

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 Group Executive Management. It also contains information concerning compensation schemes and compensation paid to Members of the Board of Directors and Group Executive Management for the 2023 financial year.

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 Banks and Finance Companies Act (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 Finance Companies (Banking Ordinance, BankO).

In its Notification No. 2/2014 issued on 1 September 2014 concerning the revision of the "Directive on Information Relating to Corporate Governance" (DCG), the Regulatory Board stipulated that in principle all companies listed on SIX Swiss Exchange Ltd must disclose the same information concerning corporate governance. DCG and the DCG guidelines dated 1 January 2023 describe the specific requirements for the disclosure of compensation to Members of the Board of Directors and Group Executive Management. In issuing this compensation report, VP Bank complies with this obligation.

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 remuneration policy of VP Bank Group has corresponded 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 international locations. In addition, the Group has an

international fund competence centre. Details of the business model can be found in the "Strategy 2026" chapter.

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 remuneration 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 remuneration policy and ensure the interlinking of variable compensation with the achievement of the strategic goals of the business.
- The remuneration 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 remuneration 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.
- The remuneration 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 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.

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

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 derived therefrom which are assessed based on objective criteria. This enables internal comparability 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 Members of Group Executive Management 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 five-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. Once the equity shares have been transferred, they remain blocked for one year.

In addition, a Cash Deferral Plan exists for the Members of Group Executive Management 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 or for any severance payments. The RSP will be paid out annually in fifths over a scheduled duration of five years in the form of registered shares A of VP Bank. Once the equity shares have been transferred, they remain blocked for one year.

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.

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

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 compensation 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), Dr Beat Graf, Ursula Lang and Dr Thomas R. Meier (see the "Corporate governance" chapter, section 3.5.2 page 92).

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 compensation.

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.

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

based on the value share approach 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.

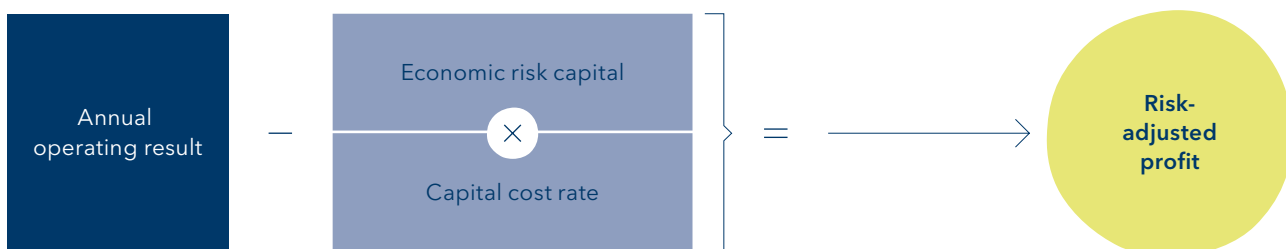
The sum of provisions for variable compensation must be affordable in the aggregate. This should never result in VP Bank Group or any individual subsidiary company falling into financial difficulties. The impact on the Group's equity situation is taken into consideration in this process.

Further to a request by the Nomination & Compensation Committee (see the "Corporate governance" chapter, section 3.5.2 page 92), the Board of Directors establishes the principles applicable to compensation and the amount of compensation paid to the Board of Directors, as well as the fixed and variable compensation of the Members of Group Executive Management and the heads of Risk Management and Compliance.

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 company and the overall result of VP Bank Group on the basis of the value share approach. 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 financial year within the scope of the performance management process. The amount of the individual variable compensation is determined by the employee's superior.

Calculation of the risk-adjusted profit



Compliance with compensation provisions

The compensation practices of VP Bank are in compliance with Annex 4.4 of the BankO 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, shareholdings and loans to 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 on the Board of Directors and its committees or in other bodies. 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.

Audited section

Compensation paid to the Members of the Board of Directors (audited)

in CHF 1,000		Remuneration ^{1,2}						Total remuneration	
		Fixed		thereof in registered shares A (market value)		Retirement benefit plans		2023	2022
		2023	2022	2023	2022	2023	2022	2023	2022
Board of Directors									
Dr Thomas R. Meier	Chairman ^{B, G}	490	490	123	123			490	490
Ursula Lang	Vice Chairwoman ^{B, E}	180	173	45	43			180	173
Dr Mauro Pedrazzini	Vice Chairman ^{F, H, J, M}	153	93	38	23			153	93
Stefan Amstad	BoD ^{C, F, L}	107		27				107	0
Philipp Elkuch	BoD ^{A, H}	160	153	40	38			160	153
Dr Beat Graf	BoD ^{B, D}	145	145	36	36			145	145
Markus Thomas Hilti	BoD ^I		43		11			0	43
Dr Gabriela Payer	BoD ^I		47		12			0	47
Michael Riesen	BoD ^K	53	160	13	40			53	160
Katja Rosenplänter-Marxer	BoD ^F	140	140	35	35			140	140
Stephan Zimmermann	BoD ^{B, H, L}	93		23				93	0
Total Board of Directors		1,522	1,445	381	362	0	0	1,522	1,445

^A Chairman of the Nomination & Compensation Committee.

^B Member of the Nomination & Compensation Committee.

^C Chairman of the Audit Committee.

^D Member of the Audit Committee.

^E Chairwoman of the Risk Committee.

^F Member of the Risk Committee.

^G Chairman of the Strategy & Digitalisation Committee.

^H Member of the Strategy & Digitalisation Committee.

^I Member of the Board of Directors until 29 April 2022.

^J Member of the Board of Directors from 29 April 2022.

^K Member of the Board of Directors until 28 April 2023.

^L Member of the Board of Directors from 28 April 2023.

^M Vice Chairman of the Board of Directors from 28 April 2023.

¹ Social-security costs on the emoluments paid to the Board members are borne by VP Bank.

² Compensation for out-of-pocket expenses is not included.

VP Bank has concluded no agreements on severance payments with Members of the Board of Directors.

Shareholdings and loans to the Members of the Board of Directors and related persons (audited)

in CHF 1,000

	Shareholdings in VP Bank Number of shares (including related parties, excluding qualifying participants)				Loans and credits	
	Registered shares A		Registered shares B		2023	2022
	2023	2022	2023	2022		
Board of Directors						
Dr Thomas R. Meier	5,313	3,854				
Ursula Lang	2,745	2,209				
Dr Mauro Pedrazzini	721	261				
Stefan Amstad ^b	318					
Philipp Elkuch	1,129	652			1,520	1,270
Dr Beat Graf	2,951	2,519				
Michael Riesen ^a		3,134				
Katja Rosenplänter-Marxer	1,359	942				
Stephan Zimmermann ^b	276					
Total Board of Directors	14,812	13,571	0	0	1,520	1,270

Remuneration, loans and credits to related parties: VP Bank Ltd., respectively Group, has provided remuneration by issuing a guarantee to related parties which is at arm's length terms.

Related parties are natural or legal persons who have a close personal, economic or actual relationship with a member of a governing body.

^a Member of the Board of Directors until 28 April 2023.

^b Member of the Board of Directors from 28 April 2023.

End of audited section

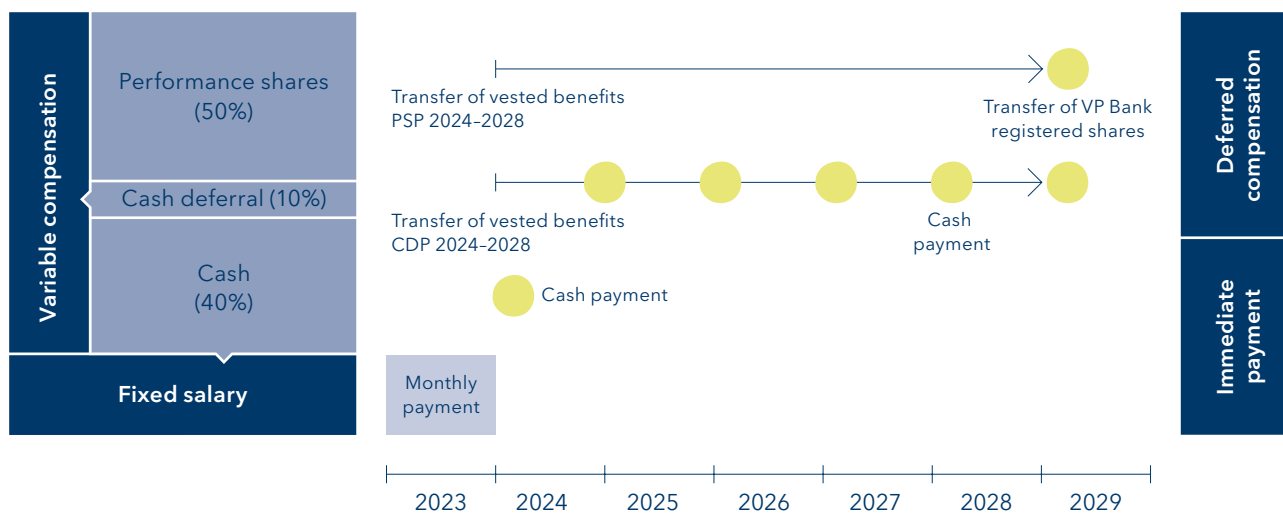
Group Executive Management

In accordance with the model approved by the Board of Directors on 26 October 2023, the compensation payable to Group Executive Management consists of the following components:

1. A fixed base salary; this is contractually agreed between the Board of Directors and 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 five-year 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 new money over the first three years of the plan period. Once the equity shares have been transferred, they remain blocked for one year.

Instruments of variable compensation



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 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. The payout is distributed 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 makes up 10 per cent of total variable performance-related compensation.

4. An immediate cash compensation (STI), the share of which amounts to 40 per cent of total variable performance-related compensation.

The Board of Directors determines the planning parameters of the variable profit-sharing (PSP, CDP, STI) and their amount annually. The target share of total compensation varies in accordance with function and market customs. VP Bank has concluded no agreements on severance pay with the Members of Group Executive Management.

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.

Audited section

Compensation paid to Group Executive Management (audited)

in CHF 1,000	Remuneration ^{1,2}										Total remuneration	
	Fixed basic salary		Short Term Incentive (STI)		Cash Deferral Plan (CDP)		Performance and Restricted Share Plan (PSP/RSP)		Retirement benefit plans		2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022		
Group Executive Management	3,303	3,220	774	506	176	383	986	765	436	448	5,674	5,322
Highest remuneration												
Paul H. Arni	700	700	200	138	50	138	250	275	109	112	1,309	1,362

¹ These amounts do not include fees or lump-sum allowances.

² Length of service awards and severance pay are included.

Group Executive Management was increased from six to seven Members at the beginning of 2023 (cf. table on page 113). The Members of Group Executive Management were paid a fixed basic salary of CHF 3.303 million in 2023. Variable compensation for the year totalled CHF 1.935 million, comprising a cash bonus of CHF 0.774 million and deferred compensation elements totalling CHF 1.161 million.

The Cash Deferral Plan (CDP 2024-2028) will be paid out on a straight-line basis over the next five years. For the 2023 financial year, a total of 10,330 performance shares were allocated to the Members of Group Executive Management as part of the Performance Share Plan (PSP 2024-2028) (previous year: 8,732 performance shares). The number of registered A shares and the corresponding monetary benefit are definitively determined only at the end of the respective plan (or upon transfer of the registered A shares). The plan period has now been set at five years, whereas it was still three years for the entitlement awarded for 2022. The calculation of the number of shares transferred after the end of the plan period depends on the achievement of the targets (net profit and net new money). In addition, the monetary benefit from the respective PSP programme is naturally determined by the share price at the time of the transfer of ownership.

End of audited section

Deferred compensation from previous years

The following payments were made to the Members of Group Executive Management in the 2023 financial year for variable deferred compensation from previous years.

The first tranche of the current plan totalling CHF 88,200 was paid out from CDP 2022-2026.

A total of 2,113 performance shares with a market value of CHF 212,357 on the date of allocation were transferred to the Members of Group Executive Management from PSP 2020-2022, which was part of the compensation for

the 2019 financial year. The vesting multiple applied was 50 per cent.

The vested benefits from previous management equity-participation programmes (PSP 2021-2023, PSP 2022-2024, PSP 2023-2025, CDP 2022-2026 and CDP 2023-2027) continue to run unchanged until the end of the plan period. The following table "Outstanding management equity-participation programmes" shows an overview of outstanding rights to deferred variable compensation from previous financial years for the members of Group Executive Management in post on 31 December 2023.

Outstanding management equity-participation programmes

Performance Share Plan	Vesting date	Performance shares		Shares (vesting)	
		Number	Value	Number	Value
PSP 2021-2023	01.03.2024	9,126	991,996	To be determined	To be determined
PSP 2022-2024	01.03.2025	10,343	1,032,438	To be determined	To be determined
PSP 2023-2025	01.03.2026	8,590	752,570	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	82,600	413,000	330,400	
CDP 2023-2027	01.03.2024	01.03.2028	75,250	376,250	376,250	

Overview of outstanding allocations of deferred compensation (to the Members of Group Executive Management in post on 31 December 2023)

Audited section

Shareholdings and loans to Group Executive Management and related persons (checked)

in CHF 1,000	Shareholdings in VP Bank Number of shares (including related parties, excluding qualifying participants)				Loans and credits	
	Registered shares A		Registered shares B		2023	2022
	2023	2022	2023	2022		
Group Executive Management						
Paul H. Arni, CEO	587				750	
Roger Barmettler, CFO						
Patrick Bont, CRO						
Dr Mara Harvey ^c						
Dr Urs Monstein, COO	7,306	6,328			2,614	2,114
Adrian Schneider ^d	220					
Dr Rolf Steiner ^c						
Thomas von Hohenhau ^a						
Tobias Wehli ^b		6,762				2,135
Total Group Executive Management	8,113	13,090	0	0	3,364	4,249

Remuneration, loans and credits to related parties: VP Bank Ltd., respectively Group, has provided remuneration by issuing a guarantee to related parties which is at arm's length terms.

Related parties are natural or legal persons who have a close personal, economic or actual relationship with a member of a governing body.

^a Member of the Group Executive Management until 31 December 2022.

^b Member of the Group Executive Management until 31 March 2023.

^c Member of the Group Executive Management from 1 April 2023.

^d Member of the Group Executive Management from 1 August 2023.

End of audited section