
Nominal amount of instrument	60,150	6,004	910,399
Issue price	60,150	6,004	910,399
Redemption price			
Accounting classification	equity	equity	equity
Original date of issuance			
Perpetual or dated	perpetual	perpetual	perpetual
Original maturity date			
Issuer call subject to prior supervisory approval	no	no	no
Optional call date, contingent call dates and redemption amount			
Subsequent call dates, if applicable			
Coupons / dividends			
Fixed or floating dividend/coupon	floating	floating	
Coupon rate and any related index			
Existence of a dividend stopper			
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			
Noncumulative or cumulative			
Convertible or non-convertible			
If convertible, conversion trigger(s)			
If convertible, fully or partially			
If convertible, conversion rate			
If convertible, mandatory or optional conversion			
If convertible, specify instrument type convertible into			
If convertible, specify issuer of instrument it converts into			
Write-down features			
If write-down, write-down trigger(s)			
If write-down, full or partial			
If write-down, permanent or temporary			
If temporary write-down, description of write-up mechanism			
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
Non-compliant transitioned features			
If yes, specify non-compliant features			

Own funds

in CHF 1,000	31.12.2018
Common equity tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	55,704
of which: shares	
Retained earnings	1,028,120
Accumulated other comprehensive income (and other reserves)	–89,244
Funds for general banking risk	
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
Minority interests (amount allowed in consolidated CET1)	
Independently reviewed interim profits net of any foreseeable charge or dividend	
Common equity tier 1 (CET1) capital before regulatory adjustments	**994,580**
Common equity tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments (negative amount)	–334
Intangible assets (net of related tax liability) (negative amount)	–48,749
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)	–2,705
Fair value reserves related to gains or losses on cash flow hedges	
Negative amounts resulting from the calculation of expected loss amounts	
Any increase in equity that results from securitised assets (negative amount)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
Defined-benefit pension fund assets (negative amount)	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
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)	
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)	
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)	
Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative	–9
of which: qualifying holdings outside the financial sector (negative amount)	
of which: securitisation positions (negative amount)	–9
of which: free deliveries (negative amount)	
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)	
Amount exceeding the 15% threshold (negative amount)	
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	
of which: deferred tax assets arising from temporary differences	
Losses for the current financial year (negative amount)	
Foreseeable tax charges relating to CET1 items (negative amount)	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	
Total regulatory adjustments to common equity tier 1 (CET1)	
Common equity tier 1 (CET1) capital	**942,783**
Additional tier 1 (AT1) capital: instruments	
Capital instruments and the related share premium accounts	
of which: classified as equity under applicable accounting standards	
of which: classified as liabilities under applicable accounting standards	
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	
Qualifying tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	
of which: classified as liabilities under applicable accounting standards	
Additional tier 1 (AT1) capital before regulatory adjustments	
Additional tier 1 (AT1) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
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)	

Own funds (continued)

in CHF 1,000	31.12.2018
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)	
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)	
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
Total regulatory adjustments in additional tier 1 (AT1) capital	
Additional tier 1 (AT1) capital	
Tier 1 capital (T1 = CET1 + AT1)	
Tier 2 (T2) capital: instruments and provisions	
Capital instruments and the related share premium accounts	
Amount of qualifying items referred to in article 484 (5) and the related share premium account subject to phase out from T2	
Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	
of which: instruments issued by subsidiaries subject to phase out	
Credit risk adjustments	
Tier 2 (T2) capital before regulatory adjustments	
Tier 2 (T2) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
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)	
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)	
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)	
Total regulatory adjustments of Tier 2 (T2) capital	
Tier 2 (T2) capital	
Total capital (TC = T1 + T2)	942,783
Total risk weighted assets	4,510,319
Capital ratios and buffers	
Common equity tier 1 (as a percentage of total risk exposure amount)	20.9%
Tier 1 (as a percentage of total risk exposure amount)	20.9%
Total capital (as a percentage of total risk exposure amount)	20.9%
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)	
of which: capital conservation buffer requirement	112,758
of which: countercyclical buffer requirement	2,054
of which: systemic risk buffer requirement	112,758
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	
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)	
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)	
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)	
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)	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
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	

Own funds (continued)

in CHF 1,000	31.12.2018
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
Current cap on AT1 instruments subject to phase out arrangements	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
Current cap on T2 instruments subject to phase out arrangements	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

The equity base is robust and facilitates successful growth. Within the framework of the public share buyback programme, VP Bank is prepared to acquire a maximum of 180,000 registered shares A. The repurchase period for registered shares A will run from 27 June 2018 up to 28 June 2019 at the latest on the standard trading line on SIX Swiss Exchange. VP Bank complied with the minimum capital requirements for 2018 at all times.

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

in CHF 1,000	31.12.2018
Equity according to consolidated balance sheet	981,580
Memorandum item: Capital instruments not eligible (own shares)	–10,450
Deduction dividend according to Board of Directors proposal	–36,385
Common equity tier 1 (CET1) capital before regulatory adjustments	**934,745**
Additional Valuation Adjustment	–334
Deduction goodwill according to group balance sheet	–10,808
Deferred taxation liabilities on goodwill (positive amount)	
Other intangible assets	–40,646
Deferred tax liabilities associated to other intangible assets	2,705
Offset actuarial gains, after tax (IAS 19)	61,183
Deduction	–4,053
Deduction securitisation exposure	–9
Common equity tier 1 (CET1) after regulatory adjustments	**942,783**
Tier 2 capital according to group balance sheet	
Subordinated liabilities	
Tier 2 (T2) capital before regulatory adjustments	

The change in comparison with the previous year is primarily attributable to the fact that intangible assets were equity-backed the previous year. These are now charged directly to equity.

Capital adequacy requirements and capital buffer

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	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
1	Credit risk (excluding CCR)	3,747,307	2,984,558	299,785	238,765
2	of which the standardised approach	3,747,307	2,984,558	299,785	238,765
3	Counterparty credit risk (CCR)	9,272	6,241	742	499
4	of which CVA	9,272	6,241	742	499
5	Settlement risk	0	0	0	0
6	Securitisation exposures in the banking book (after the cap)	0	0	0	0
18	of which standardised approach				
7	Market risk	214,541	199,708	17,163	15,977
8	of which the standardised approach	214,541	199,708	17,163	15,977
9	Large exposures	0	0	0	0
10	Operational risk	539,199	608,905	43,136	48,712
11	of which basic indicator approach	539,199	608,905	43,136	48,712
12	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0	0
13	Floor adjustment	0	0	0	0
14	**Total**	**4,510,319**	**3,799,412**	**360,826**	**303,953**

Capital buffers

Capital conservation buffer

Pursuant to Art. 4a Para.1 Letter a BankA, all banks in Liechtenstein are required to hold a capital conservation buffer consisting of 2.5% 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.

Other systemically important institutions (O-SII) buffer

Pursuant to Art. 7e and Art. 7f BankO, VP Bank was identified by the Financial Market Authority as O-SII. The Financial Market Authority identifies other systemically important institutions each year. Pursuant to Art. 4a BankA, a capital buffer amounting to up to 2% of the total risk expose amount may be stipulated. The Financial Market Authority set the buffer for VP Bank at 0%.

Systemic risk buffer

Pursuant to Art. 7i BankO, VP Bank is required to hold a systemic risk buffer of at least 2.5% of common equity tier 1 at the individual and consolidated level. The systemic risk buffer is designed to prevent or mitigate long-term non-cyclical systemic risks or macro-prudential risks.

Institution specific countercyclical capital buffer

Pursuant to Art. 5 et seq. BankO, all banks in Liechtenstein are required to hold an institution specific countercyclical capital buffer of up to 2.5% common equity tier 1 at the individual and consolidated level. The buffer is designed to counter risks arising out of excessive lending growth.

The institution-specific countercyclical capital buffer results from a weighted average of the countercyclical buffer ratios that are applicable in the countries in which the relevant credit exposures of the bank are located:

- The buffer rate for domestic credit exposures is set by the Financial Market Authority. In accordance with Art. 6 Para. 3 BankO 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% must be used in the EU and third-party countries on an automatic reciprocity basis. Pursuant to Art. 7 Para. 1 BankO, 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%.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

in CHF 1,000 as of 31.12.2018	General credit exposures	Own funds requirements		Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Of which General credit exposures	Total		
Breakdown by country					
United Kingdom	6,504	65	65	0.0%	1.00%
Hongkong	1,393	26	26	0.0%	1.88%
Norway	561	11	11	0.0%	2.00%
Sweden	366	7	7	0.0%	2.00%
Iceland	1	0	0	0.0%	1.25%
Czech Republic	1	0	0	0.0%	1.00%

Amount of institution-specific countercyclical capital buffer

in CHF 1,000	31.12.2018
Total risk exposure amount	4,510,319
Institution specific countercyclical buffer rate	0.05%
Institution specific countercyclical buffer requirement	2,054

Leverage

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.

Leverage ratio

in CHF 1,000		31.12.2018
On-balance sheet exposures (excluding derivatives and SFTs		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	12,368,403
2	Asset amounts deducted in determining tier 1 capital	–118,952
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**12,249,451**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	42,164
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	57,315
EU-5a	Exposure determined under original exposure method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	
8	Exempted CCP leg of client-cleared trade exposures	
9	Adjusted effective notional amount of written credit derivatives	
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	
11	**Total derivatives exposures (sum of lines 4 to 10)**	**99,479**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	Netted amounts of cash payables and cash receivables of gross SFT assets	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	Exempted CCP leg of client-cleared SFT exposure)	
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	2,584,351
18	(Adjustments for conversion to credit equivalent amounts)	–1,981,687
19	Other off-balance sheet exposures (sum of lines 17 and 18)	602,664
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)	
EU-19b	**Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)**	**0**
Capital and total exposure measure		
20	Tier 1 capital	942,783
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**12,951,594**
Leverage ratio		
22	Leverage ratio	7.28%
Choice on transitional arrangements and amount of derecognised fiduciary items		**0**
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

The reduction in the leverage ratio in comparison to 31 December 2017 is due to an increase in total assets. As of the end of 2018, the leverage ratio of VP Bank was 7.3%. As at 31 December 2018, there was not yet any regulatory minimum value in place in Liechtenstein.

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

in CHF 1,000	31.12.2018
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	12,368,403
of which Trading book exposures	123
Banking book exposures	12,368,280
of which Covered bonds	411,477
Exposures treated as sovereigns	2,864,746
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	513,099
Institutions	748,029
Secured by mortgages of immovable properties	2,984,897
Retail exposures	990,168
Corporate	2,981,273
Exposures in default	59,236
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	815,355

Summary reconciliation of accounting assets and leverage ratio exposures

in CHF 1,000	31.12.2018
Total assets as per published financial statements	12,428,180
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
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	
Adjustments for derivative financial instruments	99,479
Adjustment for securities financing transactions (SFTs)	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	602,664
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013	
Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013	
Other adjustments	–178,729
Leverage ratio total exposure measure	**12,951,594**

Risk of excessive debt

In order to prevent the risk of excessive debt, VP Bank has defined a minimum value for the leverage ratio, and monitors at least once per quarter that this is adhered to.

Credit risks

Risk control and risk monitoring

Credit risks arise out of all transactions in which payment obligations of third parties exist or may arise vis-á-vis the bank. VP Bank incurs credit risks from client lending transactions, money market transactions including bank guarantees, correspondence and metal accounts, reverse-repo transactions, in-house securities investments, securities lending & borrowing, collateral management as well as from OTC derivative transactions.

Credit risks are controlled and monitored not just at the individual transaction level, but also at the portfolio level. At the portfolio level VP Bank uses the anticipated and unexpected credit loss to monitor and measure the credit risk. Drawing upon historical loss data and estimated default likelihoods, the anticipated credit loss quantifies the respective loss per credit portfolio that is to be expected within one year. Results of the analysis also flow into the calculation of the portfolio valuation adjustments in the annual financial statements. The unexpected credit loss represents the value-at-risk deviation of the actual loss from the expected loss, assuming a certain probability.

In addition to the Risk Policy Regulations, the Credit Regulations form the binding scope of action for credit risk management within the client lending business. These establish not just the general credit guidelines and the operating conditions for the conclusion of credit transactions, but also define the decision-makers and the corresponding bands within which loans may be approved (allocation of authority).

Commitments in private client loans and commercial lending must generally be covered by the lending value of the collateral (collateral after risk discounts). Counterparty risk in lending business is regulated by limits which restrict the amount of the commitment depending on the credit rating, sector, collateral and risk domicile of the client. VP Bank uses an internal rating method for assessing creditworthiness. Deviations from lending principles (exceptions to policy) are dealt with accordingly in the credit risk management process depending on the inherent risk.

In the interbank transaction field, VP Bank enters into covered as well as uncovered positions. Uncovered positions result from money market transactions (including bank guarantees, correspondence and metal accounts), covered positions from reverse-repo transactions, securities lending & borrowing, collateral management as well as from OTC derivative transactions. Because repo-investments are comprehensively secured and the associated collateral serves as a reliable source of liquidity in a crisis, reverserepo transactions reduce not just the counterparty risk, but also the liquidity risk.

Counterparty risks in the interbank business field may be entered into only in approved countries and with authorised counterparties. A comprehensive system of limits restricts the level of an investment, depending on the term, the rating, the risk domicile and the securities of the counterparty. In this conjunction, VP Bank uses the ratings issued by the two rating agencies Standard & Poor's and Moody's for banks.

Country risk

Country risks are monitored and controlled using volume limits, which cap all investments per country rating (Standard & Poor's and Moody's). For this purpose, all balance sheet and off-balance-sheet receivables are taken into consideration; investments in the Principality of Liechtenstein and Switzerland are not subject to this country limit rule. The country risk is determined by the risk domicile of the investment. In the case of covered investments, the country in which the securities are located is also taken into account.

Counterparty default risk

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.

The lines for OTC derivative transactions with other banks are essentially secured, and changes are settled daily. As there are no unsecured lines, there are also no material obligations to provide additional capital.

Within the context of the risk controls, derivative financial instruments are concluded only in the banking book and serve to hedge 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.

The counterparty default risk arising out of the derivative transactions is determined by the credit equivalence sum resulting from the positive replacement values plus the add-ons. The credit equivalence sum is calculated using the Mark-to-Market Method pursuant to Art. 274 CRR. Existing netting agreements are not taken into account.

Analysis of CCR exposure by approach (EU CCR1)

in CHF 1,000 as of 31.12.2018		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market							
2	Original exposure							
3	Standardised approach		3,076,247				3,076,247	793,955
4	IMM (for derivatives and SFTs)							
5	of which securities financing transactions							
6	of which derivatives and long settlement transactions							
7	of which from contractual cross-product netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	**Total**	**0**	**3,076,247**	**0**	**0**	**0**	**3,076,247**	**793,955**

CVA capital charge (EU CCR2)

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

in CHF 1,000 as of 31.12.2018		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3 multiplier)		
3	(ii) SVaR component (including the 3 multiplier)		
4	All portfolios subject to the standardised method	3,076,247	793,955
EU4	Based on the original exposure method		
5	**Total subject to the CVA capital charge**	**3,076,247**	**793,955**

Exposures to central counterparties (CCP) (EU CCR 8)

In addition to the disclosure of the counterparty default risk in tables EU CCR1 and EU CCR2, information on trading with central counterparties as defined under Article 439(e) and (f) of the CRR must be disclosed in table EU CCR8. As at 31 December 2018, VP Bank had no direct exposure to central counterparties, which is why table EU CCR8 has been omitted.

Impact of netting of collateral held on exposure values (EU CCR 5-A)

The following figure shows the implications of netting and collateral held for receivables in accordance with Article 439(e) of the CRR.

in CHF 1,000 as of 31.12.2018	Gross positive fair Value or net carrying amount	Netting effects	Net current credit exposure	Collateral held	Net credit exposure
Derivatives	5,568,060	–5,413,802	154,258	44,516	109,742
SFTs					
Cross product netting					
Total	**5,568,060**	**–5,413,802**	**154,258**	**44,516**	**109,742**

By using the set-off options in netting agreements, the gross positive fair value of derivatives fell by CHF 5.4 billion. Taking into consideration the collateral held (cash collateral) in the amount of CHF 45 million, a residual risk position of CHF 110 million resulted as of 31 December 2018.

Composition of collateral for exposures to CCR (EU CCR 5-B)

in CHF 1,000 as of 31.12.2018	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		
Cash - domestic currency (CHF)		688,563		44,516		
Equity securities		88,916				
Total	**0**	**777,479**	**0**	**44,516**	**0**	**0**

The differentiation between “segregated” and “unsegregated” refers to whether or not collateral is provided in a bankruptcy-remote (segregated) form as defined under Article 300 of the CRR. As at 31 December 2018, VP Bank did not hold any bankruptcy-remote collateral.

Standardised approach – CCR exposures by regulatory portfolio and risk (EU CCR 3)

	in CHF 1,000 as of 31.12.2018	Risk weight									
		0%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
	Exposure classes										
1	Central governments or central banks						493			493	493
2	Regional governments or local authorities	22					5			27	27
3	Public sector entities									0	
4	Multilateral development banks									0	
5	International organisations									0	
6	Institutions	740	11,195		3,427					15,362	7,256
7	Corporates	1,067,027					599,809			1,666,836	1,666,836
8	Retail	1,072,891				23,920	145,666			1,242,477	1,242,477
9	Secured by real estate			13,108	6,181		3,216			22,505	22,505
10	Exposures in default	3,495					25,968	366		29,829	29,829
11	Items associated with particularly high risk									0	
12	Covered bonds									0	
13	Securitisation positions									0	
14	Claims on institutions and corporates with a short-term credit assessment		41,403							41,403	
15	Collective investments undertakings									0	
16	Equity exposures									0	
17	Other items									0	
18	**Total**	**2,144,175**	**52,598**	**13,108**	**9,608**	**23,920**	**775,157**	**366**	**0**	**3,018,932**	**2,969,423**

The “Of which without rating” category primarily features receivables arising from lending business. These receivables are not rated externally.

Use of external rating agencies

In order to determine statutory supervisory capital requirements according to the standardised approach for credit risks, the creditworthiness assessments of Standard & Poor's or Moody's are used:

- 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 risk exposure values are presented broken down by risk exposure classes before and after factoring in credit risk mitigation effects of collateral.

in CHF 1,000 as of 31.12.2018		**Risk weight**									
		0%	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total**	**Of which unrated**
Exposure classes											
1	Central governments or central banks	2,973,571	3,092				493			2,977,156	31,583
2	Regional governments or local authorities	11,924	97,285		18,777		5			127,991	37,322
3	Public sector entities	31,973	250,136		5,117					287,226	55,042
4	Multilateral development banks	88,697	7,973		3,107					99,777	2,938
5	International organisations	16,246								16,246	
6	Institutions	185,419	216,837		29,365					431,621	107,003
7	Corporates	1,948,714	202,525		538,508		1,589,967	899		4,280,613	3,301,464
8	Retail	1,535,458				188,791	399,319			2,123,568	2,123,569
9	Secured by real estate			2,191,337	922,433		283,118			3,396,888	3,396,888
10	Exposures in default	3,585					46,979	8,702		59,266	59,266
11	Items associated with particularly high risk							9,099		9,099	9,099
12	Covered bonds	680	410,776							411,456	4,989
13	Securitisation positions									0	
14	Claims on institutions and corporates with a short-term credit assessment	31,728	504,497		34,775		732			571,732	
15	Collective investments undertakings						60,639			60,639	60,639
16	Equity exposures						51,219			51,219	51,219
17	Other items	16,133	11				121,774		11,528	149,446	137,902
18	**Total**	**6,844,128**	**1,693,132**	**2,191,337**	**1,552,082**	**188,791**	**2,554,245**	**18,700**	**11,528**	**15,053,943**	**9,378,923**

Breakdown of risk exposures

In the following, credit risk exposures are divided up by receivable class, geographic distribution, economic sector, residual maturity as well as credit quality.

Total and average net amount of exposures (EU CRB-B)

The averages indicated in the figure EU CRB-B were calculated on the basis of the quarterly closing dates. Figure EU CRB-C shows the risk exposure values broken down by geographical region, sector and residual maturity.

in CHF 1,000 as of 31.12.2018	Net value of exposures at the end of the period
Central governments or central banks	2,977,156
Regional governments or local authorities	127,991
Public sector entities	287,227
Multilateral development banks	99,777
International organisations	16,246
Institutions	431,620
Corporates	4,280,612
of which SMEs	1,167,136
Retail	2,123,569
of which SMEs	56,733
Secured by mortgages on immovable property	3,396,888
of which SMEs	975,180
Exposures in default	59,266
Items associated with particularly high risk	9,099
Covered bonds	411,456
Claims on institutions and corporates with a short-term credit assessment	571,732
Collective investments undertakings	60,639
Equity exposures	51,219
Other exposures	149,446
Total standardised approach	**15,053,943**
Total	**15,053,943**

Geographical breakdown of exposures (EU CRB-C)

in CHF 1,000 as of 31.12.2018	Liechtenstein / Switzerland	Germany	France	Great Britain	Luxembourg	Rest of Europe	North America	Asien	Other geographical areas	Total
Central governments or central banks	2,424,658	27,697	31,922	1,084	81,710	52,287	357,798			2,977,156
Regional governments or local authorities	57,824	22,591			186	12,165	27,645	4,408	3,172	127,991
Public sector entities	8,047	91,334	66,707			61,936		59,203		287,227
Multilateral development banks		121	11,510	2,938	26,633	12,338	24,627	12,658	8,952	99,777
International organisations		33			16,213					16,246
Institutions	292,042	12,526	3,993	6,043	8,936	59,172	2,870	36,642	9,396	431,620
Corporates	703,651	160,783	135,999	173,987	550,122	532,837	1,628,261	274,250	120,722	4,280,612
Retail exposures	589,585	102,194	26,906	52,732	160,596	320,700	120,516	712,172	38,168	2,123,569
Exposures secured by mortgages on immovable property	3,100,597	4,198		68,231		45,749	163,141	14,972		3,396,888
Exposures in default	22,548	276	1	24	13,303	4,328	18,716		70	59,266
Exposures associated with particularly high risk	109				631		2,250	3,201	2,908	9,099
Covered bonds	142,521	17,621	34,746	5,696		133,250	37,216	12,425	27,981	411,456
Institutions and corporates with a short-term credit assessment	404,785	16,760	4,436	11,743	6,966	93,854	5,332	27,009	847	571,732
Units or shares in collective investment undertakings (CIUs)	32,435	4,223	1,754		10,876		11,351			60,639
Equity exposures	23,229	7,821	6,590	4,737	4,795	2,593	1,117	337		51,219
Other items	119,971	5,742		1,651	18,259	128	2,334	1,327	34	149,446
Total standardised approach	**7,922,002**	**473,920**	**324,564**	**328,866**	**899,226**	**1,331,337**	**2,403,174**	**1,158,604**	**212,250**	**15,053,943**
Total	**7,922,002**	**473,920**	**324,564**	**328,866**	**899,226**	**1,331,337**	**2,403,174**	**1,158,604**	**212,250**	**15,053,943**

North America is the most important region for VP Bank after Liechtenstein and Switzerland. At almost CHF 1 billion, VP Bank holds a large portion of the "Companies" category here. It is primarily treasury bonds of the US Federal Reserve which are used as high-quality liquid assets (HQLA) in US dollar.

Concentration of exposures by industry or counterparty types (EU CRB-D)

in CHF 1,000 as of 31.12.2018	Finance	Private persons	Real estate activities	Real estate activities	Public administ-ration	Services	Trade	Mecha-nical en-gineering	Others	Total
Central governments or central banks	2,506,368				470,788					2,977,156
Regional governments or local authorities					127,991					127,991
Public sector entities	2,259				224	284,744				287,227
Multilateral development banks	99,777									99,777
International organisations					16,246					16,246
Institutions	431,620									431,620
Corporates	2,761,865		1,018,836	58,798	3,972	21,208	214,992	82,458	118,483	4,280,612
Retail exposures	324,965	1,737,997	3,192	5,774		5,234	10,816	4,422	31,169	2,123,569
Exposures secured by mortgages on immovable property	434,574	1,947,062	35,158	557,807		62,952	80,820	109,058	169,457	3,396,888
Exposures in default	16,763	27,574	5,840	1,961			661	6,101	366	59,266
Exposures associated with particularly high risk	1,157		7,860				82			9,099
Covered bonds	402,736					8,720				411,456
Institutions and corporates with a short-term credit assessment	571,732									571,732
Units or shares in collective investment undertakings (CIUs)	60,639									60,639
Equity exposures	51,219									51,219
Other items	111,280	26,032			4				12,130	149,446
Total standardised approach	**7,776,954**	**3,738,665**	**1,070,886**	**624,340**	**619,225**	**382,858**	**307,371**	**202,039**	**331,605**	**15,053,943**
Total	**7,776,954**	**3,738,665**	**1,070,886**	**624,340**	**619,225**	**382,858**	**307,371**	**202,039**	**331,605**	**15,053,943**

The "Finances" category contains both financial investments of CHF 2.6 billion and a credit balance with the Swiss National Bank of approximately CHF 2.3 billion.

Maturity of exposures (EU CRB-E)

in CHF 1'000 as of 31.12.2018	on demand	under 1 month	1 to 6 months	6 to 12 months	1 to 5 years	over 5 years	No stated maturity	Total
Central governments or central banks	493	89,323	94,050	84,897	234,927	34,711	2,438,755	2,977,156
Regional governments or local authorities		72	5,451	4,911	76,205	41,325	27	127,991
Public sector entities		144	84,812	16,727	144,242	41,297	5	287,227
Multilateral development banks		51	5,282	30,094	60,275	4,075		99,777
International organisations		11,413	17		4,816			16,246
Institutions	608	11,300	47,558	22,088	66,466	41,952	241,648	431,620
Corporates	461,292	741,847	363,355	99,964	761,508	563,909	1,288,737	4,280,612
Retail exposures	213,441	771,287	252,562	51,032	86,702	41,716	706,829	2,123,569
Exposures secured by mortgages on immovable property	81,882	877,512	402,286	301,867	1,236,986	300,414	195,941	3,396,888
Exposures in default		8,260		30	2,632	10,188	38,156	59,266
Exposures associated with particularly high risk						631	8,468	9,099
Covered bonds		110	21,306	11,803	233,338	144,899		411,456
Institutions and corporates with a short-term credit assessment	38,604	72,352	907				459,869	571,732
Units or shares in collective investment undertakings (CIUs)							60,639	60,639
Equity exposures	1,608		225				49,386	51,219
Other items				170	5,289	16,589	127,398	149,446
Total standardised approach	**797,928**	**2,583,671**	**1,277,811**	**623,583**	**2,913,386**	**1,241,706**	**5,615,858**	**15,053,943**
Total	**797,928**	**2,583,671**	**1,277,811**	**623,583**	**2,913,386**	**1,241,706**	**5,615,858**	**15,053,943**

Credit quality of exposures by exposure class and instrument (EU CR1-A)

In accordance with the disclosure requirements under Article 442(g) and (h) of the CRR, institutes should use the following template, EU CR1-A, to disclose a breakdown of their defaulted and non-defaulted risk exposures by risk exposure class.

in CHF 1,000 as of 31.12.2018		a Gross carrying values of Defaulted exposures	b Not defaulted exposures	c Specific credit risk adjustment	d General credit risk adjustment	e Accumulated write-offs	f Credit risk adjustment charges of the period	g Net values (a+b-c-d)
16	Central governments or central banks		2,977,156					2,977,156
17	Regional governments or local authorities		127,991					127,991
18	Public sector entities		287,227					287,227
19	Multilateral development banks		99,777					99,777
20	International organisations		16,246					16,246
21	Institutions	1,007	432,468	1,388	467	289	528	431,620
22	Corporates	10,068	4,294,166	17,678	5,944	2,894	5,277	4,280,612
23	of which: SMEs	2,726	1,167,831	2,560	861	784	1,429	1,167,136
24	Retail	4,970	2,124,823	4,658	1,566	1,428	2,604	2,123,569
25	of which: SMEs	133	56,766	124	42	38	69	56,733
26	Secured by mortgages on immovable property	7,970	3,398,876	7,453	2,505	2,291	4,177	3,396,888
27	of which: SMEs	2,278	975,760	2,139	719	655	1,194	975,180
28	Exposures in default	59,266				40	73	59,266
29	Items associated with particularly high risk	21	9,105	20	7	6	11	9,099
30	Covered bonds	964	410,492			277	505	411,456
31	Claims on institutions and corporates with a short-term credit assessment	1,335	572,073	1,254	422	384	700	571,732
32	Collective investments undertakings	141	60,676	133	45	41	74	60,639
33	Equity exposures	120	51,249	112	38	34	63	51,219
34	Other exposures	349	149,535	328	110	100	183	149,446
35	**Total standardised approach**	**86,211**	**15,011,860**	**33,024**	**11,104**	**7,785**	**14,194**	**15,053,943**
36	**Total**	**86,211**	**15,011,860**	**33,024**	**11,104**	**7,785**	**14,194**	**15,053,943**
37	of which: Loans	86,211	6,128,283	33,024	11,104	7,785	14,194	6,170,366
38	of which: Debt securities		2,577,251					2,577,251
39	of which: off-balance-sheet exposures		2,641,665					2,641,665

As demonstrated by the list above, VP Bank maintains a high-quality client portfolio. Defaulted risk exposures amounted to less than 0.6% of the gross carrying amounts. The specific credit risk adjustment is roughly 0.2%, the general credit risk adjustment below 0.1%.

Credit quality of exposures by industry or counterparty types (EU CR1-B)

in CHF 1,000 as of 31.12.2018	a Gross carrying values of Defaulted exposures	b Non-defaulted exposures	c Specific credit risk adjustment	d General credit risk adjustment	e Accumulated write-offs	f Credit risk adjustment charges	g Net values (a+b-c-d)
Agriculture, forestry and fishing	89	15,546	34	11	8	15	15,590
Mining and quarrying					0	0	0
Manufacturing	6,759	1,177,008	2,589	871	610	1,113	1,180,308
Electricity, gas, steam and air conditioning supply	99	17,291	38	13	9	16	17,339
Water supply	7	1,301	3	1	1	1	1,305
Construction	473	82,413	181	61	43	78	82,644
Wholesale and retail trade	1,762	306,881	675	227	159	290	307,741
Transport and storage	71	12,297	27	9	6	12	12,331
Accommodation and food service activities	151	26,299	58	19	14	25	26,373
Information and communication	1,157	201,473	443	149	104	190	202,038
Financial and insurance activities	44,376	7,727,241	16,999	5,716	4,007	7,306	7,748,903
Real estate activities	3,575	622,595	1,370	461	323	589	624,340

EU CR1-B (continued)

in CHF 1,000 as of 31.12.2018	a Gross carrying values of Defaulted exposures	b Non-defaulted exposures	c Specific credit risk adjustment	d General credit risk adjustment	e Accumulated write-offs	f Credit risk adjustment charges	g Net values (a+b-c-d)
Professional, scientific and technical activities	395	68,703	151	51	36	65	68,896
Administrative and support service activities	294	51,192	113	38	27	48	51,336
Public administration and defence, compulsory social security	3,430	597,332	1,314	442	310	565	599,007
Education	7	1,237	3	1	1	1	1,240
Human health services and social work activities	66	11,510	25	9	6	11	11,542
Arts, entertainment and recreation	30	5,168	11	4	3	5	5,182
Other services	1,899	330,595	727	245	171	313	331,522
Private households	21,453	3,735,617	8,218	2,763	1,937	3,532	3,746,089
Exterritorial organisations and corporations	116	20,160	44	15	10	19	20,217
Total	**86,211**	**15,011,860**	**33,024**	**11,104**	**7,785**	**14,194**	**15,053,943**

Credit risk mitigation techniques

The general credit risk mitigation techniques applied by VP Bank Group are set out below. The supervisory approach, which is limited to the collateral, reflects merely one aspect of the applied multifaceted credit risk mitigation process.

In addition to the creditworthiness of the borrowers, the counterparty default risk is determined above all by the scope and recoverability of the available collateral. The collateral constitutes mainly real estate charges on owner-occupied and leased residential property and commercial premises. Lombard loans are essentially secured using liquid and diversified cover portfolios.

Determination of the value and the eligibility of securities as collateral are governed by the principles set out in the loan-to-value guidelines. These define the accepted collateral, the respective procedures used to determine values and the frequency of the checks conducted on the collateral. The valuation is conducted by the respective client advisor. Within the mortgage segment, external valuations are regularly commissioned. The recoverability of the collateral is essentially checked before every loan decision and at regular intervals during the term of the loan. If necessary, the corresponding values are adjusted. As a rule, collateral checks are based on the renewal deadlines. In the cases with heightened risk, the collateral is checked at more frequent intervals.

Collateral is managed in the core bank system, which provides the necessary information for credit risk mitigation techniques. Organisationally separate from the client advisors, the back-end process includes the entire process of collecting, evaluating, monitoring and assessing the legal enforceability of collateral, which forms an integral part of the credit approval process.

In the case of OTC derivative transactions, netting agreements exist with the relevant counterparties, making it possible to use the credit risk mitigation effects arising out of standardised framework agreements. The bank does not use on-balance-sheet netting agreements.

VP Bank Group is not active in the field of trade with credit derivatives, certification structures and similar products. Only products that are sufficiently understood are traded and distributed.

Credit risk mitigation techniques – overview (EU CR3)

The following figure provides an overview of the overall extent to which credit risk mitigation techniques are used in accordance with Article 453(f) and (g) of the CRR. In addition to financial collateral, real estate collateral and asset collateral are also included among the collateral reported in the column "Risk exposures backed by collateral". Both unsecured and secured net carrying amounts are disclosed.

	in CHF 1,000 as of 31.12.2018	Exposures unsecured - carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	351,725	5,844,601	5,836,722	7,879	
2	Total debt securities	2,159,180	411,456			
3	**Total exposures**	**2,510,905**	**6,256,057**	**5,836,722**	**7,879**	**0**
4	of which defaulted	86,211				

Standardised approach – Credit risk exposure and CRM effects (EU CR4)

The following figure provides an overview of the overall extent to which credit risk mitigation techniques are used in accordance with Article 453(f) and (g) of the CRR. In addition to financial collateral, real estate collateral and asset collateral are also included among the collateral reported in the column "Risk exposures backed by collateral". Both unsecured and secured net carrying amounts are disclosed.

as of 31.12.2018		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	Exposure classes						
1	Central governments or central banks	2,977,156		2,976,626		1,111	0.0%
2	Regional government or local authorities	127,726	265	127,464		28,851	22.5%
3	Public sector entities	287,003	224	285,254		52,586	18.3%
4	Multilateral development banks	99,777		99,656		3,148	3.2%
5	International organisations	16,246		16,213		0	0.0%
6	Institutions	383,348	48,272	382,192	6,691	52,480	12.2%
7	Corporates	2,837,009	1,443,603	1,673,378	180,182	1,426,692	33.3%
8	Retail	1,306,631	816,938	192,767	79,291	259,846	12.2%
9	Secured by mortgages on immovable property	3,165,821	231,067	3,165,821	58,023	1,419,902	41.8%
10	Exposures in default	59,236	30	59,236		35,094	59.2%
11	Exposures associated with particularly high risk	9,099		9,099		13,648	150.0%
12	Covered bonds	411,456		411,456		82,155	20.0%
13	Institutions and corporates with a short-term credit assessment	561,695	10,037	561,695	10,037	119,011	20.8%
14	Collective investment undertakings	60,639		60,639		60,639	100.0%
15	Equity	49,385	1,834	49,385	1,834	51,219	100.0%
16	Other items	137,358	89,395	137,358	2,418	140,925	62.1%
17	**Total**	**12,489,585**	**2,641,665**	**10,208,239**	**338,476**	**3,747,307**	**24.8%**

Risk provisions

A loan is classified as non-performing as soon as the capital repayments and/or interest payments contractually stipulated are outstanding for 90 days or more. Such loans are not to be classified as value-impaired if it can be assumed that they are still covered by existing collateral securities.

Value-impaired loans are amounts outstanding from customers and banks where it is improbable that the debtor can meet its obligations. The causes of impairment are counterparty- or country-specific in nature. Value adjustments for credit risk are recorded on the balance sheet as the reduction of the carrying value of a receivable. However, in the case of off-balance-sheet items such as, for example, a firm commitment, provisions for credit risk are reported under "Provisions". The impairment amount is calculated primarily based on the difference between the carrying value and the likely recoverable amount, taking into account the proceeds on liquidation of any collateral.

A review of collectability is undertaken at least annually for all non-performing loans. If there are any changes in comparison to earlier estimations with regard to the amount and date of anticipated future cash flows, the allowance for credit risk will be adjusted and booked in the income statement under "Value adjustments for credit risk" or "Reversals of value adjustments and provisions no longer required". Portfolio value adjustments are made for latent, as yet unidentified credit risk on portfolio level.

VP Bank has been using the IFRS 9 for the valuation of financial instruments since 1 January 2018. VP Bank does not apply transitional provisions in accordance with Article 473a of the CRR. As such, the information relating to funds, equity capital and leverage ratio already reflect the full effect of IFRS 9 impairment and/or expected credit loss (ECL).

Credit quality of exposures by geography (EU CR1-C)

in CHF 1,000 as of 31.12.2018	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Liechtenstein/Switzerland	16,473	7,916,153	7,950	2,673			7,922,003
Europe without LI/CH	9,072	3,369,798	15,684	5,274			3,357,912
Rest of world	470	3,786,105	9,390	3,157			3,774,028
Total	**26,015**	**15,072,056**	**33,024**	**11,104**	**0**	**0**	**15,053,943**

Ageing of past-due exposures (EU CR1-D)

in CHF 1,000 as of 31.12.2018		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	30,331			3,300	6,590	19,975
2	Debt securities						
3	**Total exposures**	**30,331**	**0**	**0**	**3,300**	**6,590**	**19,975**

Non-performing and forborne exposures (EU CR1-E)

in CHF 1,000 as of 31.12.2018	Gross carrying amounts of non-performing and non-performing receivables					Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	Total[1]	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
			Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	2,570,636										
Loans and advances	6,196,326	86,211		33,024	26,015	11,104		33,024		47,506	
Off-balance-sheet exposures	2,641,665				30					6	

[1] VP Bank has no items under the category "Of which performing exposures, but > 30 days and ≤ 90 days overdue" or the category "Of which performing forborne exposures". As such, these categories have not been reported.

Changes in the stock of general and specific credit risk adjustments (EU CR2-A)

in CHF 1,000 as of 31.12.2018		Cumulated individual valuation allowances	Cumulated lump-sum valuation allowances
1	Opening balance	41,544	25,083
2	Increases due to amounts set aside for estimated loan losses during the period	10,650	3,666
3	Decreases due to amounts reversed for estimated loan losses during the period	–12,612	–14,030
4	Decreases due to amounts taken against accumulated credit risk adjustments	–6,557	
5	Transfers between credit risk adjustments		
6	Impact of exchange rate differences	–1	–190
7	Business combinations, including acquisitions and disposals for subsidiaries		
8	Other adjustments		–3,425
9	Closing balance	33,024	11,104
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	90	
11	Specific credit risk adjustments directly recorded to the statement of profit and loss		

Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)

in CHF 1,000 as of 31.12.2018		Gross carrying value defaulted exposures	Accumulated general credit risk adjustment
1	Opening balance	174,409	25,083
2	Loans and debt securities that have defaulted or impaired since the last reporting period	n.a.	3,666
3	Returned to non-defaulted status	n.a.	–14,030
4	Amounts written off	n.a.	
5	Other changes[1]	n.a.	–3,615
6	Closing balance	86,211	11,104

[1] Under the item "Other change" CHF 3.4 million are attributable to the initial use of IFRS 9 ECL. The remaining CHF 0.2 million are attributable to currency conversions.

In 2018, CHF 13.4 million net were liquidated in favour of the Group net income under the item "Value adjustments, provisions and losses". The effects of Hurricane Irma on the default risk of the credit portfolio of VP Bank (BVI) Ltd have reduced, which led to a corresponding reversal of value adjustments.

Market risks

Risk control and risk monitoring

Market risks result from entering into positions in debt instruments, equities and other financial investments, foreign currencies, precious metals and in corresponding derivatives, from client transactions and transactions with banks as well as from consolidated subsidiaries whose functional currency is denominated in a foreign currency.

The bank applies a comprehensive set of methods and parameters to monitor and control the market risks. In this conjunction, the value-at-risk approach has become established as the standard method of measuring the general market risk. The value-at-risk for market risks quantifies the negative deviation, expressed in Swiss francs, from the value of all market risk positions as at the reporting date. The value-at-risk parameter is calculated Group-wide with the help of the historical simulation. For this purpose, historical changes in market data over a period of at least 5 years are used to evaluate all market risk positions. The forecast loss applies to a holding period of one year and there is a 99 percent probability that this will not be exceeded.

Because the value-at-risk approach cannot identify maximum losses arising out of extreme market situations, the market risk analysis is supplemented by stress tests. Such tests make it possible to estimate the impact of extreme market fluctuations in the risk factors on the cash value of the equity capital. In the field of market risks, for example, cash value fluctuations arising out of all balance sheet items and derivatives are determined with the help of sensitivity parameters on the basis of synthetically generated market movements (parallel shift, rotation or change in the gradient of interest rate curves, fluctuation of exchange rates by a multiple of their implicit volatility, fall in equity market prices).

Monitoring and control of market risks is based – taking account of the relevant statutory and supervisory conditions – on defined internal bank targets and limits that reflect volumes and sensitivities. Scenario analyses and stress tests also show the impact of events that cannot or cannot sufficiently be taken account of within the context of the ordinary risk assessment.

The Group Treasury & Execution unit is responsible for the central control of market risks within the set limits. Group Executive Management allocates the set limits for financial risks in the form of value-at-risk (VaR) limits for financial risks across the individual subsidiaries and risk categories within which the respective subsidiaries control the risks with bottom-line responsibility. The Group Risk unit monitors the adherence to Group-wide limits.

VP Bank uses currency transactions to control the foreign exchange positions from its own financial assets. Foreign exchange risks arising out of client activities are essentially prohibited; residual currency positions are closed on the spot exchange market. Group Treasury & Execution is responsible for managing foreign exchange risks arising out of client activities.

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% of the absolute value is deducted from equity capital as an additional valuation adjustment.

Market risk under the standardised approach (EU MR1)

in CHF 1,000 as of 31.12.2018	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	69,190	5,535
Equity risk (general and specific)	10,827	866
Foreign exchange risk	116,251	9,300
Commodity risk	18,273	1,462
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation (specific risk)		
Total	**214,541**	**17,163**

Interest rate risks in the banking book

VP Bank refinances its medium-term to long-term client lending and own holdings of debt instruments primarily using short-term client deposits, meaning that it is subject to a risk of changing interest rates.

The bank does not enter into any material interest rate risks in the trading book. For the purpose of risk management, no distinction is drawn between trading and banking 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 balance sheet and off-balance-sheet assets and liabilities are allocated to the various maturity bands according to their contractually fixed period interest rates.

For products with indefinite interest-rate and capital-commitment periods, appropriate maturity scenarios will be set on the basis of expert estimates. 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.

Key rate duration profile per 100 basis points increase

The following table shows the results of the interest sensitivity analysis as at 31 December 2017 at the consolidated level. For this, first of all, the current values of all asset and liability items as well as derivative financial instruments are calculated. Then, the interest rates of the relevant interest-rate curves are increased by 1% (+100 basis points) in each maturity band and per currency. The respective changes represent the profit or loss of cash value resulting from the shift in the interest rate curve. Negative values point to an excess of assets, positive values to an excess of liabilities in the maturity band.

in CHF 1,000, as of 31.12.2018	within 1 month	1 to 3 months	3 to 12 months	1 to 5 months	over 5 years	Total
CHF	1,197	1,439	1,262	–22,036	–19,677	–37,815
EUR	909	–194	1,019	–12,259	–14,436	–24,961
USD	769	–464	–464	–13,434	–3,552	–17,145
Other currencies	142	–54	442	1,583		2,113
Total	**3,017**	**727**	**2,259**	**–46,146**	**–37,665**	**–77,808**

Half of the overall changes stemmed from the Swiss franc.

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/scheduling, 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.

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

Within the context of the national implementation of Basel III, the liquidity coverage ratio (LCR) has been reported to the Liechtenstein Financial Market Authority (FMA) since 2015. In terms of liquidity, a liquidity coverage requirement for a liquidity coverage ratio (LCR) of at least 100% has been in place since 1 January 2018. With a figure of 143 percent, VP Bank had a comfortable liquidity situation at the end of 2018.

The LCR is actively managed and monitored in all 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. It is only dependent on the capital market to a minor extent.

Derivative items which might involve potential collateral requirements consist primarily of interest-rate swaps and currency swaps – the potential collateral requirements are low in amount.

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 in good time and, if necessary, to set limits.

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.

Despite the fact that the net stable funding ratio will be obligatory only at a future date, VP Bank regularly monitors the net stable funding ratio.

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.

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 (HQLA).

Key performance indicators in VP Bank's liquidity management include the LCR, the net stable funding ratio (NSFR), the liquidity reserve and distance to liquidity. 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 31 December 2018, the LCR was 143%, the NSFR was in excess of 100% and the distance to liquidity according to the stress test was significantly more than 31 days. VP Bank complied with the 2018 LCR at all times.

Liquidity Coverage Ratio

in CHF 1,000 as of 31.12.2018	Unweighted value (average)				Weighted value (average)			
	31.03.2018	30.06.2018	30.09.2018	31.12.2018	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Number of data points used[1]	12	12	12	12	12	12	12	12
High-quality liquid assets								
Total high-quality liquid assets (HQLA)					**4,886,831**	**4,956,373**	**4,944,064**	**4,860,542**
Cash outflows								
Retail deposits and deposits from small business customers	3,983,282	4,182,683	4,180,547	4,067,445	437,538	464,237	468,351	460,275
of which Stable deposits	282,330	283,037	279,686	271,068	14,117	14,152	13,984	13,554
of which Less stable deposits	3,700,952	3,899,646	3,900,861	3,796,377	423,421	450,085	454,367	446,721
Unsecured wholesale funding	6,165,794	6,233,361	6,310,742	6,255,172	4,242,224	4,149,165	4,184,830	4,091,026
Operational deposits (all counterparties) and deposits in networks of cooperative banks	726,286	678,566	642,135	571,918	181,568	169,642	160,534	142,976
Non-operational deposits (all counterparties)	5,439,508	5,554,795	5,668,607	5,683,254	4,060,656	3,979,523	4,024,296	3,948,050
Unsecured debt								
Secured wholesale funding								
Additional requirements	1,313,516	1,442,482	1,592,415	1,769,916	488,597	544,961	645,461	735,319
Outflows related to derivative exposures and other collateral requirements	24,800	23,477	24,704	26,220	24,800	23,477	24,704	26,220
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	1,288,716	1,419,005	1,567,711	1,743,696	463,797	521,484	620,757	709,099
Other contractual funding obligations	112,222	134,131	162,670	221,379	112,222	134,131	162,670	221,379
Other contingent funding obligations	19,485	12,281	12,514	16,975	19,485	10,944	7,164	7,456
Outflwos from secured lending and capital market-driven transactions	10,387	14,843	14,843	20,627	10,387	12,864	12,864	13,395
Total cash outflows					**5,310,452**	**5,316,301**	**5,481,341**	**5,528,850**
Cash inflows								
Secured lending (eg reverse repos)	7,070	3,258	3,258		7,070	3,258	3,258	
Inflows from fully performing exposures	3,013,231	3,078,710	3,203,736	3,282,340	1,959,987	1,978,100	2,028,722	2,046,734
Other cash inflows								
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								
Excess inflows from a related specialised credit institution								
Total cash inflows	**3,020,301**	**3,081,968**	**3,206,994**	**3,282,340**	**1,967,057**	**1,981,358**	**2,031,980**	**2,046,734**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	3,020,301	3,081,968	3,206,994	3,282,340	1,967,057	1,981,358	2,031,980	2,046,734
					Total adjusted value			
Liquidity buffer					4,886,831	4,956,373	4,944,064	4,860,542
Total net cash outflow					3,343,395	3,334,943	3,449,361	3,482,116
Liqudity Coverage Ratio (LCR)					146.16%	148.62%	143.33%	139.59%

[1] The values shown were calculated as the average of the last 12 end-of-month values leading up to the end of the quarter to be published.

Consistent and prompt liquidity management has made it possible to reduce the LCR, liquidate poorly performing level 1 HQLAs and purchase higher-performance securities.

Operational risks and business risks

Operational risks

While financial risks are consciously taken in order to generate returns, operational risks should be avoided by means of suitable controls and measures or, if this is not possible, should be reduced to a level defined by the bank.

The causes of operational risks are many and varied. People can make mistakes, IT systems can malfunction or business processes can fail to have the desired effect. For this reason it is important to identify the triggers of significant risk events and their effects, in order to limit these by means of suitable preventative measures.

At VP Bank, the management of operational risks is considered an integrative interdisciplinary function that needs to be implemented uniformly throughout the Group across divisions and processes.

The following methods are used for this purpose:
- The risk factors that could lead to operational risks are assessed within the context of periodic risk assessments. The Executive Management decides, on the basis of the assessments, which risks are generally acceptable and hence, in the event of their materialising, are covered by the risk cover funds, which risks need to be reduced or avoided and which risks should be transferred to insurance companies. Key decision-making criteria here are the probability of their occurrence and the level of the damage in a typical case as well as in an extreme case.
- In order to identify potential losses in good time, and in order to ensure that there is sufficient time to plan and realise countermeasures, early warning indicators are deployed. Reasonable threshold values are defined for this purpose. Once these are reached or exceeded, mandatory measures must be initiated by the respective risk owners.
- Significant loss events are systematically recorded and centrally evaluated. Loss data findings flow directly into the risk management process.

Every individual manager is responsible for identifying and evaluating operational risks as well as for defining, implementing or monitoring suitable key controls and measures to limit risks.

The central Group Risk Unit is responsible for the Group-wide implementation, monitoring and further development of the deployed risk management methods, and bears specialist responsibility for the associated IT applications. The local risk unit, in consultation with Group Risk, is responsible for monitoring and further developing the deployed risk management methods of the respective subsidiary. Group Risk organises the Group-wide risk assessment, and informs GEM and the Board of Directors of the results and suggests any necessary measures.

Business risks

Business risks result on the one hand from unexpected changes in market and environmental conditions that have negative impacts on earnings or equity capital; on the other hand, they also describe the risk of unexpected losses arising out of management decisions relating to the business policy of the Group (strategic risks). The GEM is responsible for the Management of business risks. Business risks are analysed by taking into account the banking environment and the internal situation of the company. Top risk scenarios are derived and adequate measures are developed. The responsible units or organisational units get entrusted with the implementation of the measures (Top down process)..

Holdings in the banking book

Investments in equity capital instruments are recognised in the balance sheet at fair value.

Value changes are recognised in the income statement, except in cases in which VP Bank Group has decided to recognise these at fair value, while recording the change in the other overall result («at fair value through other comprehensive income» / OCI).

The OCI option is applied to equity capital instruments with long-term investment horizons of around ten years. Private equity investments in particular focus on long-term value generation.

Value approaches for holdings

in CHF 1,000 as of 31.12.2018	Balance sheet value	Fair value
Holdings		
Equity shares, exchange-listed	49,594	49,594
Private Equity, non-exchange listed	5,553	5,553
Investment fund units		
exchange-listed	48,517	48,517
non-exchange listed	11,848	11,848
Total	**115,512**	**115,512**
Gains on equity instruments		
Revaluation gains on equity instruments		–8,539
Realised gains on equity instruments		39
Total	**0**	**–8,500**
Unrealised revaluation gain accounted in common equity tier 1 (CET1)	0	–22,704

Encumbered assets

Assets are deemed to be encumbered if the bank cannot dispose of them freely. This is the case, for example, if they were lent or used as collateral for potential liabilities arising out of derivative transactions. Encumbered assets do not have a significant impact on the business model of VP Bank Group as the bank only enters such transactions in relatively low amounts.

The encumbered assets consist mainly of securities lending and borrowing and repo transactions that are performed only at the head office in Liechtenstein. In addition, the regulatory scope of consolidation, for determining encumbered assets, does not differ from the scope of consolidated used for consolidated liquidity requirements. There are no incongruencies between the accounting perspective of collateral deposited and transferred assets and encumbered assets (regulatory view).

The reported values have reporting dates of 31 December 2018 and are not average values (median), because the level of the encumbered assets vary only marginally.

The encumbered and unencumbered assets as of 31 December 2018 are set out below.

Encumbered and unencumbered assets

in CHF 1,000 as of 31.12.2018	Carrying amount of encumbered assets	of which notionally eligible EHQLA[1] and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
Assets of the reporting institution	276,385		277,083		12,151,795	1,107,439	12,174,031	1,119,078
Loans on demand	123,712		123,712		564,989		564,989	
Equity instruments					110,787		119,371	
Debt securities	152,673		153,371		2,402,791	1,107,439	2,416,443	1,119,078
of which covered bonds								
of which asset-backed securities								
of which issued by general governments	44,109		44,322		840,356	416,898	843,886	421,825
of which issued by financial corporations	23,546		23,799		528,660	381,755	534,047	385,954
of which issued by non-financial corporations	85,018		85,250		1,033,775	308,786	1,038,510	311,299
Loans and advances other than loans on demand					6,281,691		6,281,691	
of which mortgage loans					3,241,602		3,241,602	
Other assets					2,791,537		2,791,537	

[1] Extremely high quality liquid assets (EHQLA)

Assets cannot be pledged if they have been accepted as collateral, and the Bank is not permitted to sell or re-pledge these assets. Own debentures cannot be pledged either if the terms of issue impose restrictions on the sale or re-pledging of the securities held. The following demonstrates which received collateral may be pledged.

Collateral received

in CHF 1,000 as of 31.12.2018	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Collateral received by the reporting institution			27,010,365	1,347,441
Loans on demand			3,552,899	
Equity instruments			5,481,717	
Debt securities			6,312,667	1,347,441
of which covered bonds				
of which asset-backed securities				
of which issued by general governments			659,977	344,675
of which issued by financial corporations			1,886,832	403,840
of which issued by non-financial corporations			3,765,858	598,926
Loans and advances other than loans on demand			11,663,082	
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities			200,000	
Own covered bonds and asset-backed securities issued and not yet pledged				
Total assets, collateral received and own debt securities issued	**277,083**	**0**	**0**	**0**

The following table details the various pledge options available as at 31 December 2018. These include both selected secured financial liabilities and pledges without associated refinancing.

Source of encumbrance

in CHF 1,000 as of 31.12.2018	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities		
Derivatives		
of which over-the-counter		
Deposits		
Repurchase agreement		
Secured deposits		
Debentures issued		
Other sources of encumbrance		**276,385**
Nominal value received loan commitments		
Nominal value accepted financial collateral		123,712
Fair value borrowed securities and non-cash collateral		
Other		152,673
Total	**0**	**276,385**

Remuneration policy

Regulatory frameworks

Basis of the remuneration report of VP Bank is the implementation of the EU Regulation No. 575/2013 with reference to the EU Directive 2013/36/EU, which governs inter alia the risks associated with remuneration policy and practices.

Liechtenstein implemented these rules in its Banking Act , in particular in Art. 7a Para. 6 (BankA): «Banks and securities companies must introduce a remuneration policy and practice, and must consistently ensure that these are compatible with sound and effective risk management within the meaning of this Article. The government regulates further details of the remuneration policy and practice with the Ordinance.»

Furthermore, relevant content is set out in specific terms in Annex 1 and Annex 4.4 of the Liechtenstein Ordinance on Banks and Investment Firms (Verordnung über die Banken und Wertpapierfirmen – BankV). The remuneration policy of VP Bank Group is appropriate for the size of VP Bank and its business model. This covers the provision of bank services for private clients and financial intermediaries in the allocated target markets, in Liechtenstein and in the other sites, as well as investment fund services.

Remuneration principles

Remuneration plays a central role when it comes to recruiting and retaining employees. VP Bank is committed to a fair, performance-oriented and balanced compensation practice that reconciles the long-term interests of shareholders, employees and customers. The long-term remuneration practice of VP Bank corresponds to the business model of VP Bank as an asset manager and private bank. The applied principles are set out in the remuneration policy:

- Performance orientation and performance differentiation are substantial components of the remuneration policy and ensure the linking of the variable remuneration with the achievement of the company's strategic goals.
- The remuneration policy is consistent with sound and effective risk management and promotes this. This ensures that the conflicts of interest of the involved functions or persons established by the remuneration is avoided. The assumption of excessive risks by employees to boost their short-term remuneration should be prevented as far as possible by corresponding incentives.
- The remuneration policy enables attractive and fair remuneration that is market-compliant, in order to attract, motivate and retain qualified and talented employees to VP Bank Group. The market-compliance is subject to regular checks.
- The compensation system is not based on a purely formula- based system and therefore has sufficient flexibility to take into account the respective business performance of VP Bank Group or its subsidiaries.
- The remuneration policy applies the principle of equal treatment. The level of the fixed salary is based on the function. The level of the variable remuneration reflects the Group performance, the departmental or team performance and/or the individual performance.
- The remuneration policy is subject to regular checks. Relevant provisions are applied and implemented in the remuneration practice. Role-specific requirements, specifically regarding those employees identified as risk-takers, are complied with.

Remuneration elements

The overall remuneration of the employees of VP Bank Group comprises the fixed remuneration, an additional variable salary, participation models as well as additional offers («fringe benefits»). When determining the remuneration structure, consideration is given to an appropriate ratio between the fixed components and the variable remuneration as well as to a functionally appropriate remuneration. In particular, as risk takers identified employees, including the Group Management, receive at most a variable remuneration that complies with the statutory ratio to the annual salary (maximum 1:2).

Fixed salary

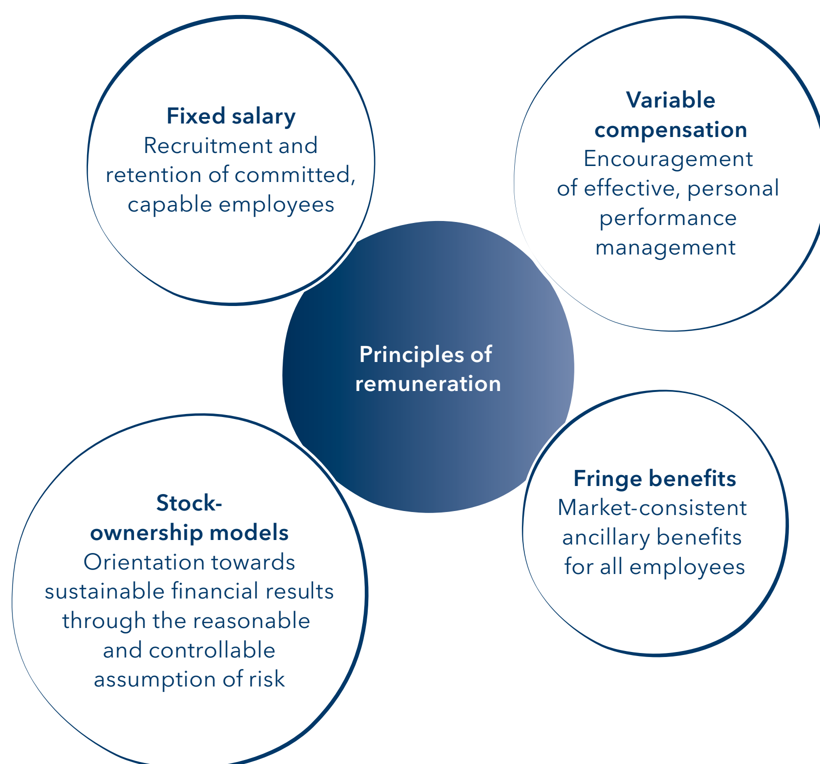
The remuneration is based on the annual salary that is set out in the individual contract of employment and is payable each month in cash. The level is dependent on the exercised function or on its requirements and responsibilities, which are assessed using objective criteria. This enables internal comparability as well as equal treatment, and also allows comparison with market data. VP Bank regards the fixed salary as compensation for the properly performed work of its employees. The fixed salary is reviewed annually for appropriateness in the wage round and, if necessary, redefined.

Variable remuneration

Variable remuneration can consist of a directly paid component and deferred remuneration instruments. This is an additional voluntary benefit of VP Bank Group, to which there is no legal entitlement, even after repeated, unconditional payment thereof.

Financing the variable remuneration

The overall sum of the variable remuneration is determined by the Board of Directors, and is based on success parameters as well as qualitative performance criteria. The total amount includes the multi-year, risk-adjusted profit of VP Bank Group, which takes into account the sustainable business performance, the cost of capital and thus the current and future risks. The Board of Directors makes a



fact-based assessment of the total amount of the variable compensation and can adjust the amount to a limited extent. If the business performs poorly, the total amount of the variable remuneration is reduced accordingly and can also be zero. The total sum of provisions for variable remuneration must be affordable in overall terms. They may never cause VP Bank Group or an individual subsidiary company to experience financial difficulties. This also takes into account the impact on the Group's equity situation.

Allocation of the variable remuneration

The allocation of variable payments is discretionary and, in addition to the achievement of quantitative and / or qualitative goals, also takes into account compliance with legislative requirements, the company's guidelines including the Code of Conduct and also the requirements defined by the customer Multi-year considerations can also be included in the performance assessment. The performance assessment of identified employees is based on the individual goals and objectives of the team, the division, the subsidiary and the overall result of VP Bank Group. Performance is assessed using quantitative and qualitative criteria. The variable compensation of employees in control functions, the internal audit or legal and compliance tasks is determined independently of the result of the business unit to be controlled in accordance with the achievement of the objectives associated with its tasks. Participation in the success of the company or in VP Bank Group is permitted within the usual framework or makes sense in the interests of equal treatment. Target achievement is evaluated as part of the performance management process after the end of the financial year. The amount of the individual variable remuneration is determined by the line manager.

Pay-out of the variable remuneration

- Immediate variable remuneration (bonus): The bonus is the variable cash remuneration paid annually in cash, which is paid as compensation for the profit contribution made in the previous financial year. If the bonus is particularly high in relation to the total compensation, part of the pay-out can be withheld. Where sensible and appropriate, such postponement may also be granted in deferred remuneration instruments or transferred to fixed-term inalienable shares.
- Deferred remuneration instruments: By means of deferred compensation instruments, long-term alignment of interests between shareholders and employees is to be achieved through employee participation in the performance. VP Bank Group generally uses share and index-based plans that are exposed to risk as deferred compensation instruments. Eligibility for deferred variable compensation is dependent on the respective function and person. This is confirmed by an allocation certificate. VP Bank Group uses the deferred compensation instruments to meet the legal requirements regarding the pay-out schemes of the as risk takers identified employees, i.e. at least 40% of the variable remuneration is granted in deferred remuneration instruments which are subject to a malus and/or claw-back provision and may lapse accordingly. The rules on deferred compensation instruments are contained in separate plan regulations.
- Malus and claw-back rules: Under certain conditions, VP Bank can retain, reduce or eliminate (malus) variable salary components that have been granted to an employee, or may demand repayment of sums that have already been paid out (claw-back). This applies in particular in the case of a subsequently determined fault of the employee or a disproportionately high risk taken in order to boost the income. In the event of departure from VP Bank, the entitlement to deferred variable salary components that have not yet been paid is generally forfeited.

Participation programmes

Every year, employees are offered the chance to purchase VP Bank registered shares A on preferential terms. The number depends on the fixed salary rate and how long they have been with the company as at the cut-off date of 1 May (50% based on the fixed salary, and 50% based on years of service). The shares are subject to a sales restriction period of three years.

The Board of Directors changed the shareholding options of members of the first and second management levels and selected VP Bank Ltd employees in 2014, setting up two programmes in the process. The Performance Share Plan (PSP) is a long-term, variable management shareholding scheme in the form of VP Bank Ltd registered shares A which applies to those participating in the scheme (first and second management levels).

The Restricted Share Plan (RSP) will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A. The RSP programme may also be used, in justified cases, to compensate for any postponed variable salary components, to implement special retention measures or to compensate for loss of benefits at previous employers.

Content and procedures used to determine the compensation and participation programmes

The remuneration policy regulations as well as the risk policy regulations of VP Bank stipulate that the remuneration systems and personnel management must be structured in such a way that personal conflicts of interest and behavioural risks are minimised. The Nomination & Compensation Committee proposes to the Board of Directors the principles for compensation and the amount of compensation of the Board of Directors and the GEM. The Board of Directors approves these principles and sets the level of the compensation for itself and for the members of the GEM within the meaning of the regulations.

Board of Directors

The Board of Directors receives compensation for the duties and responsibilities assigned to it by law and the Articles of Association (Article 20 of the Articles of Association). This is set by the Full Board of Directors at the proposal of the Nomination & Compensation Committee anew each year. Compensation to members of the Board of Directors is graded according to their function on the Board of Directors and committees or other bodies (e.g. pension funds). Three quarters of this compensation is in cash, one quarter in the form of freely available VP Bank registered shares A. The number depends on the market value upon receipt. VP Bank has not concluded any severance compensation agreements with the members of the Board of Directors.

Nomination & Compensation Committee

The Nomination & Compensation Committee comprises the members Fredy Vogt (Chairman), Markus Thomas Hilti and Dr Gabriela Maria Payer. As a rule, it meets ten to twelve times per annum. If necessary, the CEO participates in meetings of the Nomination & Compensation Committee in an advisory capacity.

In the year 2018 the Nomination & Compensation Committee held a total of eleven meetings.

Group Executive Management

Pursuant to the model adopted by the Board of Directors on 10 May 2017, the remuneration of the GEM consists of the following four components:

1. A fixed basic salary, which is contractually agreed by the Nomination & Compensation Committee with the individual members. Pro rata contributions to the executive insurance and the pension fund, which are paid by VP Bank, are added to the basic salary.
2. A Performance Share Plan (PSP), which is a long-term, variable management participation (in the form of registered shares A in VP Bank AG). The basis is risk-adjusted profit (operating profit adjusted for non-recurring items less capital costs), weighted over three years, and the management's long-term commitment to a variable salary component in the form of shares. At the end of the term of the plan, depending on the performance, 0-200 percent of the allocated entitlements to shares are transferred. This vesting multiple is determined by weighting average Group earnings and average net new money over three years. Until the transfer of ownership, the Board of Directors reserves the right to reduce or suspend the entitlements granted in defined events and in exceptional circumstances. The share of PSP is around half of the total variable compensation.
3. A Restricted Share Plan (RSP) based on the three-year weighted risk-adjusted profit and paid out in the form of shares over the three-year plan period, each for one third of each year. Until the transfer of ownership, the Board of Directors reserves the right to reduce or suspend the entitlements granted in defined events and in exceptional circumstances. The share of RSP is around one quarter of the total variable compensation.
4. A cash compensation that also depends on the risk adjusted profit weighted over three years. The share of this profit participation is around one quarter of the total variable profit compensation.

Each year, the Board of Directors determines the budget parameters for the profit sharing (PSP, RSP and cash compensation) for the following three years as well as their amount. The target share of total remuneration is based on function and market customs.

VP Bank has not concluded any severance compensation agreements with the members of the GEM.

An external advisor was commissioned to structure the remuneration model, who does not have any further VP Bank Group commissions.

Fringe benefits

Fringe benefits are additional benefits that VP Bank offers its employees on a voluntary basis, often due to local and established practice. These benefits are essentially limited in their scope. They are settled and reported in accordance with local regulations.

They comprise predominantly the following benefits:
- insurance benefits that extend beyond the statutory regulations;
- retirement provisioning sums, in particular voluntary contributions from the employer;
- preferential conditions for employees active in the banking field, such as cheaper home mortgages;
- further customary local fringe benefits.

Persons and functions with special regulations

Employees who have a particularly extensive impact on the risk profile of the bank are known as "risk takers". VP Bank identifies the members of the Board of Directors and of the Executive Management as well as selected functions in the second management level as decision-makers and relevant «risk takers». These are specifically the heads of the units «Group Internal Audit», «Group Compliance», «Group Finance», «Group Risk», «Group Investment Center», «Group Operations», «Intermediaries», «Private Banking», «Group Information Technology», «Group Human Resources», «Group Treasury & Execution», «Group Communications & Marketing», «Group Credit», «Group Strategy» and the members of the Credit Committee as well as the CEOs of the subsidiary companies.

Persons who exercise compliance or other control functions are remunerated largely with fixed remuneration components. The variable remuneration elements of these persons are independent of the success of the units that they audit or supervise.

Correspondence with remuneration regulations

The remuneration practice of VP Bank corresponds to Appendix 4.4 of the Liechtenstein Banking Ordinance (BankO) as well as the EU Directive, and is based on long-term performance. The decision to provide the entire sum lies ultimately with the Board of Directors.

VP Bank waives guaranteed payments in addition to the fixed salary, such as severance settlements stipulated in advance. Golden handshakes may be provided in certain individual cases – as a rule, these constitute compensation for loss of benefits from the former employer.

Pursuant to Liechtenstein law, variable salary components may possibly be dropped, retained or lapse, or those that have already been paid may be reclaimed. This applies specifically in the event of an ascertained fault on the part of an employee, or if excessive risks have been taken to reach a target.

Determining the remuneration (governance)

The Board of Directors approves the fixed salary structure together with the budget, and decides at the end of each year – taking into consideration the annual results – the amount of provisions to be set aside for variable salary components. It defines the fixed and the variable remuneration for the members of the Group Management and the Executive Management. The Nomination & Compensation Committee (NCC) supports the Board of Directors with all questions relating to the setting of salaries, defines the circle of "risk takers" together with the Group Management, and monitors their remuneration. Together with the Internal Audit, the NCC checks adherence to the remuneration policy.

The Group Management is comprehensively responsible for conducting the remuneration processes within the context of the policy, and sets corresponding frameworks for the individual companies. It sets the fixed and variable remuneration of the managers at the second level of management, including the heads of the subsidiary companies. It also issues the annual execution provisions to the companies or senior managers for the setting of individual variable salaries.

In the MbO process, the individual senior managers agree the responsibilities and goals, and assess the achievement of the goals at the end of the period. Special attention is paid not merely to the performance, but also to adherence to the relevant regulatory provisions.

Quantitative data regarding compensation

Information relating to the salaries of members of the Board of Directors of VP Bank and members of GEM can be found in the Financial Report, in the individual financial statements of VP Bank Ltd, Vaduz, under "Compensation paid to members of governing bodies" (page 192 of the Annual Report).

The following tables show the salary components of risk-takers and the compensation paid to members of the governing bodies.

In the 2018 financial year, risk-takers were granted CHF 150,000 in compensation payments.

CHF 1,325,000 in compensation for loss of benefits at previous employers was arranged for incoming GEM members in the form of restricted shares.

CHF 110,000 in compensation for loss of benefits at previous employers (CHF 95,000 of which was in the form of restricted shares) was arranged for risk-takers.

In the 2018 financial year, one GEM member received a salary of between EUR 1 million and EUR 1.5 million, and one GEM member received a salary of between EUR 1.5 million and EUR 2 million.

Remuneration "Risk Taker"

	Executive management in CHF	Employees in CHF
Fixed basic salary	3,101,777	5,824,665
Short-Term Incentive (STI, cash), for performance year 2018	700,000	1,070,516
Restricted Share Plan (RSP)	2,025,058	1,089,262
Entitlement for performance year 2018	1,399,958	1,988,467
Pension fund senior employees Employer contributions	548,452	700,717
Total Remuneration[1]	7,775,245	10,673,627
Vesting 2018, share value	3,068,404	1,852,144
PSP 2015-2017 / RSP 2015-2017 / RSP 2016-2018 / RSP 2017-2019		

[1] Number of beneficiaries: 28

Remuneration «Risk Taker» by business segment

	Client Business		Client Business International		Corporate Center		Total	
	Amount	Share in %	Amount	Share in %	Amount	Share in %	Amount	Share in %
Fixed basic salary	1,782,414	41%	1,656,502	52%	5,487,526	50%	8,926,443	48%
Short Term Incentive (Cash)	410,000	9%	372,549	12%	987,967	9%	1,770,516	10%
Restricted Share Plan (RSP)	1,019,977	23%	352,442	11%	1,741,901	16%	3,114,320	17%
Performance Share Plan (PSP)	840,028	19%	705,017	22%	1,843,380	17%	3,388,425	18%
Pension Fund	289,859	7%	109,978	3%	849,331	8%	1,249,168	7%
Total	**4,342,278**	**100%**	**3,196,489**	**100%**	**10,910,104**	**100%**	**18,448,872**	**100%**

Remuneration paid to members of governing bodies

in CHF 1,000		Remuneration[1, 2]						Total remuneration	
Art. 14-16 Ordinance against Excessive Compensation with respect to Listed Stock Corporations (Switzerland)		Fixed		thereof in registered shares A (market value)		Retirement benefit plans			
		2018	2017	2018	2017	2018	2017	2018	2017
Board of Directors									
Fredy Vogt	Chairman[A]	560	560	140	140	85	85	645	645
Markus Thomas Hilti	Vice Chairman[B]	130	130	33	33			130	130
Dr Christian Camenzind	BoD[H, K]	110	110	28	28			110	110
Prof. Dr Teodoro D. Cocca	BoD[G]	130	130	33	33			130	130
Dr Beat Graf	BoD[D, F]	145	135	36	34			145	135
Ursula Lang	BoD[D, E]	160	143	40	36			160	143
Dr Florian Marxer	BoD[H]	110	110	28	28			110	110
Dr Thomas R. Meier	BoD[H, K]	73		18				73	0
Dr Gabriela Payer	BoD[B, H]	140	140	35	35			140	140
Michael Riesen	BoD[C, F]	160	160	40	40			160	160
Dr Daniel H. Sigg	BoD[I]	0	80		20			0	80
Total Board of Directors		**1,718**	**1,698**	**430**	**425**	**85**	**85**	**1,803**	**1,783**

[A] Chairman of the Nomination & Compensation Committee
[B] Member of the Nomination & Compensation Committee
[C] Chairman of the Audit Committee
[D] Member of the Audit Committee
[E] Chairwoman of the Risk Committee
[F] Member of the Risk Committee
[G] Chairman of the Strategy & Digitalisation Committee
[H] Member of the Strategy & Digitalisation Committee
[I] Member of the Board of Directors up to 28 April 2017
[K] Member of the Board of Directors as from 27 April 2018
[1] Social-security costs on the emoluments paid to the Board members are borne by VP Bank.
[2] Compensation for out-of-pocket expenses is not included.

VP Bank Group

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

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Imprint

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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