// Clarity //

2018

Disclosure report
as of June 2018

VP BANK

Content

With its numerous challenges, digitalisation has helped us create a new, moving design concept for VP Bank. We have named it **"Clarity"** – we express our excellence in a fresh, modern and unique way.

The comprehensive refresh of VP Bank's brand both in appearance and content serves as the basis for future business success. More information on the brand refresh can be found in the section "The VP Bank brand" as well as online at www.vpbank.com/brand.

www.vpbank.com/brand

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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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, British Virgin Islands, Singapore, Hong Kong and Moscow.

Since its foundation in the year 1956, VP Bank has focused on asset management and investment consultancy for private individuals and financial intermediaries. Today, 828 employees manage client assets of around CHF 46.8 billion.

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

Basis and purpose of the disclosure

The Disclosure Report is based upon Part 8 of the Regulation (EU) No. 575/2013 (Capital Requirements Regulation, 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 provisioning, 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. Supplementary information is provided in the annual report. The annual as well as the half-yearly Disclosure Report are published as a separate document on the VP Bank homepage (www.vpbank.com).

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 audited by the statutory banking auditor.

Key indicators

The following table shows regulatory key indicators of VP Bank as of 30 June 2018 and 31 December 2017.

Key indicators

in CHF	30.06.2018	31.12.2017
Own funds		
Common equity tier 1 (CET 1)	927,339	976,553
Tier 1 capital	927,339	976,553
Total capital	927,339	976,553
Common equity tier 1 ratio	22.6%	25.7%
Tier 1 ratio	22.6%	25.7%
Total capital ratio	22.6%	25.7%
Risk weighted assets	4,101,152	3,799,412
Combined capital buffer requirement	205,058	189,971
Leverage		
Total exposure measure	12,979,490	13,095,264
Leverage ratio	7.1%	7.5%
Liquidity		
Liquidity coverage ratio (LCR)	124.4%	161.0%

Own funds

In the first six months of 2018, the tier 1 ratio of VP Bank declined from 26% to 23%, thus being markedly well above the minimum regulatory requirement amounting to 13%. The tier 1 capital fell in the first six months primarily as a result of the share buyback programme and the deduction of intangible assets. In addition, increased lending activities and the build-up of the Bank's proprietary holdings of securities led to an increase in risk weighted assets.

Leverage

The reduction in the leverage ratio, in comparison to the position at 31 December 2017, is primarily to be ascribed to the reduction in own funds.

Liquidity

In the first six months of 2018, the LCR declined from 161% to 124%, thus continuing to be comfortably in excess of the legal minimum requirement amounting to 100%. The reduction in the LCR is to be explained by a reduction in high quality liquid assets (reduction in the balance with the SNB) with a simultaneous increase in simulated outflows of liquidity as a result of higher customer deposits.

Capital adequacy

Own funds structure

VP Banks regulatory capital consists exclusively of common equity tier 1 (CET 1) and comprises essentially of paid in capital and retained earnings.

Deductions according to Art 36 Para 1 CRR are made comprehensively from common equity tier 1. Transitional provisions in accordance with Part 10 Section I CRR are not applied.

Capital instruments

in CHF 1,000		**CET1 instruments**	
Issuer	**VP Bank Ltd, Vaduz**	**VP Bank Ltd, Vaduz**	**VP Bank Group**
Unique identifier (eg 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	861,185
Issue price	60,150	6,004	861,185
Redemption price	n.a.	n.a.	n.a.
Accounting classification	equity	equity	equity
Original date of issuance	n.a.	n.a.	n.a.
Perpetual or dated	perpetual	perpetual	perpetual
Original maturity date	n.a.	n.a.	n.a.
Issuer call subject to prior supervisory approval	no	no	no
Optional call date, contingent call dates and redemption amount	n.a.	n.a.	n.a.
Subsequent call dates, if applicable	n.a.	n.a.	n.a.
Coupons/dividends			
Fixed or floating dividend/coupon	floating	floating	n.a.
Coupon rate and any related index	n.a.	n.a.	n.a.
Existence of a dividend stopper	n.a.	n.a.	n.a.
Fully discretionary, partially discretionary or mandatory (in terms of timing)	fully discretionary	fully discretionary	n.a.
Fully discretionary, partially discretionary or mandatory (in terms of amount)	fully discretionary	fully discretionary	n.a.
Existence of step up or other incentive to redeem	n.a.	n.a.	n.a.
Noncumulative or cumulative	n.a.	n.a.	n.a.
Converible or non-convertible	n.a.	n.a.	n.a.
If convertible, conversion trigger(s)	n.a.	n.a.	n.a.
If convertible, fully or partially	n.a.	n.a.	n.a.
If convertible, conversion rate	n.a.	n.a.	n.a.
If convertible, mandatory or optional conversion			
If convertible, specify instrument type convertible into	n.a.	n.a.	n.a.
If convertible, specifiy issuer of instrument it converts into			
Write-down features	n.a.	n.a.	n.a.
If write-down, write-down trigger(s)	n.a.	n.a.	n.a.
If write-down, full or partial	n.a.	n.a.	n.a.
If write-down, permanent or temporary	n.a.	n.a.	n.a.
If temporary write-down, description of write-up mechanism	n.a.	n.a.	n.a.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a.	n.a.	n.a.
Non-compliant transitioned features	n.a.	n.a.	n.a.
If yes, specify non-compliant features	n.a.	n.a.	n.a.

Own funds

in CHF 1,000	30.06.2018
Common equity tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	66,154
of which: shares	66,154
Retained earnings	1,007,393
Accumulated other comprehensive income (and other reserves)	–22,451
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	**1,051,096**
Common equity tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments (negative amount)	–328
Intangible assets (net of related tax liability) (negative amount)	–50,371
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liablity where the conditions in Article 38 (3) are met) (negative amount)	–2,423
Fair value reserves related to gains or losses on cash flow hedges	
Negative amounts resulting from the calculation of expected loss amounts	
Any incerease 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)	–70,626
Direct, indirect and synthetic holdings of the CET1 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 1,250%, 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)	
of which: free deliveries (negative amount)	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability whre 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	**927,339**

Own funds (continued)

in CHF 1,000	30.06.2018
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)	
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 (amoutn above 10% threshold and net of eligible short positions) (negative amount)	
Direct, indirect and synthetic holdings by the instituiton of the AT1 instrument of financial sector entities whre the instituion 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)	927,339
Tier 2 (T2) capital: instruments and provisions	
Capital instruments and the related share premium accounts	
Amount of qualifiying items referred to in article 484 (5) and the related share premium account ssubject 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 whre 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)	927,339
Total risk weighted assets	**4,101,152**

Own funds (continued)

in CHF 1,000	30.06.2018
Capital ratios and buffers	
Common equity tier 1 (as a percentage of total risk exposure amount)	22.6%
Tier 1 (as a percentage of total risk exposure amount)	22.6%
Total capital (as a percentage of total risk exposure amount)	22.6%
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	
of which: countercyclical buffer requirement	
of which: systemic risk buffer requirement	
of which: Global Systemically Important Instituion (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 exposured 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	
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)	

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

in CHF 1,000	30.06.2018
Equity according to consolidated balance sheet	957,375
Deduction dividend according to Board of Directors proposal	
Common equity tier 1 (CET1) capital before regulatory adjustments	**957,375**
Additional value adjustments (negative amount)	–328
Deduction Goodwill according to group balance sheet	–10,808
Deferred taxation liabilites on Goodwill (positive amount)	
Other intangible assets before deduction of deferred tax liabilities	–42,667
Deferred tax liabilities associated to other intangible assets	3,103
Offset actuarial gains, after tax (IAS 19)	61,139
Deduction	–2,423
Deduction securitisation exposure	–9
Unaudited interim profits	–29,286
Profit or loss attributable to owners of the parent	–8,757
Common equity tier 1 (CET1) after regulatory adjustments	**927,339**
Tier 2 capital according to group balance sheet	
Subordinated liabilities	
Tier 2 (T2) capital before regulatory adjustments	**0**

Own funds requirements

VP Bank determines its own funds requirements in accordance with CRR. For this purpose, the following approaches are applied:

- Standardised approach for credit risks in accordance with Part 3 Section II Chapter 2 CRR
- Basic indicator approach for operational risks in accordance with Part 3 Section III Chapter 2 CRR
- Standardised method for market risks in accordance with Part 3 Section IV Chapter 2–4 CRR
- Standardised method for Credit Valuation Adjustments (CVA) risks in accordance with Art. 384 CRR
- Comprehensive method to take account of financial collateral in accordance with Art. 223 CRR.

Overview of risk weighted assets (RWAs)

in CHF 1,000	Risk weighted assets		Minimum capital requirements	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Credit risk (excluding CCR)	3,382,282	2,984,558	270,583	238,765
Of which the standardised approach	3,382,282	2,984,558	270,583	238,765
Of which the foundation IRB (FIRB) approach				
Of which the advanced IRB (AIRB) approach				
Of which equity IRB under the simple risk-weighted approach or the IMA				
Counterparty credit risk (CCR)	9,768	6,241	781	499
Of which mark to market				
Of which original exposure				
Of which the standardised approach				
Of which internal model method (IMM)				
Of which risk exposure amount for contributions to the default fund of a central counterparty (CCP)				
Of which CVA	9,768	6,241	781	499
Settlement risk	0	0	0	0
Securitisation exposures in the banking book (after the cap)	0	0	0	0
Of which IRB approach				
Of which IRB supervisory formula approach (SFA)				
Of which internal assessment approach (IAA)				
Of which standardised approach				
Market risk	189,470	199,708	15,158	15,977
Of which the standardised approach	189,470	199,708	15,158	15,977
Of which IMA				
Large exposures	0	0	0	0
Operational risk	519,632	608,905	41,571	48,712
Of which basic indicator approach	519,632	608,905	41,571	48,712
Of which standardised approach				
Of which advanced measurement approach				
Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0	0
Floor adjustment	0	0	0	0
Total	4,101,152	3,799,412	328,093	303,953

The increase of CHF 398 million in risk weighted assets exposed to credit risk is a result principally of the rise in client loans and of the build-up of the Bank's proprietary holdings of securities. In addition, the computation of the basic indicator approach was adjusted with the effect that positions eligible for deduction are taken into account from June 2018 onwards. This resulted in a reduction in risk weighted assets by CHF 89 million.

Standardised approach

in CHF 1,000 as of 30.06.2018 **Exposure classes**	Risk weight 0%	20%	35%	50%	75%	100%	150%	Total	Of which unrated
Central governments or central banks	3,789,875	1,033		2,086		496		3,793,490	46,055
Regional government or local authorities	12,143	102,433		16,871				131,447	44,742
Public sector entities	31,231	391,682		2,910				425,823	14,045
Multilateral development banks	85,147	7,991		3,106				96,244	2,949
International organisations	26,427							26,427	
Institutions	109,228	978,265		76,046				1,163,539	48,176
Corporates		239,199		458,338		3,184,342	9,269	3,891,148	3,010,699
Retail					371,423	1,025,976		1,397,399	1,397,399
Secured by mortgages on immovable property			2,121,917	952,093		290,528		3,364,538	3,364,538
Exposures in default						55,623	44,815	100,438	100,438
Exposures associated with particularly high risk							7,256	7,256	7,256
Covered bonds									
Securitisations									
Institutions and corporates with a short-term credit assessment									
Collective investment undertakings									
Equity						118,888		118,888	118,888
Other items	25,971	9,167		3,763		104,289		143,190	52,529
Total	**4,080,022**	**1,729,770**	**2,121,917**	**1,515,213**	**371,423**	**4,780,142**	**61,340**	**14,659,827**	**8,207,714**

The exposure classes central governments or central banks, corporates and positions secured by mortgage on immovable property make up 75% of the total credit risk exposure, a situation which is unchanged from that at the end of 2017.

Leverage

Leverage ratio

Basel III introduced a leverage ratio, to supplement the risk-based own funds requirements, which applies the equity capital in relation to unweighted balance sheet and off-balance sheet risk items.

The structure of the leverage ratio has still not been definitively agreed on at the European level or at the Liechtenstein level. In future, it is set to be a binding minimum ratio.

As of 30 June 2018, the leverage ratio at VP Bank was 7.1 percent.

The reduction in the leverage ratio in comparison to 31 December 2017 is due to a decrease in own funds.

Leverage ratio

in CHF 1,000		30.06.2018
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	12,567,119
2	(Asset amounts deducted in determining tier 1 capital)	–123,757
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	12,443,362
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	35,524
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	61,791
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	2,069
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)	99,384
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	1,994,477
18	(Adjustments for conversion to credit equivalent amounts)	–1,557,732
19	Other off-balance sheet exposures (sum of lines 17 and 18)	436,744
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))	
Capital and total exposure measure		
20	Tier 1 capital	927,340
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	12,979,490
Leverage ratio		
22	Leverage ratio	7.1%
Choice on transitional arrangements and amount of derecognised fiduciary items		
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	

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

in CHF 1,000	30.06.2018
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	12,567,119
Trading book exposures	155
Banking book exposures, of which:	12,210,266
Covered bonds	
Exposures treated as sovereigns	3,814,150
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	688,987
Institutions	1,186,723
Secured by mortgages of immovable properties	2,987,634
Retail exposures	737,978
Corporate	2,794,794
Exposures in default	95,122
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	261,576

Summary reconciliation of accounting assets and leverage ratio exposures

in CHF 1,000	30.06.2018
Total assets as per published financial statements	12,567,119
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	61,791
Adjustment for securities financing transactions (SFTs)	
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	436,745
(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	–86,165
Leverage ratio total exposure measure	12,979,490

Risk of excessive indebtedness

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

Liquidity risks

Liquidity management at VP Bank is part of the overall risk management. For the structure and organisation of the risk management, also see the chapter on risk management goals and risk management policy in the yearly disclosure report.

Liquidity risks encompass the short-term liquidity and refinancing risk as well as the market liquidity risk. The liquidity and refinancing risk expresses the danger that current and future payment obligations cannot be refinanced on time, to the full extent, in the correct currency or at standard market conditions. Market liquidity risk includes cases in which a shortage of market liquidity means it is not possible to liquidate or to hedge risky positions on time, to the desired extent and at reasonable conditions.

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.

Within the context of the national implementation of Basel III, the liquidity coverage ratio (LCR) has been reported to the Liechtenstein Financial Market Authority since 2015.

With a figure of 124 percent, VP Bank had a comfortable liquidity situation at the end of 2017.

Liquidity coverage ratio

in CHF 1,000	Weighted value (average)	
	2nd Quarter 2018	1st Quarter 2018
Number of data points used	3	3
Liquidity buffer	4,869,483	4,875,649
Total net cash outflow	3,892,146	3,235,080
Liqudity coverage ratio (LCR, %)	125.1%	150.7%

Transitional provisions

With effect from 1 January 2018, VP Bank uses the IFRS 9 Standard to value financial instruments. VP Bank does not apply transitional provisions specified in Art. 473a CRR. For this reason, disclosed own funds, capital and leverage ratios already reflect the full impact of IFRS 9 Impairment/ expected credit loss (ECL).

The 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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