Disclosure report

as of June 2020

"We connect. Learn more about what connects us."

Connectivity is the corporate megatrend of our time. The principle of unlimited networking continues to grow rapidly and touches all areas of our lives. Our specialists serve as the Bank's messengers to describe the areas and topics where VP Bank is forging new conceptual connections. We present six central themes in all, which include the following areas: digital advisory, corporate responsibility, working environment, investment solutions, financial strength and fund expertise. You can also watch more in-depth interviews at our online annual report at report.vpbank.com

report.vpbank.com

Introduction

VP Bank

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

Since its foundation in the year 1956, VP Bank has focused on asset management and investment consultancy for private individuals and financial intermediaries. Today, 979 employees manage client assets of CHF 45.6 billion.

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

Basis and purpose of the disclosure

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

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

Content and scope of application of the disclosure

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

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

Frequency and means of disclosure

A comprehensive disclosure report is drawn up annually and published as a separate document on the VP Bank homepage (www.vpbank.com). Supplementary information is provided in the annual report. An additional disclosure is made every six months and is also published on VP Bank's homepage.

Preparation and assessment of the disclosure

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

Changes since last year's Disclosure Report

Compared to the previous year the present disclosure includes full disclosure of credit risk adjustments in accordance with EBA Guideline 2018/10, similar to the Disclosure Report as of 31 December 2019.

Key metrics

Key metrics

in CHF 1,000	30.06.2020	31.12.2019
Own Funds		
Tier 1 Capital	963,651	978,962
Tier 1 Ratio	20.1%	20.2%
Risk weighted assets	4,785,909	4,841,859
Combined capital buffer requirement	217,159	242,093
Leverage		
Total exposure measure	13,841,418	13,803,380
Leverage Ratio	7.0%	7.1%
Liquidity		
Liquidity Coverage Ratio (LCR)	176.7%	213.1%

Own funds

The Tier 1 Ratio falls slightly in the first half of 2020 from 20.2 per cent to 20.1 per cent and thus remains well above the regulatory minimum requirement. The decline in loans and advances to customers leads to a decrease in risk weighted assets. The reduction in own funds is due to actuarial adjustments for pension funds and changes in the value of FVTOCI (at fair value through other comprehensive income) financial instruments. VP Bank Group generated comprehensive income of CHF –12.3 million in the first half of 2020 compared with CHF 42.1 million in the preceding year.

Leverage

The reduction of the leverage ratio in comparison to the position at 31 December 2019 is primarily attributed to a reduction in own funds.

Liquidity

In the first six months of 2020 the LCR decreased from 213 per cent to 177 per cent, thus continuing to be comfortably above the regulatory minimum requirement of 100 per cent. The reduction in the LCR results from the active management of the amounts due from banks and increased amounts due to customers.

COVID-19

Despite the effects of the COVID-19 crisis the disclosed key figures on capital and liquidity in the first half of 2020 were above the minimum regulatory requirements.

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

Own funds

in CHF 1,000	30.06.2020
Common equity tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	56,200
of which: shares	56,200
Retained earnings	1,070,843
Accumulated other comprehensive income (and other reserves)	–41,246
Funds for general banking risk	n.a
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	n.a
Minority interests (amount allowed in consolidated CET1)	n.a
Independently reviewed interim profits net of any foreseeable charge or dividend	n.a
Common equity tier 1 (CET1) capital before regulatory adjustments	**1,085,797**
Common equity tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments (negative amount)	–389
Intangible assets (net of related tax liability) (negative amount)	–58,682
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–1,482
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)	–61,593
Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to initiate artificially the own funds of the institution (negative amount)	n.a
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative	n.a
of which: qualifying holdings outside the financial sector (negative amount)	n.a
of which: securitisation positions (negative amount)	n.a
of which: free deliveries (negative amount)	n.a
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	n.a
Amount exceeding the 15% threshold (negative amount)	n.a
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	n.a
of which: deferred tax assets arising from temporary differences	n.a
Losses for the current financial year (negative amount)	n.a
Foreseeable tax charges relating to CET1 items (negative amount)	n.a
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	n.a
Total regulatory adjustments to common equity tier 1 (CET1)	**–122,146**
Common equity tier 1 (CET1) capital	**963,651**
Additional tier 1 (AT1) capital: instruments	
Capital instruments and the related share premium accounts	n.a
of which: classified as equity under applicable accounting standards	n.a
of which: classified as liabilities under applicable accounting standards	n.a
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	n.a

Own funds (continued)

in CHF 1,000	30.06.2020
Qualifying tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	n.a
of which: classified as liabilities under applicable accounting standards	n.a
Additional tier 1 (AT1) capital before regulatory adjustments	**n.a**
Additional tier 1 (AT1) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	n.a
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	n.a
Direct, indirect and synthetic holding of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Direct, indirect and synthetic holdings by the institution of the AT1 instrument of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	n.a
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	n.a
Total regulatory adjustments in additional tier 1 (AT1) capital	**n.a**
Additional tier 1 (AT1) capital	**n.a**
Tier 1 capital (T1 = CET1 + AT1)	**963,651**
Tier 2 (T2) capital: instruments and provisions	
Capital instruments and the related share premium accounts	n.a
Amount of qualifying items referred to in article 484 (5) and the related share premium account subject to phase out from T2	n.a
Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	n.a
of which: instruments issued by subsidiaries subject to phase out	n.a
Credit risk adjustments	n.a
Tier 2 (T2) capital before regulatory adjustments	**n.a**
Tier 2 (T2) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	n.a
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	n.a
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	n.a
Total regulatory adjustments of Tier 2 (T2) capital	**n.a**
Tier 2 (T2) capital	**n.a**
Total capital (TC = T1 + T2)	**963,651**
Total risk weighted assets	**4,785,909**
Capital ratios and buffers	
Common equity tier 1 (as a percentage of total risk exposure amount)	20.1%
Tier 1 (as a percentage of total risk exposure amount)	20.1%
Total capital (as a percentage of total risk exposure amount)	20.1%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	9.1%
of which: capital conservation buffer requirement	2.5%
of which: countercyclical buffer requirement	0.1%
of which: systemic risk buffer requirement	2.0%
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.0%[1]
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.1%

Amount below the thresholds for deduction (before risk weighting)

Own funds (continued)

in CHF 1,000	30.06.2020
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	n.a
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	n.a
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	n.a
Applicable caps on the inclusion of provisions in tier 2	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	n.a
Cap on inclusion of credit risk adjustments in T2 under standardised approach	n.a
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	n.a
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	n.a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
Current cap on CET1 instruments subject to phase out arrangements	n.a
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n.a
Current cap on AT1 instruments subject to phase out arrangements	n.a
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	n.a
Current cap on T2 instruments subject to phase out arrangements	n.a
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n.a

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

VP Bank met the minimum capital requirements at all times during the first half of 2020.

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

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

in CHF 1,000	30.06.2020	31.12.2019
Core capital		
Share capital	66,154	66,154
Less: treasury shares	–61,593	–68,004
Capital reserves	23,297	26,772
Income reserves	1,017,592	1,043,893
Group net income	14,350	73,543
Unrealised gains/losses on Fair Value Through OCI (FVTOCI) financial instruments	–32,138	–15,518
Foreign-currency translation differences	–23,825	–21,252
Total shareholders' equity	**989,487**	**1,032,045**
Group net income not eligible	–14,350	0
Deduction for dividends as per proposal of Board of Directors	0	–36,385
Deduction for goodwill and intangible assets	–61,781	–62,189
Deduction for actuarial gains/losses from IAS19	68,640	61,151
Deduction for equity instruments as per art. 28 CRR	–9,954	–8,341
Other regulatory adjustments (deferred tax, securisation positions, prudential filter)	–8,391	–7,319
Total regulatory deduction	–25,836	–53,083
Eligible core capital (tier 1)	**963,651**	**978,962**
Eligible core capital (adjusted)	963,651	978,962

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.

Capital adequacy requirements

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

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

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

in CHF 1,000		Risk weighted assets		Minimum capital requirements	
		30.06.2020	31.12.2019	30.06.2020	31.12.2019
1	Credit risk (excluding CCR)	3,914,633	3,961,965	313,171	316,957
2	of which the standardised approach	3,914,633	3,961,965	313,171	316,957
6	Counterparty credit risk (CCR)	54,158	57,534	4,333	4,603
7	of which mark to market	39,135	43,406	3,131	3,472
12	of which CVA	15,023	14,128	1,202	1,130
19	Market risk	247,925	253,168	19,834	20,253
20	of which the standardised approach	247,925	253,168	19,834	20,253
23	Operational risk	569,192	569,192	45,535	45,535
24	of which basic indicator approach	569,192	569,192	45,535	45,535
29	**Total**	**4,785,909**	**4,841,859**	**382,873**	**387,348**

The reduction in risk weighted assets is mainly due to the decrease in loans and advances to customers.

Standardised approach (EU CR5)

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

in CHF 1,000					Risk weight						
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposure classes											
1 Central governments or central banks	3,144,206	0	2,045	0	0	0	474	0	0	3,146,724	159,566
2 Regional governments or local authorities	94	0	168,862	0	4,448	0	0	0	0	173,404	27,556
3 Public sector entities	18,303	0	198,682	0	5,102	0	0	0	0	222,087	8,166
4 Multilateral development banks	79,470	0	2,043	0	7,945	0	0	0	0	89,458	0
5 International organisations	4,955	0	0	0		0	0	0	0	4,955	0
6 Institutions	147,386	0	1,785,994	0	20,693	0	0	0	0	1,954,073	397,556
7 Corporates	5,092	0	420,863	16,117	460,832	0	844,214	629	0	1,747,747	745,089
8 Retail	0	0	282,668	3,456		58,233	222,339	0	0	566,696	566,696
9 Secured by real estate	0	0	0	2,192,014	832,750		282,941	0	0	3,307,705	3,307,705
10 Exposures in default	0	0	0	0	0	0	14,899	80,515	0	95,414	95,414
11 Items associated with particularly high risk	0	0	0	0	0	0	0	31,441	0	31,441	31,441
12 Covered bonds	0	490,449	0	0	0	0	0	0	0	490,449	0
13 Securitisation positions	0	0	0	0	0	0	0	0	0	0	0
14 Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0
15 Collective investments undertakings	0	0	0	0	0	0	30,059	0	0	30,059	30,059
16 Equity exposures	0	0	0	0	0	0	87,037	0	0	87,037	87,037
17 Other items	28,514	0	3,522	0	0	0	126,923	0	12,510	171,469	79,044
18 Total	**3,428,020**	**490,449**	**2,864,679**	**2,211,587**	**1,331,769**	**58,233**	**1,608,886**	**112,585**	**12,510**	**12,118,718**	**5,535,328**

Leverage

In addition to the risk-based capital adequacy requirements, a leverage ratio was introduced which sets equity in relation to the unweighted balance sheet and off-balance sheet risk positions.

Leverage ratio

in CHF 1,000		30.06.2020
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13,639,979
2	Asset amounts deducted in determining tier 1 capital	–122,146
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**13,517,833**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	88,259
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	95,640
EU-5a	Exposure determined under original exposure method	n.a
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	n.a
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	n.a
8	Exempted CCP leg of client-cleared trade exposures	n.a
9	Adjusted effective notional amount of written credit derivatives	n.a
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	n.a
11	**Total derivatives exposures (sum of lines 4 to 10)**	**183,899**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	n.a
13	Netted amounts of cash payables and cash receivables of gross SFT assets	n.a
14	Counterparty credit risk exposure for SFT assets	n.a
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	n.a
15	Agent transaction exposures	n.a
EU-15a	Exempted CCP leg of client-cleared SFT exposure)	n.a
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	583,219
18	(Adjustments for conversion to credit equivalent amounts)	–443,533
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**139,686**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	n.a
EU-19b	**Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)**	**n.a**
Capital and total exposure measure		
20	Tier 1 capital	963,651
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**13,841,418**
Leverage ratio		
22	**Leverage ratio**	**7.0%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	n.a
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	n.a

The reduction in the leverage ratio in comparison to 31 December 2019 is due to the reduction in own funds. As of the end of 2019, the leverage ratio of VP Bank was 7.0 per cent. As at 30 June 2020 there is no regulatory minimum in place in Liechtenstein.

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

in CHF 1,000	30.06.2020
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	13,639,979
of which Trading book exposures	394
Banking book exposures	13,639,585
of which Covered bonds	490,449
Exposures treated as sovereigns	3,407,359
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	235,272
Institutions	2,049,915
Secured by mortgages of immovable properties	2,891,163
Retail exposures	1,066,191
Corporate	3,006,182
Exposures in default	115,131
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	377,923

Summary reconciliation of accounting assets and leverage ratio exposures

in CHF 1,000	30.06.2020
Total assets as per published financial statements	13,610,979
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	0
Adjustments for derivative financial instruments	95,640
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	139,686
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013	0
Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013	0
Other adjustments	–4,887
Leverage ratio total exposure measure	**13,841,418**

Risk of excessive indebtedness

In order to prevent excessive debt, VP Bank has defined a minimum level for the leverage ratio, and monitors adherence at least quarterly.

Liquidity risks

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

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

Liquidity risks – taking account of statutory liquidity standards and regulations – are monitored and controlled using internal criteria and limits for the interbank and lending activities. Liquidity management at VP Bank Group is performed centrally at head office in Liechtenstein.

Safeguarding liquidity within VP Bank Group at all times has absolute priority. This is ensured with a substantial holding of liquid assets and investments with high liquidity (high quality liquid assets / HQLA), which also represents the main source of liquidity. Around two thirds of the HQLA are held at central banks.

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 per cent has been in place since 1 January 2018. With an LCR of 176.7per cent, VP Bank had a comfortable liquidity situation at the end of June 2020.

The LCR is actively managed and monitored in all significant currencies (main currencies: CHF, EUR and USD).

Continuous checks are carried out to ensure that liquid assets which do not qualify as liquid assets in a third country are not factored into the LCR calculation at Group level either.

Short-term client deposits play a significant role in the Bank's refinancing with only a minor dependency on the capital markets.

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

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

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

Despite the fact that the net stable funding ratio will only be mandatory in future, 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 30 June 2020, the LCR was 176.7 per cent, the NSFR was in excess of 100 per cent. VP Bank complied with the liquidity coverage ratio (LCR) requirements at all times during the first half of 2020 despite COVID-19.

Liquidity Coverage Ratio

in CHF 1,000		**Weighted value (average)**		
Quarter ending	**30.09.2019**	**31.12.2019**	**31.03.2020**	**30.06.2020**
Number of data points used	12	12	12	12
Liquidity buffer	4,909,202	4,956,298	4,903,367	4,804,585
Total net cash outflow	3,248,424	3,071,129	2,704,382	2,414,806
Liqudity Coverage Ratio (LCR)	154.84%	167.50%	186.64%	201.16%

Credit risk adjustments

The following tables «Credit quality of forborne exposures (template 1)», «Credit quality of performing and non-performing exposures by past due days (template 3)», «Performing and non-performing exposures and related provisions (template 4)» «Quality of non-performing exposures by geography (template 5)» and «Credit quality of loans and advances by industry (template 6)» must be disclosed in accordance with Directive (EBA/GL/2018/10) on the disclosure of non-performing and deferred risk positions. This Directive is applicable in Liechtenstein for the first time as of 31 December 2019.

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

Credit quality of forborne exposures (template 1)

in CHF 1,000	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment[1]		Collateral received[2]	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On nonperforming forborne exposure	Total	for nonperforming exposures[3]
		Total	Of which defaulted	Of which impaired				
Loans and advances	**154,286**	**1,580**	**1,580**	**1,580**	**29**	**340**	**151,658**	**1,580**
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	10,247	0	0	0	0	0	10,247	0
Non-financial corporations	133,159	0	0	0	28	0	130,536	0
Household	10,880	1,580	1,580	1,580	1	340	10,875	1,580
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**154,286**	**1,580**	**1,580**	**1,580**	**29**	**340**	**151,658**	**1,580**

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

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

in CHF 1,000	Gross carrying amount/nominal amount Performing exposures		
	Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
Loans and advances	**10,570,373**	**10,570,250**	**123**
Central banks	2,749,199	2,749,199	0
General governments	568	568	0
Credit institutions	1,823,486	1,823,486	0
Other financial corporations	1,492,551	1,492,461	90
Non-financial corporations	1,346,298	1,346,297	1
Households	3,158,272	3,158,240	32
Debt securities	**2,570,910**	**2,570,910**	**0**
Central banks	6,789	6,789	0
General governments	806,277	806,277	0
Credit institutions	669,685	669,685	0
Other financial corporations	49,013	49,013	0
Non-financial corporations	1,039,146	1,039,146	0
Off-balance-sheet exposures	**583,219**		
Central banks	0	n.a.	n.a.
General governments	53	n.a.	n.a.
Credit institutions	3,827	n.a.	n.a.
Other financial corporations	238,564	n.a.	n.a.
Non-financial corporations	140,338	n.a.	n.a.
Households	200,437	n.a.	n.a.
Total	**13,724,502**	**13,141,160**	**123**

Template 3 (continued)

in CHF 1,000	Non-performing exposures								
	Total	past due ≤ 90 days[1]	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 year	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	113,502	48,483	41,885	2,006	4,020	11,037	0	6,071	113,502
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	6,245	6,245	0	0	0	0	0	0	6,245
Other financial corporations	69,923	26,758	37,094	0	0	0	0	6,071	69,923
Non-financial corporations	11,081	6,125	216	2,006	0	2,734	0	0	11,081
Households	26,253	9,355	4,575	0	4,020	8,303	0	0	26,253
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	0								0
Total	**113,502**	**48,483**	**41,885**	**2,006**	**4,020**	**11,037**	**0**	**6,071**	**113,502**

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

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

in CHF 1,000	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3
Loans and advances	10,570,373	10,463,276	107,098	113,502	0	113,502
Central banks	2,749,199	2,749,199	0	0	0	0
General governments	568	568	0	0	0	0
Credit institutions	1,823,486	1,822,323	1,163	6,245	0	6,245
Other financial corporations	1,492,551	1,456,250	36,301	69,923	0	69,923
Non-financial corporations	1,346,298	1,320,027	26,271	11,081	0	11,081
Households	3,158,272	3,114,910	43,362	26,253	0	26,253
Debt securities	2,570,910	2,552,062	18,848	0	0	0
Central banks	6,789	6,789	0	0	0	0
General governments	806,277	806,277	0	0	0	0
Credit institutions	669,685	669,685	0	0	0	0
Other financial corporations	49,013	44,951	4,062	0	0	0
Non-financial corporations	1,039,146	1,024,360	14,786	0	0	0
Off-balance-sheet exposures	583,219	583,219	0	0	0	0
Central banks	0	0	0	0	0	0
General governments	53	53	0	0	0	0
Credit institutions	3,827	3,827	0	0	0	0
Other financial corporations	238,564	238,564	0	0	0	0
Non-financial corporations	140,338	140,338	0	0	0	0
Households	200,437	200,437	0	0	0	0
Total	**13,724,502**	**13,598,557**	**125,945**	**113,502**	**0**	**113,502**

Template 4 (continued)

in CHF 1,000	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures[1]			Non-performing exposures[2]					
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3		performing	non-performing
Loans and advances	**2,615**	**2,141**	**474**	**50,996**	**0**	**50,996**	**0**	**5,569,545**	**29,215**
Central banks	131	131	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	80	79	1	6,245	0	6,245	0	0	0
Other financial corporations	1,160	1,138	22	31,049	0	31,049	0	1,129,785	0
Non-financial corporations	653	502	151	2,451	0	2,451	0	1,384,941	22,874
Households	592	291	301	11,251	0	11,251	0	3,054,819	6,341
Debt securities	**1,691**	**1,340**	**351**	**0**	**0**	**0**	**0**	**478,830**	**0**
Central banks	0	0	0	0	0	0	0	0	0
General governments	388	388	0	0	0	0	0	19,775	0
Credit institutions	342	342	0	0	0	0	0	453,938	0
Other financial corporations	87	24	63	0	0	0	0	5,118	0
Non-financial corporations	873	585	288	0	0	0	0	0	0
Off-balance-sheet exposures	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**474,370**	**617**
Central banks	0	0	0	0	0	0	n.a.	0	0
General governments	0	0	0	0	0	0	n.a.	26	0
Credit institutions	0	0	0	0	0	0	n.a.	0	0
Other financial corporations	0	0	0	0	0	0	n.a.	162,086	0
Non-financial corporations	0	0	0	0	0	0	n.a.	137,379	0
Households	0	0	0	0	0	0	n.a.	174,879	617
Total	**4,306**	**3,481**	**825**	**50,996**	**0**	**50,996**	**0**	**6,522,745**	**29,832**

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

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

At the reporting date VP Bank does not hold any collateral due to taking possession and execution processes. The disclosure of this table can be waived as there are no positions as of 30 June 2020.

VP Bank Group

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

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