

The Compensation Report sets out the principles applicable to and the components of compensation, equity participation programmes and allocations comprising the compensation of the Board of Directors and the members of the Executive Board. It also contains information concerning compensation schemes and compensation paid to members of the Board of Directors and the Executive Board for the 2022 financial year.

Compensation policy

Acting on the basis of regulatory requirements, the Board of Directors has issued remuneration policy regulations for VP Bank Group, which are reviewed annually in order to ensure that they are up-to-date, compliant and reasonable.

For a number of years, the compensation policy of VP Bank Group corresponds to the size of VP Bank, its internal organisation and the scope and complexity of its business model. This primarily encompasses the offering of banking services for financial intermediaries and private clients in the disclosed target markets, in Liechtenstein and at the other locations as well as access to private market investments via a curated ecosystem. In addition, the Group has an international fund competence centre. Details of the business model can be found in the chapter Strategic orientation.

Principles of compensation

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

The principles applied are laid down in the compensation policy.

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

Regulatory framework

The basis of the compensation policy of VP Bank is the implementation of the EU Regulation No. 575/2013 (with reference to Directive 2013/36/EU CRD V), which, amongst other things, regulates the risks associated with compensation policies and practices.

On the one hand, Liechtenstein has implemented this Regulation in the Act on Banks and Securities Firms (Banking Act, BankA), in particular in Art. 7a(6) thereof: “Banks and securities firms shall introduce and permanently maintain compensation policies and practices that are consistent with sound and effective risk management as set out in this Article. The Government shall provide further details by ordinance.” Furthermore, relevant content is set out in specific terms in Annex 4.4 of the Liechtenstein Ordinance on Banks and Securities Firms (Banking Ordinance, BankO).

In Switzerland, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) came into force on 1 January 2014. The ERCO does not apply to foreign companies listed in Switzerland. However, all companies listed on the SIX Swiss Exchange must make the same corporate governance disclosures. In particular, by analogy to Articles 14 to 16 ERCO, information concerning the compensation paid to members of the Board of Directors and the Executive Board must be published. In issuing this Compensation Report, VP Bank complies with this obligation.

- The compensation policy is subject to regular review. Relevant legal provisions are applied and implemented in compensation practices. Prescriptions specific to functions, in particular those relating to identified employees (risk takers), are taken into account.

Components of compensation

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

Fixed compensation

The annual salary set out in the individual employment contract and payable in cash in monthly instalments forms the basis of compensation. The level thereof varies in accordance with the function exercised and the demands and responsibilities deriving therefrom which are assessed based on objective criteria. This enables internal compar-

bility as well as the equal treatment in compensation matters and also permits the comparison with market data. VP Bank considers the fixed compensation to be compensation for the employee's activities performed in an orderly manner. The fixed salary is reviewed annually for ongoing appropriateness within the scope of the salary and wage round negotiations and, where necessary, adjusted.

Variable compensation

- The variable compensation can consist of a directly paid-out portion as well as of deferred compensation instruments.
- **Immediately payable variable compensation (bonus):** The bonus is the part of the variable compensation settled annually in cash as compensation for the contribution made to earnings in the previous business year. Should the bonus be particularly high in relation to overall compensation, a part of the payment thereof can be withheld. Where it appears sensible and appropriate, such withheld portion can also be settled in the form of deferred compensation instruments or in the form of equity shares which may not be disposed of during a limited period.
- **Deferred compensation instruments:** Using deferred compensation instruments, the long-term alignment of the interests of shareholders and employees is to be achieved by a participation of the employees in the growth in the value of the Group. VP Bank Group deploys both risk-exposed equity-share and index-based plans as well as cash plans as deferred compensation instruments. Entitlement to deferred compensation instruments is dependent on the function exercised and the individual.
- A Performance Share Plan (PSP) exists for the Executive Board and selected key managers. The PSP is a long-term variable management equity participation programme in the form of registered shares A of VP Bank. At the end of the three-year plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of registered shares A of VP Bank.
- In addition, a cash deferral plan exists for the Executive Board and selected key managers. Cash distributions made are distributed in a linear fashion over five years.
- The Restricted Share Plan (RSP) may be used for risk takers in order to comply with regulatory requirements and also, in individual 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. The RSP will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A of VP Bank

Principles of remuneration
Fixed salary Recruitment and retention of committed, capable employees
Variable compensation Encouragement of effective, personal performance management
Stock-ownership models Orientation towards sustainable financial results through the reasonable and controllable assumption of risk
Fringe benefits Market-consistent ancillary benefits for all employees

Through the deployment of deferred compensation instruments, VP Bank Group complies with the legal regulations concerning payment schemes for risk takers, i.e. as a general rule a minimum of 40 per cent of the variable compensation is granted in the form of deferred compensation instruments which are linked to a possible malus and/or claw-back rule and accordingly can be forfeited. The rules on deferred compensation instruments are set out in separate plan regulations.

VP Bank, under certain conditions, may withhold, reduce or cancel variable compensation components awarded to an employee (malus) or reclaim amounts which have already been paid (claw-back).

This applies particularly in the case of the subsequently discovered fault of the employee or in the case of disproportionately high risks being entered into to increase revenues. On leaving VP Bank, the relevant rules laid down by the Board of Directors in the regulations governing the compensation instruments apply.

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

Equity-participation programme

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

Fringe benefits

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

They include the following benefits in particular:

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

Governance

Responsibilities

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

The Nomination & Compensation Committee (NCC) supports the Board of Directors with regard to all aspects relating to the compensation policy. In addition, each year the NCC reviews the remuneration policy regulations in order to ensure that they are up-to-date, compliant and reasonable, along with the class of "risk takers" and monitors their remuneration. The NCC comprises the members Philipp Elkuch (Chairman), Beat Graf and Dr Thomas R. Meier (see chapter Corporate Governance, section 3.5.2 page 84).

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

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

The individual supervisors agree tasks and goals as part of the MBO process and evaluate the achievement of goals at the end of the period. In addition to performance, particular attention is paid to the observance of all relevant regulatory provisions

Tasks and competencies

Content and method of determining fixed and variable compensation

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

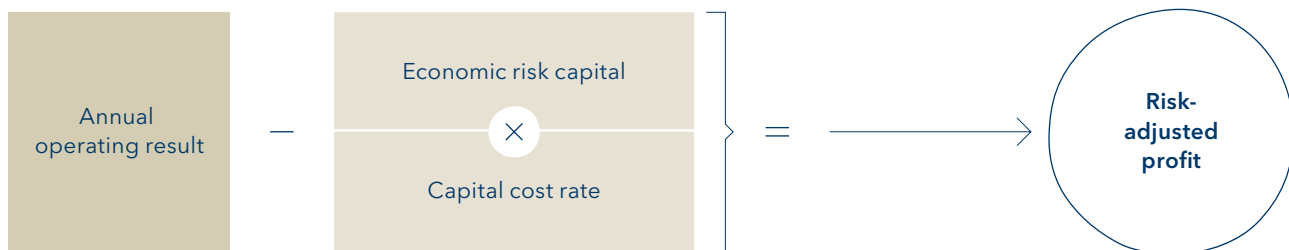
With the budget, the Board of Directors approves the framework for the fixed compensation and, at the end of the year, decides on the level of provisions for the variable portion of salary - taking the annual results into account.

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

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

Further to a request by the Nomination & Compensation Committee (see the chapter Corporate Governance, section 3.5.2 page 84), the Board of Directors establishes the principles applicable to compensation as and the amount of compensation paid to the Board of Directors, as well as the fixed and variable compensation of the Executive Board and the heads of Risk Management and Compliance.

Calculation of the risk-adjusted profit



Allocation of variable compensation

The allocation of variable payments is made on a discretionary basis and in addition to the attainment of quantitative and/or qualitative goals also takes account of the degree of compliance with statutory requirements, guidelines set by the company, including the Code of Conduct, as well as any requirements defined by the client. Longer-term perspectives may also flow into the performance evaluation. The performance evaluation of identified employees is performed based upon the individual's goals as well as the goals of the team, the business segment, the subsidiary and the overall result of VP Bank Group. The variable compensation of employees in controlling functions, internal audit or with legal and compliance tasks is determined based upon the achievement of the targets related to their tasks irrespective of the results of the business units being controlled. A participation in the results of the company or of VP Bank Group is admissible within normal limits and is sensible within the spirit of equal treatment. Achievement of targets is evaluated after the end of the business year within the scope of the performance management process. The amount of the individual variable compensation is determined by the employee's superior.

Compliance with compensation provisions

The compensation practices of VP Bank are in compliance with appendix 4.4 of the Banking Ordinance as well as the EU Directive and are geared to long-term success. The decision concerning the earmarking of a total amount for compensation ultimately lies with the Board of Directors.

VP Bank does not make guaranteed payments in addition to fixed salaries such as end-of-service indemnities agreed in advance. Special payments upon commencement of employment may occur in given individual cases – as a rule, these relate to compensation for foregone benefits from the previous employer.

In application of Liechtenstein law, variable salary components, where applicable, may be cancelled, those withheld may be forfeited or those already paid out may be reclaimed. This applies in particular in the case of proven fault of an employee or the acceptance of excessive risk to achieve goals

Compensation of selected groups of persons

Board of Directors

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

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

Information on the compensation of members of the Board of Directors of VP Bank Ltd is to be found in the financial report, the stand-alone financial statements of VP Bank Ltd, Vaduz, under Compensation paid to members of governing bodies (page 218).

Executive Board

In accordance with the model approved by the Board of Directors on 11 November 2021, the compensation payable to the Executive Board consists of the following components:

1. A fixed base salary; this is contractually agreed between Nomination & Compensation Committee and the individual members. In addition to the base salary, VP Bank pays proportionate contributions to the management insurance scheme and the pension fund.
2. A Performance Share Plan (PSP); this is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd and promotes long-term commitment in the form of equity shares. At the end of the plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of equity shares. This vesting multiple is determined from the weighting of an average Group net income and the average net inflow of new client assets over a three-year period.

Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences and in extraordinary situations. The share of the PSP generally makes up 50 per cent of total variable performance-related compensation.

3. A Cash Deferral Plan (CDP); this is a long-term management equity-participation programme in the form of cash payments. Payment is spread out pro rata over five years.

Until the time when each respective payment is made, the Board of Directors reserves the right to reduce or suspend the cash benefits allocated in the case of defined occurrences and in extraordinary situations. The share of the cash deferral generally makes up 25 per cent of total variable performance-related compensation. Following the introduction of the new model, during the first year the CDP accounted for 20 per cent of variable performance-related compensation.

4. Direct cash compensation (STI), the share of which generally amounts to 25 per cent of total variable performance-related compensation. Following the introduction of the new model, during the first year the STI accounted for 30 per cent of variable performance-related compensation.

Each year the Board of Directors establishes the planning parameters for variable profit-related compensation (PSP, CDP, STI) as well as the respective amounts. The target

share of total compensation varies according to function and market customs.

In 2022, 1,813 shares with a market value as of the date of allocation aggregating CHF 171,328.50 were transferred to the Executive Board as part of the 2019-2021 management equity-participation plan. The vested benefits from previous management stock-ownership plans (PSP 2020-2022, PSP 2021-2023, PSP 2022-2024 and CDP 2022-2026) continue to run unchanged until the end of the plan period.

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

An external advisor who has no other mandates from VP Bank Group was commissioned to structure the compensation model and to verify the vesting multiple.

Information on the compensation of members of the Executive Board is to be found in the financial report, the stand-alone financial statements of VP Bank Ltd, Vaduz, under Compensation paid to members of governing bodies (page 218).

Performance Share Plan	Vesting date	Performance shares		Shares (vesting)	
		Number	Value	Number	Value
PSP 2020-2022	01.03.2023	4,224	647,962	To be determined	To be determined
PSP 2021-2023	01.03.2024	9,862	1,071,999	To be determined	To be determined
PSP 2022-2024	01.03.2025	12,847	1,282,388	To be determined	To be determined

Cash Deferral Plan	Vesting date		Value on vesting date		Value	
	First	Last	Annually	Total	Outstanding	
CDP 2022-2026	01.03.2023	01.03.2027	102,600	513,000	513,000	

Overview of outstanding allocations of deferred compensation (to the members of Group Executive Management in post on 31 December 2022)

Instruments of variable compensation

