Annual Report 2022 Partnerships

VP BANK

Seize opportunities through partnerships.

Strategic partnerships are a key pillar of VP Bank's Strategy 2026. Successful cooperation and systematic access to external partners' expertise is essential for the development of innovative, client-focused solutions.

This Annual Report presents a selection of six partnerships established by VP Bank in various fields – from technology, innovation, knowledge and client solutions through to distribution.

Further information concerning this cooperation can be found in the online report at **report.vpbank.com** as well as through daily engagement with the VP Bank team.

Shareholder information

VP Bank at a glance

- Founded in 1956
- Third-largest bank in Liechtenstein
- Approximately 1,000 employees
- Listed on the SIX Swiss Exchange in Zurich
- Rated "A" by Standard & Poor's
- Headquarters in Vaduz, Principality of Liechtenstein, along with five other locations at important international financial centres in Zurich, Luxembourg, Singapore, Hong Kong and Tortola (BVI)
- Focus on asset management for intermediaries and private persons, also operating as a universal bank on the Liechtenstein domestic market
- International fund competence centre

Goals for Strategy 2026

- Growth:
  - net new money >4% p.a. over the cycle
  - income growth of 4–6% p.a. over the cycle
- Profitability: cost/income ratio below 75% by 2026
- Stability: Tier 1 ratio above 20%

Agenda 2023	
Annual results	7 March 2023
Annual general meeting of shareholders	28 April 2023
Dividend payment	5 May 2023
Semi-annual results	17 August 2023

Master data	
Registered shares A, listed on Swiss Exchange (SIX)	
SIX symbol	VPBN
Bloomberg ticker	VPBN
Reuters ticker	VPBN.S
Security number	31 548 726
ISIN	LI0315487269

The complete annual report is also available online and can be downloaded as a pdf.

Annual Report 2022
report.vpbank.com

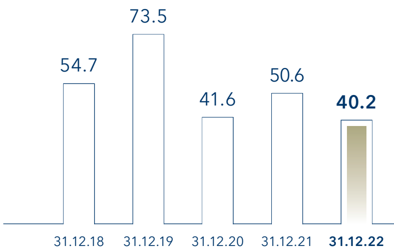
Key figures of VP Bank Group

Our financial year 2022

Net income

CHF million

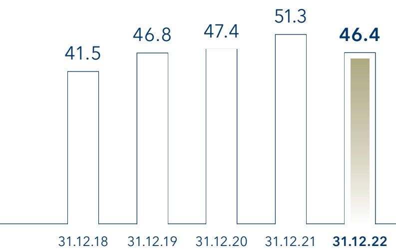
–20.7%



Client assets[1]

CHF billion

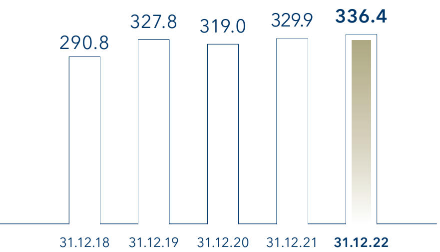
–9.4%



Total operating income

CHF million

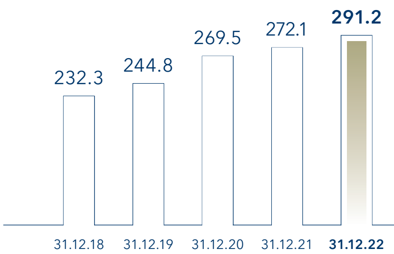
+2.0%



Operating expenses

CHF million

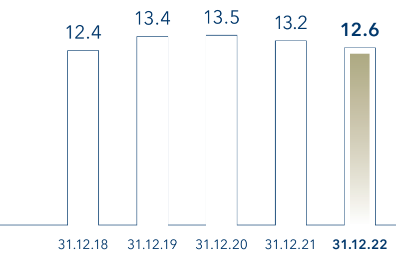
+7.0%



Total assets

CHF billion

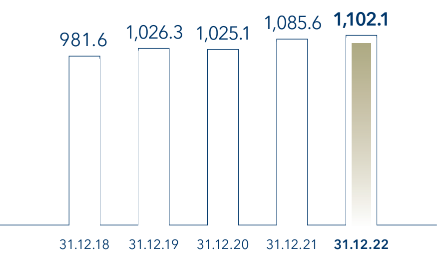
–4.3%



Total shareholders' equity

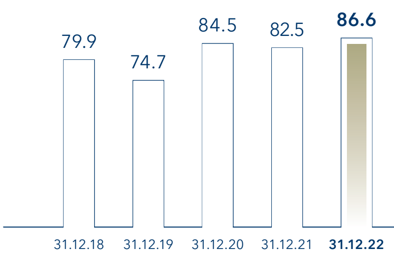
CHF million

+1.5%



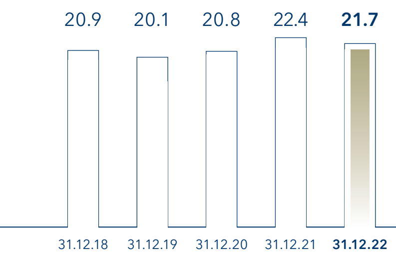
Cost/income ratio[2]

in per cent



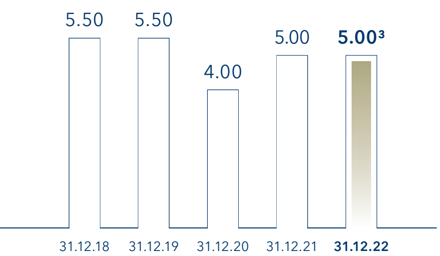
Tier 1 ratio

in per cent



Dividend

CHF



[1] Client assets under management excl. cudstody assets
[2] Operating expenses / total operating income
[3] Proposal to the annual general meeting

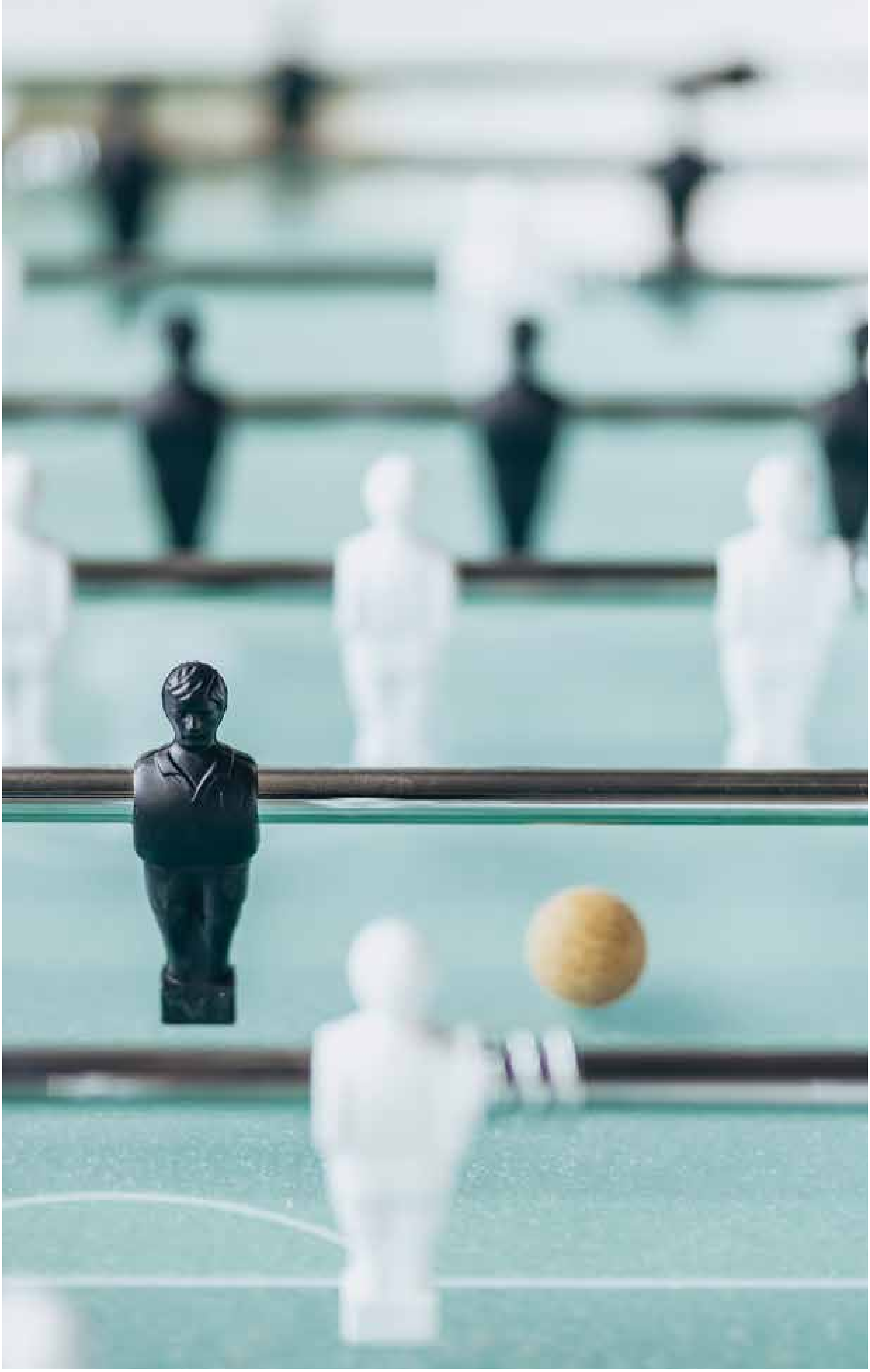
Key figures of VP Bank Group

	2022	2021	Variance in %
Key income statement data in CHF million[1, 2]			
Total net interest income	121.5	110.0	10.5
Total net income from commission business and services	139.6	156.5	–10.8
Income from trading activities	65.5	50.0	31.0
Income from financial instruments	9.4	11.5	–18.3
Total operating income	336.4	329.9	2.0
Operating expenses	291.2	272.1	7.0
Group net income	40.2	50.6	–20.7
Key balance-sheet data in CHF million[1, 2]			
Total assets	12,631.1	13,196.4	–4.3
Due from banks	1,539.9	1,688.9	–8.8
Due from customers	5,758.9	6,237.3	–7.7
Due to customers	10,833.7	11,458.7	–5.5
Total shareholders' equity	1,102.1	1,085.6	1.5
Equity ratio (in %)	8.7	8.2	6.1
Tier 1 ratio in accordance with Basel III (in %)	21.7	22.4	–3.1
Leverage ratio in accordance with Basel III (in %)	8.0	7.6	5.3
Liquidity coverage ratio in accordance with Basel III (in %)	232.6	160.2	45.2
Net stable funding ratio (NSFR) in accordance with Basel III (in %)	158.4	n.a.	
Total client assets under management in CHF million	**46,445.9**	**51,276.6**	**–9.4**
On-balance-sheet customer deposits (excluding custody assets)	10,684.4	11,439.7	–6.6
Fiduciary deposits (excluding custody assets)	493.0	415.8	18.6
Client securities accounts	35,268.4	39,421.2	–10.5
Custody assets in CHF million	**5,837.2**	**7,495.3**	**–22.1**
Total client assets in CHF million	**52,283.2**	**58,771.9**	**–11.0**
Business volumes in CHF million[3]	**52,204.8**	**57,513.9**	**–9.2**
Net new money in CHF million	**1,050.4**	**276.9**	**279.3**
Key operating indicators[2]			
Return on equity (in %)[1, 4]	3.7	4.9	
Cost/income ratio strategy 2026 (in %)[5]	86.6	82.5	
Headcount (expressed as full-time equivalents, excluding student apprentices)[6]	935.0	938.5	
Total operating income per employee (in CHF 1,000)	359.8	351.5	
Total operating expenses per employee (in CHF 1,000)[7]	267.7	251.9	
Group net income per employee (in CHF 1,000)	43.0	54.0	
Key indicators related to shares of VP Bank in CHF[1]			
Group net income per registered share A[8]	6.57	8.33	
Group net income per registered share B[8]	0.66	0.83	
Dividend per registered share A[9]	5.00	5.00	
Dividend per registered share B[9]	0.50	0.50	
Dividend yield registered share A (in %)[10]	5.7	5.2	
Payout ratio registered share A (in %)	76.1	60.0	
Total shareholders' return on registered shares A (in %)[11]	–3.93	–10.18	
Shareholders' equity per registered share A on the balance-sheet date	179.92	178.21	
Shareholders' equity per registered share B on the balance-sheet date	17.99	17.82	
Quoted price per registered share A	87.80	96.60	
Quoted price per registered share B	8.80	9.70	
Highest quoted price per registered share A	107.00	125.00	
Lowest quoted price per registered share A	80.20	93.20	
Market capitalisation (in CHF million)[12]	581	639	
Price/earnings ratio per registered share A	13.36	11.59	
Rating Standard & Poor's	**A/Negative/A-1**	**A/Negative/A-1**	

1 The reported key data and operating indicators are computed and reported on the basis of the share of the net profit and shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz.
2 Details in the notes to the consolidated income statement and consolidated balance sheet.
3 Assets under management and due from customers.
4 Net income / average shareholders' equity less dividend.
5 Total operating expenses / total operating income.
6 In accordance with legal requirements, apprentices are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
7 Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / headcount.
8 Based on the weighted average number of shares (registered share A) (note 11).
9 Subject to approval by the annual general meeting.
10 Based on closing price at year end.
11 Price change compared to previous year closing price plus dividend / closing price previous year.
12 Including registered shares B.

The definitions are available at vpbank.com/apm

vpbank.com/apm



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Statement by the Chairman of the Board and the Chief Executive Officer

Dear Shareholders, Ladies and Gentlemen

It was an exceptional year: war in Ukraine, energy crisis, inflation and rising interest rates. The year 2022 was anything but easy for the financial markets as well. High inflation rates and the sharp response to them by central banks led to unusually high losses on bonds. In Switzerland and the USA – which have an exchange rate history dating back nearly 100 years – fixed-income securities suffered setbacks never before witnessed over that period of time. As a result, in combination with slumping equities, even diversified, conservatively managed portfolios came under heavy pressure. In other words, 2022 was a more than turbulent year.

Resilient core business

The political uncertainties and the upheavals on the capital markets were a challenge also for VP Bank. Nevertheless, our core business proved to be resilient. Our clients entrusted us with a total of CHF 1.1 billion in net new money, representing an increase of 2 per cent. It proved possible to offset declining revenues from investment business through increases in interest income and income from trading activities, resulting in a 2 per cent increase in operating income to CHF 336.4 million – the best income result in VP Bank's last fifteen years. All regions made a positive contribution to this, with the Liechtenstein home market remaining the key pillar in the revenue mix. Despite a challenging market environment, this positive development enabled us to invest further in Strategy 2026 and in our target organisation. In line with original plans, the investments peaked in 2022 at CHF 32 million and in 2021 at CHF 26 million. In the coming years, we are aiming for an investment level of CHF 15 to 20 million annually. Owing to the investments, as well as to one-off extraordinary costs – including for implementation of the restrictions and regulatory requirements in connection with business with Russia – operating expenses rose by 7 per cent to CHF 291.2 million. In the light of this, we view Group net income of CHF 40.2 million achieved by VP Bank Group as a very robust result. VP Bank is also healthy in terms of its capitalisation. With a Tier 1 ratio of 21.7 per cent, it continues to exceed the minimum regulatory requirements by a substantial margin.

Further growth in the home market and international core markets

VP Bank's profitability is founded on its successful existing business in the home market and at the five international locations. Location-specific development plans aim for further growth on the basis of the respective local strengths. In 2022, in order to accelerate growth, the organisation was aligned systematically to that goal. International management was strengthened and pooled in the regions Liechtenstein, Europe and Asia, which report directly to the Group CEO. All client activities were allocated to those regions. We created a new Group Products & Solutions division to create and enhance VP Bank Group's range of services, and it will combine the corresponding competences.
With these adjustments, the Client Solutions business unit was completely absorbed into the new organisation. Client Solutions had performed important developmental work on tokenisation services and private market investments, which were transferred to ordinary operations with this step. The Head of Client Solutions shepherded the transformation and then decided to resign from the Executive Board and leave VP Bank. The organisation is now rigorously focused on marketing and sales activities, and as a result, we are in a very good position to grow our core business yet further.

Foundation laid for Open Wealth

Ecosystems form the basis of a successful future for VP Bank. The technological basis for Open Wealth was laid in 2022. We now have a flexible, scalable IT infrastructure that enables us to develop new client services and integrate products and services of complementary third-party providers. Building on this, the first new services will be developed and integrated in 2023, such as complete digital onboarding for clients of intermediaries, automated Lombard

Paul H. Arni (left) and
Dr Thomas R. Meier

lending, and the establishment of a digital payment transactions interface for trustees in Liechtenstein. We have a valuable unique selling proposition as an intermediary bank, which also forms the basis for successful private banking and for the universal bank in Liechtenstein. Open Wealth is a decisive development for securing and expanding this strength for the future.

Innovations generated

In 2022, our clientèle was once again able to count on our innovative capability. Despite a challenging environment, we succeeded in venturing into new business areas with our tokenisation services. A service for tokenising paintings, watches and even sculptures, which was introduced in late 2021, met with strong client interest and opened the door to a new clientèle. This service was expanded to Asia in 2022. Private market investments are and will remain an important asset class. The private market platform (ORBIT) was realigned in the current financial year as a result of the changed market situation. From now onwards, direct investment options (ORBIT direct) will be chosen and structured through a platform partner with broad access to the asset class. The pilot phase is currently under way. Coupled with a further platform partner for collective private market investments (ORBIT collective), our clients will thus receive a broad service offering for this still important asset class.

Financial objectives focused on growth, profitability and stability

We are convinced that Strategy 2026 is the right course even in a changed market environment. In the light of slowing economic growth, persistent geopolitical uncertainties and negative trends on the financial markets, VP Bank is continuing to focus on cost discipline, technological innovation, sustainability and the long-term development of core business. However, the changed market environment has prompted us to recalibrate the financial objectives that we set for ourselves in early 2020. With annual income growth of 4 to 6 per cent, annual growth in net new money of 4 per cent, a cost/income ratio of less than 75 per cent until 2026 and a Tier 1 ratio of over 20 per cent, we are continuing to focus on the three main pillars of a successful future: growth, profitability and stability.

Steady dividend as sign of our profitability

The Board of Directors proposes that the VP Bank annual general meeting of 28 April 2023 approve an unchanged dividend payout of CHF 5.00 per registered share A and CHF 0.50 per registered share B. At 76 per cent of Group net income, the envisaged dividend payout ratio is above the long-term target range of 40 to 60 per cent set by the Board of Directors. VP Bank is extremely well capitalised and has completed most of the investment cycle. The Bank's profitability and stability make it possible to aim for a dividend that is as stable as possible, despite the difficult market environment.

Thank you

We would like to thank our shareholders and clients for their trust, as well as for the support they have provided us in this eventful year. We also owe a debt of gratitude to our employees for their commitment and flexibility during a time that was not always easy. Having skilled professionals on staff who show extraordinary dedication to their work is certainly not a matter of course in a challenging and rapidly changing environment. We greatly value their contribution.

Dr Thomas R. Meier
Chairman of the Board of Directors

Paul H. Arni
Chief Executive Officer

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VP Bank Group

VP Bank is a private group with international operations. Its core competencies include advisory services and the development of customised financial solutions for intermediaries and private individuals. In addition, the Group has a Centre of Excellence for Funds.

VP Bank is one of the largest banks in the Liechtenstein financial centre. In addition to its headquarters in the Principality of Liechtenstein, VP Bank Group is present with offices in five other locations: Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands. VP Bank Group has a sound balance sheet and a strong capital base. An "A" rating from Standard & Poor's vouches for its financial strength. The bearer shares are listed on the SIX Swiss Exchange.

VP Bank pursues a dividend policy that is balanced in the long term. As a benchmark, 40 per cent to 60 per cent of Group net income is paid out to shareholders. A large proportion of its share capital is in the hands of three anchor shareholders: "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation, "U.M.M. "Hilti-Stiftung" foundation and "Marxer Stiftung für Bank- und Unternehmenswerte" foundation – all of whom guarantee continuity, independence and sustainability. VP Bank has over 1,000 employees and managed client assets (incl. custody investments and client securities accounts) of CHF 52.3 billion as of 31 December 2022.

Commitment and pioneering spirit for more than 65 years

Founded in 1956 in Vaduz, Liechtenstein, VP Bank has grown steadily from a friendly local bank to become an internationally active financial services enterprise. The Bank's founder, Guido Feger, was a successful entrepreneur and one of Liechtenstein's most important trustees. Right from the outset, he demonstrated innovation, competence and courage, while never veering from the fundamental principles of client orientation and financial security. These basic principles have been upheld consistently for almost the last seven decades. In the process, VP Bank has demonstrated that it is not only able to manage fundamental changes in the prevailing framework conditions, but can also exploit them for strategic purposes. It has continuously developed innovations and has even been a trail blazing pioneer. For instance, in 1983 VP Bank became the first company in Liechtenstein to be listed on the stock exchange, writing a piece of Liechtenstein financial centre history in the process.

Entrepreneurial agility still characterises the Bank today, which is also reflected in the current corporate strategy – to combine traditional banking with the advantages of digital ecosystems. The philanthropic activities of VP Bank's founder have as well been continued by the "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation. Moreover, the VP Bank Foundation supports projects, institutions and persons that are prominent in the fields of the environment, arts, education, science and culture as a result of their outstanding efforts. The VP Bank Art Foundation provides support to mostly local talented artists who have yet to gain a foothold on the market.

Expertise and consulting

VP Bank Group has the right size to offer top-notch solutions with a personal touch. It relies on short decision-making paths and independent and sustainable solutions.

In line with its DNA emanating from fiduciary business, VP Bank has proved itself to be an experienced, preferred partner for financial intermediaries over the years. By intermediaries, VP Bank means professional financial service providers such as trustees, external asset managers and family offices. These entities value the Bank's international orientation, with its personal, customised services across multiple locations and modern infrastructure.

Private clients also benefit from the Bank's many years of experience in customised consultation, and at the same time, owing to the Bank's international presence, they also receive access to an expansive network of specialists.

Its core competencies consist of customised wealth management, investment consulting, wealth planning and financing. An international Centre of Excellence for Funds, which manages business with third-party funds, private label funds and the Bank's own investment funds, rounds out the offering by VP Bank Group.

An international banking group with six locations.

1

Liechtenstein

- founded in 1956
- 652 employees
- Location management: Paul H. Arni
- Market responsibility: Tobias Wehrli
- VP Bank Ltd
- VP Fund Solutions (Liechtenstein) AG

2

Zurich

- founded in 1988
- 107 employees
- Location management: Dr Mara Harvey
- Market responsibility: Dr Mara Harvey
- VP Bank (Schweiz) Ltd

3

Luxembourg

- founded in 1988
- 141 employees
- Location management: Claus Jørgensen
- Market responsibility: Dr Mara Harvey
- VP Bank (Luxembourg) SA
- VP Fund Solutions (Luxembourg) SA

4

Tortola

- founded in 1995
- 15 employees
- Location management: Nicholas Clark
- Market responsibility: Tobias Wehrli
- VP Bank (BVI) Ltd

5

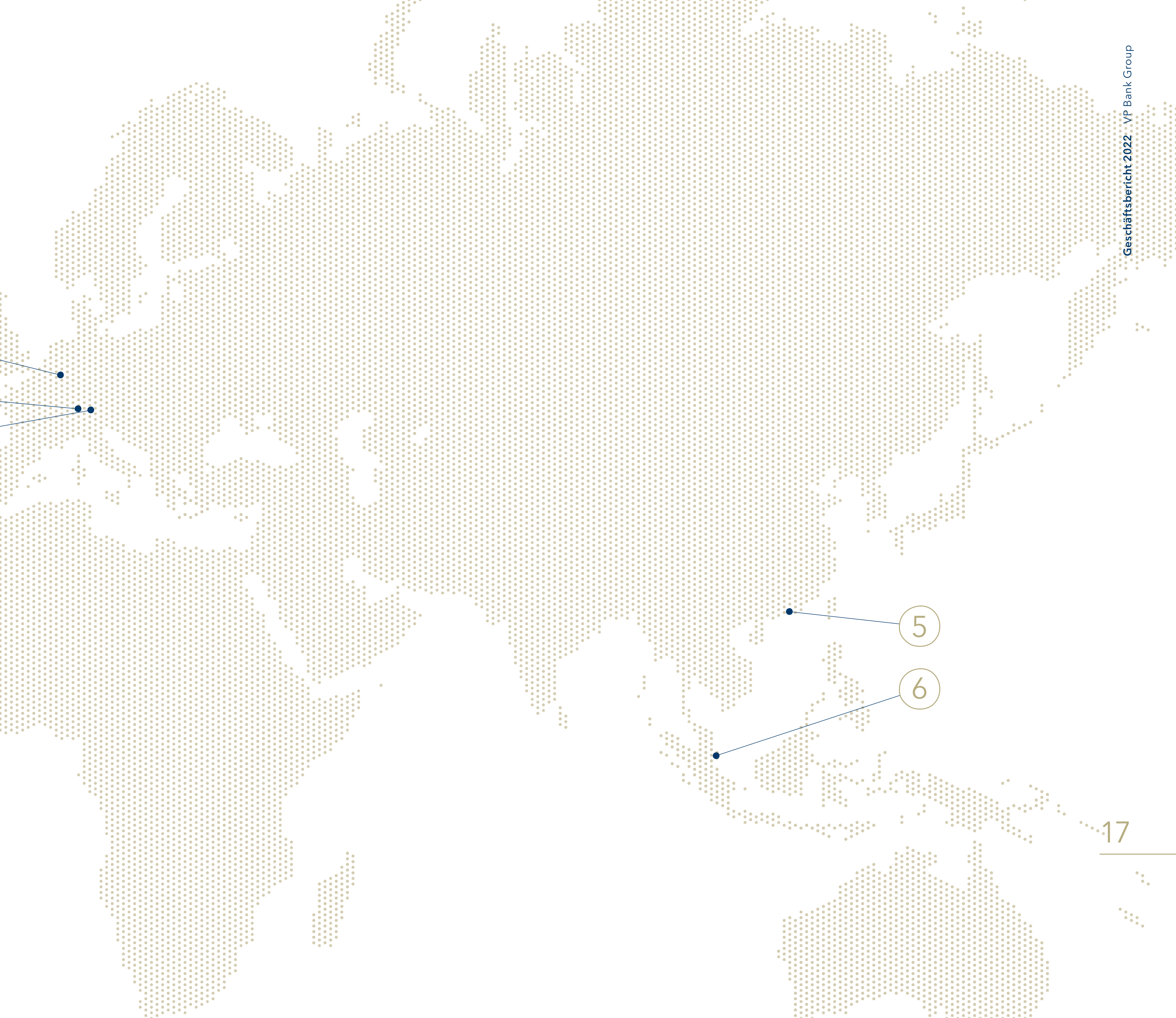
Hong Kong

- founded in 2006
- 17 employees
- Location management: Reto Marx
- Market responsibility: Pamela Phua
- VP Bank Ltd Hong Kong Representative Office
- VP Wealth Management (Hong Kong) Ltd

6

Singapore

- founded in 2008
- 79 employees
- Location management: Johnny Heng
- Market responsibility: Pamela Phua
- VP Bank Ltd Singapore Branch



Client assets

CHF 46.4 billion

Ratio of women

40.5%

Standard & Poor's rating

"A"

1,011 employees

Core competencies

- Partner for financial intermediaries
- Wealth management
- Investment consulting
- Wealth planning
- Financing
- Access to private market investments
- Centre of Excellence for Funds

Sustainability target

CO_2-neutral operational business until 2026

2022 in review

An exceptional year

With innovations, VP Bank continues to develop its Strategy 2026 and tap into new business opportunities.

Structured products

VP Bank announces in **January** that it will expand its range of structured products and act as a guarantor for the first time. To this end, it is using Leonteq's technology platform and international sales mandate.

Cooperation with Jyske Bank

The Danish Jyske Bank is withdrawing from the private banking business for European clients outside Denmark in **February**. Within the framework of a cooperation agreement, their European clients are given the opportunity to transfer their assets to VP Bank in Switzerland.

Best score for "Risk Indicator 1"

In 2022, Dun & Bradstreet Worldwide again awarded VP Bank Group a rating of "Risk Indicator 1" for risk and creditworthiness in **March**. VP Bank Group's outstanding financial stability was instrumental in achieving this great rating.

More highlights in March: Against the backdrop of substantial investments in the Strategy 2026, VP Bank Group reports a Group net income for 2021 of CHF 50.6 million. Dr Lars Kaiser is also starting at VP Bank in the newly created role of Head Group Sustainability.

Annual general meeting of VP Bank

At the 59th annual general meeting in **April**, the shareholders of VP Bank approve all the proposals of the Board of Directors and resolve to increase the dividend.

New portal for financial market analyses and investment recommendations

With its new Research Portal, VP Bank offers all interested parties clear access to current research publications starting in **May**. This gives investors an overview of what is currently happening on the market.

More highlights in May: VP Bank tokenises the first watch in Liechtenstein.

Successful migration of the Avaloq core banking system

With the successful migration of the core banking system, a key milestone was reached in **June** as part of the outsourcing of the IT infrastructure to Swisscom. In addition, the technological prerequisite for an open and flexible system environment was created, which makes it possible to develop and offer new customer services quickly and nimbly with the integration of third-party services.

Another highlight in June: VP Bank is the first bank in Liechtenstein to present tokenised Real Fine Art in the Metaverse.

Excellent Annual Report

VP Bank Group's Annual Report 2021 is awarded six international prizes in **September**. Among other things, the Bank achieved an excellent 2nd place in the Swiss Annual Report Rating in the Value Reporting category.

S&P rating confirmed

In **October**, Standard & Poor's confirmed its very good "A/Negative/A–1" rating for VP Bank.

Future Workplace

To make modern working and collaboration as easy as possible, all VP Bank employees will receive new laptops starting in **December** as part of the "Future Workplace" project. This makes collaboration more mobile, more efficient and faster.

You can find the complete 2022 year-in-review with further highlights online.

2022 in review
vpbank.com/review

F.l.t.r.: Roger Barmettler, Patrick Bont, Paul H. Arni, Dr Thomas R. Meier, Tobias Wehrli and Dr Urs Monstein. Thomas von Hohenhau (not pictured) left VP Bank Group as of 31.12.2022.

Organisational structure

VP Bank has a robust organisation that is able to deal with a high level of complexity and a dynamic, international environment by means of a functional management model, paired with a strong regional orientation. The aim is to ensure optimal, group-wide knowledge transfer with interactions among the employees.

Changes to the organisational structure of VP Bank Group in the 2022 financial year

To drive forward the transformation of VP Bank, the Enterprise Portfolio Board was created as of 1 January 2022. This committee is made up of representatives from Process Project Management and the operational project managers and prioritises the Group-wide initiatives and projects.

As of 1 May 2022, adjustments were made in the Intermediaries & Private Banking and Client Solutions business units to sharpen the client focus and further increase efficiency. Among other things, the introduction of a Sales Management team under the management of André Rheinberger created the necessary structures to intensify market development in a coordinated manner across the regions. In addition, the entire product and service range was consolidated into the Group Product & Service Center under the management of Marcel Fleisch. Among these divisions, additionally, a dedicated team will be set up to manage and develop the digital assets.

To strengthen the position vis-à-vis suppliers and partners, a central unit for procurement management was set up in the CFO's division as of 1 July 2022, under the responsibility of Simon Schmitz. Also as of 1 July, all operational divisions were brought together under the management of Jürg Mühlethaler in the Chief Operating Office.

Changes to the organisational structure of subsidiary companies in the 2022 financial year

As of 1 July 2022, VP Bank has introduced a set of measures for strengthening the regions. The three regions Asia, Europe and Liechtenstein (incl. BVI) were formed, with the regional managers reporting directly to the CEO, Paul Arni. This is intended to ensure the targeted strategic development of the existing business close to the market and to improve effectiveness and efficiency in the interaction between regional and functional priorities. With this step, VP Bank (Switzerland) Ltd and VP Bank (Luxembourg) SA were united in terms of management and combined in the Europe region. The new role of Manager of VP Bank Europe was created for this purpose. The Asia region was already placed under unified leadership in 2021 under the leadership of Pamela Hsu Phua. Tobias Wehrli is responsible for the front-office units in the Liechtenstein home market and at the BVI location.

Changes following the end of the reporting period as from 31 December 2022

The Group-wide expertise for the management and further development of products and client services were bundled in the newly-created Group Products & Solutions division under the leadership of Rolf Steiner as of 1 January 2023. In addition, all clients and market activities were transferred to regional responsibilities. From 1 January 2023, the home market region of Liechtenstein, under the management of Tobias Wehrli, will be responsible for the two fund management companies – VP Fund Solutions in Liechtenstein and Luxembourg, as well as the intermediary and private client business of the home market and BVI. The two fund management companies will also be placed under a single management with Dr Daniel Siepmann. He is also CEO of VP Fund Solutions (Liechtenstein) AG, Thorsten Ries remains CEO of VP Fund Solutions (Luxembourg) SA and now reports to Dr Daniel Siepmann. With these adjustments, the Client Solutions division was completely absorbed into the new organisational structure. Thomas von Hohenhau left the Bank at the end of 2022.

As of 1 January 2023, the Executive Board of VP Bank (Switzerland) Ltd is headed by Dr Mara Harvey. At the same time, she has taken over responsibility for the European region with the two locations Zurich and Luxembourg. Peter Vangehr joins Tanja Bernath in completing the Executive Board of VP Bank (Switzerland) Ltd. The Executive Board of VP Bank (Luxembourg) SA remains unchanged with Claus Jørgensen and Romain Moebus.

Chairman of the Board of Directors
Dr Thomas R. Meier

Group Internal Audit

Chief Executive Officer
Paul H. Arni

CEO Office (incl. Group Communications & Marketing) · Group Human Resources
Chief Investment Officer · Transformation & Process Management · VP Bank Europe
VP Bank Asia

Intermediaries & Private Banking, Tobias Wehrli

IPB Office · Private Banking Liechtenstein · Intermediaries Liechtenstein
Sales Management · Group Credit Office · VP Bank (BVI) Ltd

Client Solutions, Thomas von Hohenhau

CSL Office · CSL Access Partners · Direct Private Markets Investments
Collective Private Markets Investments · Group Product & Service Center
VP Fund Solutions (Liechtenstein) Ltd · VP Fund Solutions (Luxembourg) SA

Chief Risk Officer, Patrick Bont

CRO Office · Group Compliance & Operational Risk · Group Legal Services
CSL Legal, Risk & Compliance · Group Credit Risk · Group Financial Risk
Group Information Security

Chief Financial Officer, Roger Barmettler

Group Finance · Group Treasury & Execution · Group Financial Management & Reporting · Corporate Tax · Investor Relations

Chief Operating Officer, Dr Urs Monstein

COO Support · Group Project Management · Core IT Services · Front IT Services
IT Service Management & Workplace · IT Architecture · Group Operations

The structure of VP Bank Group and its organisational units as per segment reporting can be found on page 109 et seq.

Organisation chart as of 31.12.2022

VP Bank, Vaduz, head office

Organisational unit	Area	Executive management
Board of Directors	Chairman	Dr Thomas R. Meier
	Group Internal Audit	Markus Rohner
Chief Executive Officer		Paul H. Arni
	CEO Office	Dr Rolf Steiner
	Transformation & Process Management	Dr Marcel Tschanz
	Chief Investment Officer	Dr Felix Brill
	Group Human Resources	Dominique Christen
Intermediaries & Private Banking		Tobias Wehrli
	IPB Office	Fridolin Walch
	Private Banking	Martin Engler
	Intermediaries	Jens Breitung
	Sales Management	André Rheinberger
	Group Credit Office	Paolo Pasqualini
	VP Bank (BVI) Ltd	Nicholas Clark
Client Solutions		Thomas Vielhauer von Hohenhau
	Direct Private Markets Investments	Thomas Vielhauer von Hohenhau
	CSL Access Partners	Ermanno Ciarrocchi
	Group Product & Service Center	Marcel Fleisch
	Collective Private Markets Investments	Donat Wild
	CSL Operations	Dr Martin Jonasch
	Fund Client & Investment Services	Wolfdieter Schnee
	VP Fund Solutions (Liechtenstein) AG	Dr Daniel Siepmann
	VP Fund Solutions (Luxembourg) SA	Torsten Ries
Chief Financial Officer		Roger Barmettler
	Group Finance	Dr Philippe Wüst
	Group Treasury & Execution	Claus Hug
	Group Financial Management & Reporting	Robert Kilga
	Corporate Tax	Silvia Baltensperger
	Investor Relations	Michèle Schnyder
Chief Operating Officer		Dr Urs Monstein
	IT Architecture	Yves Mundorff
	Group Project Management	Armin Heeb
	Front IT Services	Gernot Schuh
	Core IT Services	Thomas Ritter
	IT Service Management & Workplace	Doreen Dietze
	Group Operations	Jürg Mühlethaler
Chief Risk Officer		Patrick Bont
	Group Legal Services	Stefan Zünd
	Group Compliance & Operational Risk	Markus Reinacher
	Group Financial Risk	Christian Schnegg
	Group Credit Risk	Fabian Munzinger
	Group Information Security	Martin Möbes
	CSL Legal, Risk & Compliance	Carmen Gwarek
VP Bank Europe		Paul H. Arni a.i.
	VP Bank (Switzerland) Ltd	Peter Vangehr
	VP Bank (Luxembourg) SA	Claus Jørgensen
VP Bank Asia		Pamela Phua
	VP Bank Ltd Singapore Branch	Johnny Heng
	VP Wealth Management (Hong Kong) Ltd	Reto Marx
	VP Bank Ltd Hong Kong Representative Office	Reto Marx

Legal Entity Branch

Legal Entity	Country	State	Executive management
VP Bank Ltd Singapore Branch	Singapore	Singapore	Johnny Heng

Legal Entity with banking status

Legal Entity	Country	State	Executive management
VP Bank AG	Liechtenstein	Vaduz	Paul H. Arni, Tobias Wehrli, Thomas von Hohenhau, Patrick Bont, Dr Urs Monstein, Roger Barmettler
VP Bank (Switzerland) Ltd	Switzerland	Zurich	Peter Vangehr, Tanja Bernath
VP Bank (Luxembourg) SA	Luxembourg	Luxembourg	Claus Jørgensen, Romain Moebus
VP Bank (BVI) Ltd	British Virgin Islands	Tortola	Nicholas Clark, Sjoerd Koster

Wealth Management Legal Entity

Legal Entity	Country	State	Executive management
VP Wealth Management (Hong Kong) Ltd	China	Hong Kong	Reto Marx

Fund Management Company

Legal Entity	Country	State	Executive management
VP Fund Solutions (Liechtenstein) AG	Liechtenstein	Vaduz	Dr Daniel Siepmann, Wolfdieter Schnee, Dr Martin Jonasch
VP Fund Solutions (Luxembourg) SA	Luxembourg	Luxembourg	Torsten Ries, Dr Uwe Stein, Alexander Ziehl

Representative offices

Legal Entity	Country	State	Executive management
VP Bank Ltd Hong Kong Representative Office	China	Hong Kong	Reto Marx

Organisational structure as at 31.12.2022

In 2022, the financial markets were shaped by the economic and political issues of the year, which included the war in Ukraine and inflation.

Global economy

In 2022, the Russian war of aggression on Ukraine dominated the news. At the beginning of the year, there was still hope that the supply chain problems would be resolved and that the desired catch-up effects after the Covid-19 pandemic would come to pass. However, the beginning of the war on 24 February marked a turning point, not only politically but also economically. Gas and oil prices shot up, and it also became clear that Ukraine is an integral component of European supply chains, with the European automotive industry in particular being negatively affected by supply chain problems. But to everyone's astonishment, the economic situation eased during the spring months despite the war. Energy prices fell.

When Russia throttled the supply of natural gas and eventually stopped supplying natural gas via the important North Stream 1 pipeline in the run-up to the regular maintenance work that takes place in the summer months, it was clear that Russia was using the halted supply of energy to put Europe under pressure. This caused forward prices for natural gas to rise to levels never seen before. There was a justified concern that energy rationing might be coming. All of this meant that inflation rates in the Eurozone exceeded 10 per cent and key leading economic indicators plummeted. Switzerland was able to escape inflationary pressures due to the significant appreciation of the Swiss franc and a higher share of administrative prices in the basket of goods considered in inflation calculations.

Central banks on both sides of the Atlantic rushed to keep pace with rising inflation, with the US Federal Reserve (Fed) launching into monetary policy tightening that was more aggressive than anything seen in the past 30 years. However, the European Central Bank and the Swiss National Bank also unexpectedly raised key short-term interest rates by a significant amount, although both banks fell far short of the Fed's guidance. This not only ended the phase of negative interest rates but also raised long-term interest rates to a level not seen in more than ten years. At the same time, both the Swiss franc and the US dollar were among the big winners on the foreign exchange markets, with both currencies benefiting from their reputation as safe havens. The US dollar increased in value further thanks to the aggressive action of the Fed.

Stock markets

At the beginning of the most recent financial year, signs pointed to an easing of the economic situation. The stimulus package put together in Europe began to exhibit positive impacts, with loosening of the public health restrictions also leading to improvements in international transport. Regional retail gradually returned to normal business operations, and the US economy continued to experience strong growth.

This trend was abruptly interrupted in the first quarter. The outbreak of war in Ukraine sent Europe into crisis mode, with sanctions on Russian energy exports fuelling inflation that was already on the rise. A temporary energy shortage and escalating prices for gas and electricity also led to renewed deterioration in production and supply chains. In the United States, the Fed was already forced to institute a sharp rise in interest rates in March. On the capital markets, stock markets collapsed worldwide, with the bond market also experiencing historic turbulence.

Technology stocks were already entering a consolidation phase, but they were hit particularly hard by the interest rate hikes. Investors' increasingly defensive stance led to the US and emerging markets underperforming the global equity market in 2022. Japan and Europe exhibited relative strength during the year. This is due to a lower share of technology companies as well as comprehensive government investment programmes, which have been additionally extended to include the transformation of the energy sector, particularly in Europe. Although initial signs of a less dynamic inflation trend could be observed, high energy costs did not begin to have an elevated impact on private households and energy-intensive companies until the fourth quarter. This caused market participants to look to the new stock market year with a certain degree of scepticism.

VP Bank communicates a true and fair picture of the Group to shareholders and other stakeholders in an open and ongoing dialogue.

VP Bank market capitalisation

The share capital of VP Bank consists of bearer shares listed on the SIX Swiss Exchange as well as unlisted registered B shares. At the end of 2022, the market capitalisation based on all bearer shares and registered B shares amounted to CHF 580.83 million. Bearer shares and registered B shares differ in nominal value per share by a factor of 10, which is directly reflected in the price per share. In this challenging year, market capitalisation decreased by 9.1 per cent compared to the previous year.

The number of shares issued, excluding treasury shares, remained constant in comparison with the previous year: 6,015,000 bearer shares and 6,004,167 registered B shares.

Share price development and trading volume

VP Bank shares got off to a positive start in the 2022 stock market year, reaching their high for the year of CHF 106 on 16 February. The Bank's shares were also clearly outperforming the Swiss Performance Index and the Supersector Banks Index at this point in time. However, share performance fell with the start of the war in Ukraine, and the share price then remained below CHF 100. In the second half of the year, the share ranged between a price of CHF 80.2, the low reached on 14 July 2022, and CHF 90.8, with an ultimate closing price of CHF 87.8 on 31 December 2022. The share closed at an average price of CHF 91.3. Over the year, VP Bank shares dropped in value by 9.1 per cent. Taking into account the dividend payment of CHF 5.00, VP Bank generated a return of –4.3 per cent in 2022. This is roughly 13.4 per cent below the return of the Swiss Bank Index, but compared to the Swiss Performance Index, this represents an outperformance of 14.5 per cent.

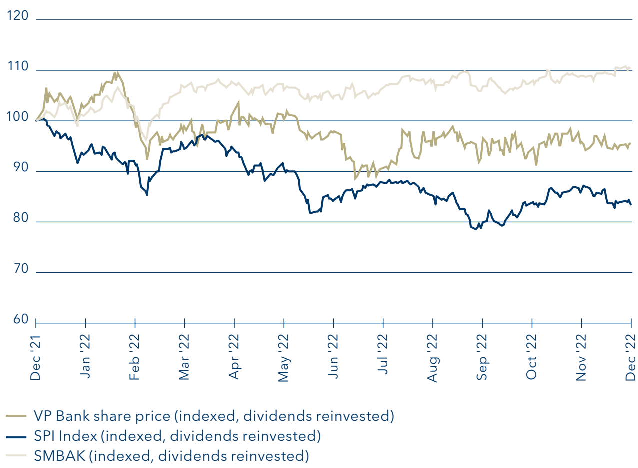
In 2022, the trading volume of VP Bank shares on the SIX Swiss Exchange was 538,729 shares, or an average of 2,121 shares per day, significantly lower than the 2,711 shares per day in 2021. This reflects the generally low trading volume on the market.

Share price performance 2018 to 2022

in CHF

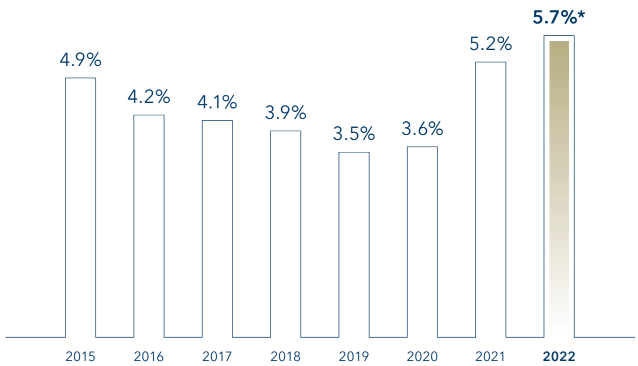
VP Bank share compared to the Swiss stock market

indexed, dividends reinvested



Dividend yield performances of VP Bank shares

calculated based on the closing price at end of the previous year



* Proposal to the annual general meeting: dividend of CHF 5.00

vpbank.com/share

Shareholder base

VP Bank can count on three significant shareholders who hold either more than 10 per cent of the share capital and/or more than 5 per cent of the voting rights. (→ Chapter Corporate Governance, Significant Shareholders page 76). VP Bank has around 3,207 shareholders entered in the share register in total. The largest 20 shareholders hold around 56 per cent of the issued share capital and 72 per cent of the voting rights.

Dividends

VP Bank strives to maintain a constant dividend, with a goal of paying out 40 per cent to 60 per cent of Group net income to shareholders. In May 2022, VP Bank paid a dividend of CHF 5.00 per bearer share, which corresponded to a payout ratio of 60 per cent and reflects a dividend yield of 5.2 per cent in relation to the share price at the end of 2021. For May 2023, VP Bank is proposing a dividend of CHF 5.00 per bearer share, which corresponds to a dividend yield of 5.7 per cent at the end of 2022. The payout ratio is 76 per cent. On the basis of its very good capital base, VP Bank has decided to propose a dividend amount that is higher than the targeted payout ratio.

Analyst recommendations

Investment experts monitor the performance of VP Bank and share their assessments and expectations with the investment community. Four analysts regularly publish reports on VP Group: Kepler Cheuvreux, Mirabaud Securities LLP, Research Partners and Zürcher Kantonalbank.

All four analysts issued a buy/overweight recommendation at the beginning of 2022. Two of them revised this recommendation slightly during the year and now recommend "hold/market weight".

Investor relations goals

Investor Relations

- Achieve fair capital market valuation
- Convey long-term strategy
- Clarify future prospects
- Strengthen investor loyalty
- Attract investors
- Build trust

VP Bank credit ratings

VP Bank is one of the few private banks in Liechtenstein and Switzerland to be rated by international rating agency Standard & Poor's. In order to ensure an accurate assessment, VP Bank maintains regular contact with S&P analysts and continuously informs them of business developments.

In October 2022, rating agency Standard & Poor's confirmed VP Bank's good "A" rating (A/Negative/A–1), which is largely justified by the Bank's very strong capitalisation, stable client and shareholder structure, and solid refinancing position.

The measures initiated in 2020 and now completed with regard to processes, duties, competencies and responsibilities bolstered VP Bank's governance considerably. Standard & Poor's rating reports can be downloaded as a PDF file from the VP Bank website in the "Investor Relations / Ratings" section.

Bonds

VP Bank Ltd placed a total of three bonds in 2015 and 2019. For information on terms, interest rates and maturities, please refer to note 26 (→ page 173).

Annual reports

VP Bank's published annual and semi-annual reports help enhance communications with institutional and private investors. These reports are complemented by the website www.vpbank.com / Investor Relations, and reports and all current information are posted online at report.vpbank.com.

The continuing development of VP Bank Group's annual report in accordance with international trends and legal requirements is taken seriously. VP Bank Group's Annual Report 2021 received a total of six international awards, recognising the outstanding quality of the VP Bank's communications policy and again demonstrating its creative design prowess. VP Bank Group's annual report was awarded number 2 in the HarbourClub and Bilanz's Swiss Annual Report Rating in the category Value Reporting. With a superb jury comprising design experts and financial professionals, this rating is the most important in Switzerland and the largest of its kind. VP Bank was also thrilled to receive additional awards at the famous "ARC Awards" in the United States. The print edition of the Annual Report 2021 was awarded Gold and named Grand Award Winner in Best of Category Western Europe, with VP Bank prevailing among 1,656 submissions from 33 countries. The ARC Awards, the world's largest competition held exclusively for annual reports, have been conferred in the United States for 36 years.

VP Bank also received a Gold Award for its printed report and a Platinum Award for the online version with 99 out of a possible 100 points at the 20th League of American Communications Professionals (LACP) Vision Awards in the United States, featuring around 1,000 participants from 21 countries. The printed annual report received another Gold Award at MerComm's Galaxy Awards in the United States as well as a Bronze Award for the print report 2021 from the 19th International Business Awards of the "Stevie Awards", also in the United States. The winners of the Stevie Awards were chosen from more than 3,700 nominations submitted by organisations from 67 countries.

Annual reports, letters to shareholders, presentations and regulations can be viewed at www.vpbank.com / Investor Relations. Investors and stakeholders can also find current information about the latest developments on the social media platforms Twitter and LinkedIn.

Annual general meeting

At VP Bank's 59th ordinary annual general meeting on 29 April 2022 in Vaduz, the shareholders approved all of the resolutions proposed by the Board of Directors. Payout of a dividend of CHF 5.00 per bearer share and CHF 0.50 per registered B share was approved. Shareholders were able to follow the annual general meeting via live stream on the VP Bank website. Presentations and minutes are available on the website at www.vpbank.com / Investor Relations / General meeting of shareholders.

The next ordinary annual general meeting will be held on 28 April 2023.

Contact

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Head of Investor Relations
T +41 44 226 24 33 · investor.relations@vpbank.com
www.vpbank.com / Investor Relations

Dates	
Publication of 2022 annual results	Tuesday, 7 March 2023
60th Annual General Meeting	Friday, 28 April 2023
Ex-dividend date	Wednesday, 3 May 2023
Dividend record date	Thursday, 4 May 2023
Dividend payment date	Friday, 5 May 2023
Publication of 2023 interim results	Thursday, 17 August 2023

VP Bank share details	
Bearer shares, listed on the SIX Swiss Exchange	
Listed shares	6,015,000
Free float	52.45%
SIX symbol	VPBN
Bloomberg ticker	VPBN
Reuters ticker	VPBN.S
Securities number	31 548 726
ISIN	LI0315487269

2022 share data	
High (16.02.2022)	107.00
Low (14.07.2022)	80.20
Closing price (30.12.2022)	87.80
Average price	91.30
Market capitalisation in CHF millions	580.83
Group net income per bearer share	6.57
Price/earnings ratio per bearer share	13.36
Dividend per bearer share (proposed), CHF	5.00
Dividend yield net in %	5.7
Standard & Poor's rating	A (A/Negative/A-1)

Partnership technology

Top-notch technology standards and elevated IT security.

The IT infrastructure of VP Bank and the technical operation of its systems have been turned over to Swisscom. This enables the Bank to focus on its core competencies and to consolidate and further expand its sound market position.

Interview with Robert Gebel, Head of Banking Swisscom, Urs Monstein, Chief Operating Officer VP Bank and Doreen Dietze, Head of IT Service Management & Workplace VP Bank.

How important is digitisation and thus the IT infrastructure for the future of VP Bank?

Urs Monstein: Today, digital innovation is a prerequisite for ensuring competitiveness in almost all industries – including the financial sector. To consolidate and further expand our sound market position, our technological and digital infrastructure must be top notch and able to keep pace with modern developments such as cloud technology. Because Swisscom are specialists in infrastructure and communication technologies, we chose a partner that can provide us with optimal advice and support with respect to current developments.

Which specific objectives is VP Bank pursuing with the IT partnership?

Doreen Dietze: The partnership aims to introduce flexible, high-performance IT processes and cost-efficient technology standards. In connection with this, the IT infrastructure and the technical operation of our systems were handed over to Swisscom. That way, our IT employees gain more capacity and can focus on enhancing our systems and implementing strategic projects.

Why is cloud technology so important, and why is an external partner needed for it?

Doreen Dietze: Digital transformation is impossible without cloud technology. It advances fundamental change and at the same time creates the conditions for speed and stability. With the aid of cloud technology, services like data storage, security, networks, software applications and business intelligence are available over the internet and thus around the clock and from any location. For instance, our "Future Workplace" environment runs in the cloud. It enables us to get access to all data regardless of location and time of day. This makes us more mobile, more efficient and faster. However, management of this technology is becoming increasingly complex, and the innovation spiral is revolving ever faster. For VP Bank as a financial service provider, actively advancing this development is not part of core business. There are specialised providers for this that have comprehensive expertise in this field. We can benefit from their experience. Swisscom is very broadly positioned, particularly in the area of modern cloud platforms.

Why was a partnership with VP Bank interesting to Swisscom, and what experience do you have with financial service providers?

Robert Gebel: For nearly 25 years, I have worked at the interface between the financial industry and information technology. The importance of IT technology for banks and their clients and the possibilities it affords never cease to fascinate me. What I find particularly impressive is the professionalism and the sense of responsibility that financial institutions bring to bear when designing and developing their IT. This is also the case with VP Bank. For Swisscom, the Bank is an important client in a business sector that is strategically important to us. In the banking segment, IT has to meet international requirements, must be especially flexible, and at the same time is subject to the highest security requirements. VP Bank's decision to outsource the infrastructure to Swisscom is ambitious and foresighted. Due to the scope of the issues, the project was challenging and complex for VP Bank and Swisscom. Together, we succeeded in migrating the last of more than 100 applications on time in 2022. I am personally very pleased about that. We are now working to establish stable 24/7 operations so that VP Bank is always at the ready. Ready for the future.

How do VP Bank clients benefit from the partnership with Swisscom?

Urs Monstein: IT security is a key concern and a very important aspect. Owing to our partnership with Swisscom, we are connected to its "Security Operation Center", where our systems are monitored day and night against cyber attacks. This enables us to offer our clients elevated security for their data and also to protect our operating systems.

And by outsourcing our IT infrastructure to Swisscom, we have put it on a new technological footing. It is compatible and flexible and can be expanded with many other offers. Based on a wide array of innovative products and services as well as digital advisory processes, we want to strengthen our client relationships and further improve the client experience.

IT security is a key concern and a very important aspect. Owing to our partnership, our systems are monitored day and night against cyber attacks.

More information about the Swisscom partnership
vpbank.com/swisscom

Increased security with the Swisscom Security Operation Center.

Robert Gebel and Urs Monstein (right) discussing the topic of "Moving together towards digital transformation".

02

Corporate strategy

Trends in the financial sector

Client needs are in flux and technological progress is accelerating. Strategy 2026 sees VP Bank refine its business model so it can benefit from these developments.

Client needs – a generational shift towards digital natives

On average, the populations of industrialised nations are getting steadily older. A significant proportion of assets and/or decision-making responsibility for asset-related matters will transfer to generation X and millennials over the next few years. They are the first generations to be termed "digital natives".

Digital natives are used to information being available near-instantly and to receiving individual offers tailored to them, 24/7. As a result, even today, banks need to be able to use open architecture so they can quickly customise products and services to client's needs and put them at their disposal.

High-net-worth clients are becoming more international, with a correspondingly increase in the number of bank relationships in various countries. In turn, this will also see demand for cross-border wealth management services rise. This is being triggered by geopolitical changes or, rather, the quest for stability and security in asset-related matters.

The future generation will also have a marked need for personal advice. In particular, this will take the form of "navigation support" to address the increased complexity and range of options within financial services, greater complexity in terms of wealth management needs, the behaviour of international clients and, increasingly, the relevance of the time required for their own wealth management.

Sustainability – an increase in demand

To find out more about the contribution that VP Bank is making to the sustainable development of the financial sector, please see the chapter "Commitment to sustainability".

Technology – the digital transformation picks up the pace

At the same time, the digital transformation continues to pick up the pace. The value of data will continue to grow with the use of data analytics and artificial intelligence, which leads to customised offerings on the client side and to accelerated internal processes. In parallel to this, data security and cyber security measures are growing in importance as hacker attacks are becoming increasingly sophisticated.

Cloud computing will play an increasingly central role in the banking sector, and not only for these security aspects: specifically, it enables smaller and mid-size banks, in particular, which do not undertake a large amount of development work themselves, to access the relevant standard technologies.

Distributed ledger technologies (blockchain) will continue to gain a foothold and will assume a key role in certain application areas. VP Bank picked up on this trend at an early stage with its digital asset offering and will continue to expand this range on an ongoing basis.

Industry – clear positioning becomes ever more important

New technologies do not just facilitate the creation of new services: they also disrupt existing processes and value chains. While banks still currently bear a resemblance to universal banks with a comprehensive range of products and services, they will specialise over the next few years, at the same time as integrating complementary partner benefits. In this respect, it is to be assumed that banks will enter into collaborations and take on shareholdings to develop a broad range of products and services as part of complementary solutions for clients.

This development is known as "open banking". VP Bank laid crucial foundations in this vein in 2022 on which it can build to successively expand its wealth management range with complementary third-party services.

This could lead to standard services being outsourced to specialist providers which, in turn, generates economies of scale. This can also give rise to strategic partnerships focused on market cultivation and product creation alike.

Regulation – complexity increases

The financial industry is already very heavily regulated at present and the barriers to entry are high. At the same time, this also demands a further increase in the quality of client protection, data protection and tax transparency. Companies like fintechs or bigtechs will need to get to grips with the relevant regulations.

Providing regulation-compliant advice and a range of services based on this will keep becoming ever more complex. As a result, it is likely that institutes will become increasingly specialised. At one and the same time, this specialisation will go hand-in-hand with enhanced collaboration with partners and with the creation of ecosystems.

Strategic orientation

VP Bank's Strategy 2026 builds on its strong existing business in Liechtenstein and in five international locations and develops that business further in a targeted manner. With an open IT platform for investment-related services, traditional banking will in future be combined with the advantages of digital ecosystems. This way, the Bank is opening up new, future-oriented business opportunities.

1. Business model

International representation with local roots

Founded in 1956 in Vaduz, VP Bank has evolved into an internationally oriented banking group, and today is one of the three largest banks in Liechtenstein. Strengths and unique selling propositions have emerged from its intermediary business. VP Bank's founder, Guido Feger, was a successful entrepreneur and one of Liechtenstein's most significant trustees. Building on this tradition and the accompanying track record, VP Bank continues to offer top-notch solutions and client services for trustees, external asset managers, family offices and other professional financial service providers. It also makes its in-depth expertise, personal advice and its international network available to wealthy private clients in the area of private banking. In its attractive home market of Liechtenstein, retail and corporate client business is a further strategic focus area.

Business segments

Intermediaries

Intermediaries include professional financial service providers, in particular trustees, external asset managers and family offices. Business and cooperation with intermediaries is a strategic focus area. The bank invests accordingly in the continuous expansion of its range of services, easy access to expert and market opinions, and the maintenance of modern and secure data interfaces.

Private banking

VP Bank is an experienced partner for wealthy private individuals. Its core competencies consist of customised wealth management (incl. client solutions), investment consulting, wealth planning and financing. Sustainability is an integral part of all investment and advisory processes. Key services are provided in all locations, and holistic advisory services are provided at select locations.

Retail & Commercial Banking in Liechtenstein

In the Bank's home market of Liechtenstein, business with intermediaries and wealthy private clients is supplemented by retail business and corporate client business. This business segment makes an important contribution to the Group-wide revenue mix. This includes basic banking services such as savings and payment transactions, real estate and business financing, as well as a discounted offer for young people and students. The products and client services are distributed through personal and hybrid consultation via digital channels.

Fund Solutions

VP Bank has an international fund competence centre at its disposal, which encompasses business with third-party funds, private label funds as well as in-house funds. The fund related services range from the establishment of funds, fund administration, risk management, custodian bank, custodian bank business, UCITS- or AIFMD-compliant management, management companies and sales support to fund brokerage and portfolio management.

2. Regions and locations

VP Bank Group's services are offered in key financial centres through its home market of Liechtenstein and its five international locations in Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands (BVI).

The responsibilities for market development are organised regionally. The three regions – Liechtenstein incl. BVI, Europe and Asia – are responsible for the results and are supported by the Group at a functional level. The regional development plans are tailored to local growth opportunities in our core segments and support profitable and sustainable growth in the target markets.

Liechtenstein region (incl. British Virgin Islands)

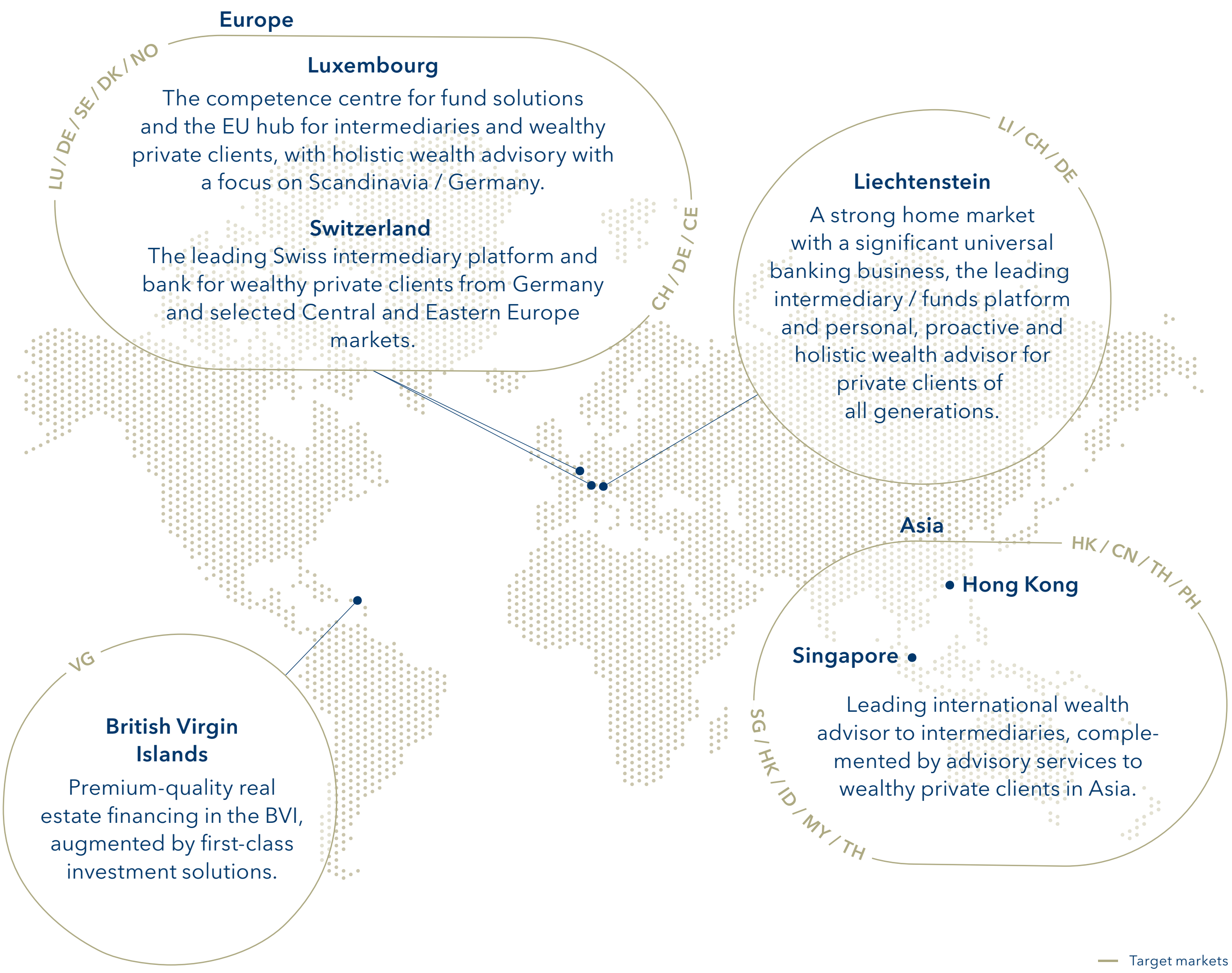
Liechtenstein has been the location of the Group's head office and VP Bank's home market region since 1956. A comprehensive range of intermediary and private banking client services is complemented by fund services and a significant universal banking business. In addition to Liechtenstein, the target markets also include the neighbouring regions of Switzerland and Germany.

VP Bank has been represented by a subsidiary in the **British Virgin Islands** (BVI) since 1995. VP Bank (BVI) Ltd acts primarily as a real estate and credit financier, augmented by first-class investment solutions.

Europe region

VP Bank has been represented in **Switzerland** by its subsidiary VP Bank (Switzerland) Ltd in Zurich since 1988. It offers a state-of-the-art client services platform for intermediaries and comprehensive advice for wealthy individuals. The development of the target markets for Switzerland, Germany, Central and Eastern Europe is managed from Zurich. Russia is no longer a target market for VP Bank Group following Russia's attack on Ukraine. New clients domiciled in Russia and Belarus will no longer be accepted. Germany has traditionally been a target market for VP Bank for many years. VP Bank takes advantage of the opportunities afforded by a simplified exemption in Germany. This exemption allows VP Bank (Switzerland) Ltd to directly and actively attract clients in Germany and to serve them across the border.

The regions and locations of VP Bank Group



Luxembourg is a centre of excellence for fund solutions in Europe. Through VP Fund Solutions (Luxembourg) SA, comprehensive fund solutions have been offered as a one-stop shop since 1993. VP Bank (Luxembourg) SA, founded in 1988, offers cross-border wealth management services to wealthy private individuals in Luxembourg as well as in Scandinavia (Denmark, Norway and Sweden). It also offers a modern service platform to intermediaries.

Asia region

VP Bank has been represented as an asset manager in **Hong Kong** since 2006, and in **Singapore** with a licensed banking branch since 2008. In the Asian region, this provides a growing number of intermediaries with a state-of-the-art service platform, and wealthy private clients with advisory services in wealth management. Besides Singapore and Hong Kong, the target markets are Indonesia, Malaysia, Thailand and the Philippines. China, which is attractive for growth in wealth management, is handled through cooperation with the recognised Chinese financial services provider Hywin Wealth International, which operates out of Hong Kong.

3. Strategy 2026 – Seizing opportunities

Combination of traditional investment advisory services with the advantages of digital ecosystems

The foundation of the Strategy 2026 builds on successful existing business with intermediaries and private clients, which is being developed with a regional approach in a targeted manner. The individual regional development plans are aimed at achieving growth in the home market and at all five international locations in a focussed approach based on the respective local strengths.

However, wealth management also needs new ideas and business models in order to offer clients an attractive and differentiated value proposition in the future. The decisive drivers in this regard are the accelerated transformation due to technological change, the fundamental issues concerning sustainability and the upcoming shift to the first generations of digital natives. The value chains of financial service providers are being reorganised and client needs must be met more individually. Combining the traditional wealth management business with the benefits of digital ecosystems is therefore at the heart of VP Bank's strategic development. By combining trustworthy, competent advice with complementary services from third-party providers, VP Bank is evolving into an ecosystem that makes a broad range of wealth-related services accessible to its clientèle. In addition, VP Bank is selectively expanding its sources of income.

Strategy 2026 will further develop the service world for intermediaries and wealthy private clients. In future, clients will choose from a set of modular options that will include services provided not only VP Bank, but also those on offer from complementary third-party service providers. They will be able to do this seamlessly across all media, without necessarily having to be a banking or securities account holder with VP Bank. Providing non-clients with access to parts of the offer enables the Bank to increase the available market significantly by tapping into its existing strong network of intermediaries. The long-term personal collaboration we offer through our advisers remains key to this strategy. Assets and their management is a personal matter, and in these times of a multiplicity of interchangeable options, the Bank continues to attach the highest importance to advice and trust.

Strategic focus areas and initiatives

VP Bank pursues its goals through clearly defined strategic focus areas. With "Evolve", it builds on its strengths and further develops the existing Group-wide business in the home market and at the international locations with a regional approach. "Scale" optimises and scales bank-wide processes and systems. This will create the technical foundation for the further development of the business model and exploit efficiency opportunities. With "Move", selective new business opportunities are opened up. This currently includes curated access to private market solutions or the digitisation of previously unbankable real assets. The implementation of the priorities is based on twelve strategic initiatives.

Evolve

Driving the existing business forward

- Frontline Excellence
- Investing for Change
- Regional Roadmap

The initiatives within "Evolve" promote profitable growth and the targeted further development of existing locations and core segments. The focus is on the following three strategic initiatives:

Frontline Excellence aims to create unique and sustainable client experiences as well as to provide clients with holistic and forward-looking advice on their specific asset situation. In addition to regular training and coaching, this also includes reviewing existing processes, the consideration of increasing regulatory requirements, the introduction of structured sales instruments and new tools. This is all done with a view to supporting the advice provided by ourselves throughout the life cycle of a client relationship.

Strategy 2026

Claim

Seize opportunities

Positioning

VP Bank: the international Open Wealth Service pioneer

By offering an open platform for wealth management services, we have come up with a groundbreaking new approach to wealth management, paving the way for a new chapter of "Open Wealth". We are combining traditional banking business with the advantages of digital ecosystems to create an open service environment.

Business segments

Intermediaries

Comprehensive, seamlessly integrated client wealth services for trustees, external asset managers, family offices and other professional financial service providers through our Open Wealth Service platform, which provides access to proprietary and third-party products and services.

Private Banking

Personalised and holistic, sustainable wealth management services that build on our traditional strength.

Retail & Commercial Banking

Highly efficient banking and financing services for private and corporate clients in our home market of Liechtenstein.

Fund Solutions

International fund centre of excellence with a broad range of client services ("One-stop Shop") for third-party funds, in-house investment funds and private label funds.

Strategic focuses

Evolve

Organic growth of the existing business forward

- Frontline Excellence
- Investing for Change
- Regional Roadmaps

Scale

Enhanced effectiveness, scaling and cost discipline

- Process Management
- Platform Foundation
- Project Athene

Move

Selective opening up new business opportunities

- Open Wealth Service Platform
- Data Analytics
- Digital Assets

Fundament

Enable

Building the foundation for the future

- Financial Steering Framework
- People Strategy
- Risk Robustness

The systematic consideration of sustainability issues at both bank and investment level is a cornerstone of Strategy 2026. **Investing for Change** aims to offer clients the greatest possible transparency and guidance with regard to the sustainability of their investments. A focus is also being placed on the development of new sustainable products and client services, for example the unique Sustainability Plus Mandate.

With the **Regional Roadmaps**, the Liechtenstein home market and the international locations are further developed on the basis of a regional approach. Growth through a focus on expanding local networks and in-depth market knowledge is the goal. High importance is attached to filling regional and local responsibilities.

Scale

Enhanced effectiveness, scaling and cost discipline

- Process Management
- Platform Foundation
- Project Athene

With the initiatives within "Scale", VP Bank is striving to further increase effectiveness and efficiency within the Group. The focus is on the following three strategic initiatives:

Process management should ensure faster and simpler business processes for clients. In addition to the improvement of forms and processes, primary measures also include the introduction of digital tools for the opening of client relationships and master data management.

The **Platform Foundation** initiative involves opening up the core banking system and creating the technical basis for the Open Wealth Service Platform. In addition, the entire IT architecture was modernised and the IT infrastructure was outsourced to our technology partner Swisscom. With the constant increase in data standardisation playing an important role in this process. Partnerships and the transition to the use of cloud services also form part of this initiative. In addition, the Workplace of the Future is currently being introduced for VP Bank employees.

Efficiency gains and cost discipline were at the heart of **Project Athene**, which was completed in the interim.

Move

Exploiting new business opportunities

- Open Wealth Service Platform
- Data Analytics
- Digital Assets

The initiatives within "Move" serve to develop additional sources of income through selective expansion into new business areas. Implementation is based on a set of three initiatives.

Within the **Open Wealth Service Platform**, client processes are gradually relaunched using digital applications, developed in an agile manner and introduced to the market. One example is a digital account opening process for intermediaries, which is currently being validated in the trial phase with individual clients.

The **Data Analytics** initiative aims to provide data-based, personalised client advice. based on the foundations of a data analysis platform.

With **Digital Assets**, VP Bank is the first regulated bank of Liechtenstein that can display real assets, for example, works of art, in a bankable manner. This blockchain-based client solution is being successively developed for the future. This initiative also draws the attention of potential clients to VP Bank, and therefore to its core business.

Enable

Building the foundation for the future

- Financial Steering Framework
- People Strategy
- Risk Robustness

The three strategic focus areas of "Evolve", "Scale" and "Move" are flanked by three further initiatives that form the foundation of the strategy development of VP Bank Group.

The **Financial Steering Framework** will automate the Bank's reporting and will also improve the corresponding analytical processes. This is intended to further develop the Bank's stable, financial steering and facilitate a more efficient and effective reporting system overall.

The **People Strategy** aims to support, further develop and appreciate employees. Through regular training, targeted employee development, agile working practices, a culture of trust and entrepreneurial thinking, VP Bank empowers employees with their diverse talents to share their knowledge and to contribute their skills effectively. At the same time, VP Bank should be able to operate successfully as an attractive employer in today's and tomorrow's international labour market.

The **Risk Robustness** initiative, the majority of which has already been completed, is a response to the increasing complexity of legal and regulatory requirements. At the same time, this professionalises the taking and monitoring of risks as an integral part of the banking business. Compliance approaches, standards and controls are being standardised and accounted for Group-wide, and the credit organisation as a whole is being made more resilient, both decentrally and centrally.

The financial targets of Strategy 2026

The interplay of the strategic initiatives results in the financial targets under Strategy 2026. By 2026, VP Bank aims to achieve net new money growth of over 4 per cent annually, revenue growth of 4 to 6 per cent annually and a cost/income ratio of below 75 per cent starting in 2026. The Tier 1 Ratio should always be above 20 per cent.

VP Bank's strategic goals 2026

Growth		**Profitability**	**Stability**
Net new money (in % AUM)	Revenue growth	Cost/income ratio[2]	Tier 1 ratio
4% p.a.[1]	**4–6% p.a.[1]**	**<75%**	**>20%**

[1] Over the cycle 2023–2026
[2] Operating expenses / operating income

4. 2022 review

Evolve

Regional development plans

Regional management within VP Bank Group was further strengthened and organised into the three regions of Liechtenstein (incl. BVI), Europe and Asia. Regional management now reports directly to the CEO.

In the important home market of Liechtenstein, which together with VP Bank (BVI) Ltd forms a management region under the leadership of Tobias Wehrli, the wealth planning client services offering was established and a separate department was created for this purpose. Furthermore, the essential management of the Liechtenstein intermediaries business was significantly strengthened with the appointment of Jens Breitung. The first-ever staging of the Vaduz Enjoyment Festival [Genussfestival] (main sponsor, VP Bank) as well as the successful continued support for the Liechtenstein Music Academy and the Ensemble Esparanza were prominent indicators of VP Bank's presence in the domestic market.

VP Bank (Switzerland) Ltd and VP Bank (Luxembourg) SA were united in terms of management and combined in the Europe region. Mara Harvey, an experienced wealth management expert, has been recruited to lead the new role of CEO VP Bank Europe as well as CEO of VP Bank (Switzerland) Ltd. She took office on 1 January 2023.

With the Asian region, the Singapore and Hong Kong locations were transferred to a regional management structure under the leadership of Pamela Hsu Phua already in summer of 2021. In 2022, the focus was on the first implementation steps of the regional Asia roadmap and the further development of the cooperation with Hywin Wealth Management Co. With the introduction of a Singapore booking platform, which enables clients of Hong Kong intermediaries to post their funds in Singapore, an important milestone was reached for successful future market development.

Investing for Change

VP Bank is listed in the two SIX sustainability indices "SPI ESG" and "SPI ESG Weighted" and is a signatory to the UN Principles for Responsible Investment (PRI) as well as the UN Principles for Responsible Banking (PRB). To reaffirm its Net Zero ambitions, VP Bank has also joined the NetZero Banking Alliance (NZBA). Sustainability criteria have been an integral part of all investment and advisory processes since 2021.

Clients receive transparent information on the sustainability profile of their investments on the basis of the specially developed VP Bank Sustainability Score, which has been integrated into all investments and product selection processes and is shown on all asset statements. With its unique Sustainability Plus Mandate, VP Bank enables clients to express their own preferences with regard to sustainability and impact issues. In addition, VP Bank received the "Wealth for Good Award" in 2022.

VP Bank reaffirmed the central importance of sustainability by creating the new role of Head Group Sustainability in March and successfully filling it with Dr Lars Kaiser. He drives the implementation of the Sustainability Plan forward, is responsible for project management for the EU Action Plan for Sustainable Finance and represents VP Bank in internal and external specialist and working groups.

Frontline excellence

With the introduction of a systematic sales management approach in 2022, the necessary structures were created to strengthen market development in a coordinated manner across the regions. The Sales Management team, led by André Rheinberger, is pursuing the objective of refining the focus on clients and sales, as well as increasing the effectiveness and efficiency of sales activities in the regions through standardised processes.

The RM Cockpit, the central tool that provides client advisors with a comprehensive view of their clients. This enables them to provide even more targeted advice and it has been developed further and refined with new functions.

Scale

Process management

As a client-centric bank, VP Bank is committed to understanding client needs as a continuous end-to-end process and to satisfying those needs in a sustainable manner. For this purpose, a process structure has been implemented in the organisation over the last few years that ensures clear interfaces between the sub-processes. First and foremost, this establishes process owners for client service processes.

In 2022, the focus was on the Client Life Cycle sub-process, in which VP Bank introduced clearly defined improvements in the area of client friendliness. At the same time, the Bank strives continuously to increase efficiency, to improve quality and to minimise risk in this area as well as in all other processes.

Platform Foundation

An IT system architecture open to products from complementary third-party providers forms the backbone of Strategy 2026, with technology partners playing an important role. In 2022, the IT infrastructure and the infrastructure of the core banking system were migrated successfully to Swisscom. VP Bank thus has an open and flexible core banking system, which makes it possible to develop new client services quickly and nimbly with the integration of third-party services. At the same time, Cyber Security was strengthened and the modernisation of workplaces for all employees was tackled.

Project Athene

As part of Project Athene, concrete measures were rolled out Group-wide in 2022 with a view on efficiency and cost discipline. Among other things, these included the stronger separation of functional areas from areas with responsibility for results, the transfer of Client Solutions to regional responsibilities or the introduction of central procurement management.

Move

Digital assets

VP Bank was added to the token and TT service provider register, making it the first of the three big banks in Liechtenstein able to register ownership claims for real assets digitally on the blockchain and store them as tokens. In 2021, the first art property was successfully tokenised in cooperation with the Music Academy Liechtenstein. Tokenisation met with widespread client interest and VP Bank continued to drive forward with related activities in 2022. Among other things, the service was extended to Asia. This positioning also draws the attention of potential clients to VP Bank, who can then be referred to the Bank's core business.

Data Analytics

As part of the further development of the Financial Steering Framework, VP Bank has embarked on the creation of a comprehensive data analysis platform (data warehouse). In addition to financial management, this will be used in the future for increasingly personalised client care.

Open Wealth Service Platform

Under the leadership of the Chief Transformation Officer, key client processes were identified and Client Journeys developed from them, which are now being tested and refined together with pilot users. Such Client Journeys are, for example, the completely digital client account opening for intermediaries or the automated Lombard loan lending.

Enable

Within the framework of the Risk Robustness initiative, several projects were completed that further improved risk management in the areas of compliance and lending, among others.

5. Outlook for 2023

In the third year of the strategy cycle, VP Bank continues to implement its Strategy 2026 of "Seizing opportunities" in a targeted manner and within the framework of the 12 strategic initiatives. After two years of intensive work and the necessary investments for the foundations of a successful future business model as well as the strengthened focus on regional profitable growth, VP Bank is now at the beginning of the Momentum Phase. In so doing, the regional expansion of existing business, the use of scaling to increase efficiency and the selective development of new revenue streams will continue to be accelerated, but on an even more robust platform.

Evolve

In 2023, the focus will be on the further development and implementation of the regional development plans.

With the launch of the first digital solutions for intermediaries, the catalogue of services for this important client segment will be expanded further and VP Bank's attractiveness for this market segment will be enhanced significantly.

The introduction of a new advisory tool for advisors to wealthy private clients and the targeted expansion of wealth planning capacities are further important goals in the provision of comprehensive and profile-oriented advice to a sophisticated clientèle. The tool, which will be available at all locations, will enable a flexible and modular expansion of the advisory services offerings.

Scale

Processes are reviewed systematically and then developed in relation to future client experiences using an agile approach.

In addition to growth, increasing productivity and digitisation are further focus areas. The examination and realisation of optimisation potential and scaling opportunities therefore continue to be of great importance.

Move

With the opening of the core banking system, an important step towards Open Wealth Services was achieved. In 2023, building on this, the first client services such as completely digital onboarding for clients of intermediaries, automated Lombard lending or the establishment of a FIX interface for intermediaries will be developed, tested on the market and then implemented.

The digital offering for private market investments (ORBIT) was realigned in the current financial year as a result of the changed market situation. For "ORBIT collective", i.e. private market investment via fund structures, the corresponding offer went live via a platform partner in 2022. With regard to "ORBIT direct", i.e. investing in the private market via direct exposures, a pilot project will run in the first half of 2023 with a platform partner that has the corresponding access as well as the many years of experience in this asset class.

With the new solutions in the area of tokenisation of real asset values (for example, art), VP Bank is only at the beginning of the numerous opportunities that arise on the basis of blockchain technology in conjunction with the unique regulatory environment for the wealth management business in Liechtenstein. The services will be taken to market systematically and will be expanded further in 2023.

The VP Bank brand strategy

Anyone who closely scrutinises the logo of VP Bank will notice that the prominent symbol in the Bank's logo is not a geometrically perfect circle. This "unround" circle embodies the Bank's philosophy, symbolising the focus on bespoke, tailor-made, client-focused solutions.

The future belongs to those who move onwards towards their goals. All that matters to VP Bank is helping its clients get ahead and working with them to seize the opportunities that present themselves in the capital markets.

VP Bank's DNA and expertise stem from its business with professional financial service providers, the intermediaries, and VP Bank also puts this knowledge at the disposal of private clients. Whether taking small steps or great strides, it creates innovative, tailor-made solutions in keeping with the latest trends – acting with clarity and certainty. For many years now it has been creating unique brand experiences time after time.

Seven core brand messages

Seven core brand messages reflect the brand strategy and depict VP Bank's value proposition.

Dedicated and personal

For more than 65 years, we have been working for our clients with plenty of dedication and entrepreneurial agility. Long-term and trusting relationships are our primary goal.

Customised and competent

The client experience – whether physical or digital – is at the centre of everything we do. We think, develop and act according to this guiding principle.

An open-minded partner

In the future, by combining traditional banking with the benefits of digital ecosystems, we will create a concept of service that focusses not on the needs of the Bank, but on those of our clients.

Simple and fast

We aim at all times to simplify processes and reduce complexity where possible, because this is the basis of our success.

Forward-looking and safe

We see change as an opportunity to continue to offer our clients the highest degree of stability combined with innovation in the future.

Where local meets international

With our roots in Liechtenstein and our international network, we offer our clients unique opportunities to grow their assets.

Inspiring and convincing

As a dynamic bank that is always developing innovations and has even been a trail blazing pioneer, we are always creating new and convincing client experiences.

A brand design based on clarity

Unique and fit for the digital age, though at the same time with a sound physical presence – VP Bank's design is a reflection of its brand values. With its bold, illustrative style, the Bank has created a signature value in its brand design over the past 20 years.

The key elements of the "Clarity" design concept are illustrations with a strong design, which are used as a tool to convey the brand messages. The overall identity is modern, simple and embodied in both digital and analogue form.

VP Bank's brand design stands for clarity, simplicity and a focus on the essentials. The user experience is just as important in digital media as it is in tangible items such as brochures, cards and client gifts. Modular elements make it possible to communicate in a way that is appropriate to the target group, and to respond quickly to current issues relating to banking.

Constant brand development

The brand identity was realigned with the introduction of "Clarity" in 2017. A brand evolves with the needs of clients as well as strategic requirements. VP Bank is therefore committed to constantly reviewing and developing the brand. The Bank's brand development work is thus carried out according to its own "stay-fresh approach" under which the brand is constantly developed in small, incremental steps and adjusted in line with the prevailing corporate strategy.

2022 review

Various digital projects were launched and implemented in 2022. One of the most important involved the development of a fully comprehensive design system. This not only helps VP Bank and all development partners to achieve a more consistent user experience, but also closes the gap between design and development.

In May 2022, VP Bank publicly presented the new research portal. The user interface was made more similar to those used by the website and client portal in order to ensure a seamless user experience.

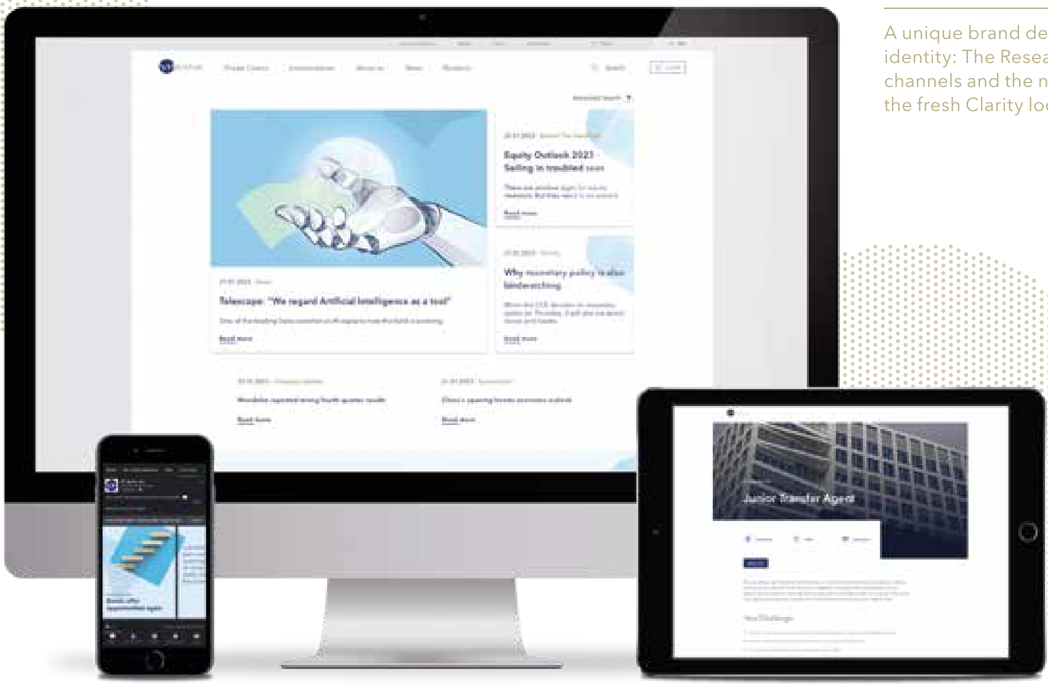
In August 2022, a new social intranet known as "groupNet" was launched for Bank employees. In doing so, VP Bank is aiming to promote the exchange of information, cooperation within the organisation as well as a culture of feedback.

Since 2022, all social media content has been developed in line with channel-specific requirements. By developing new ideas, VP Bank is constantly operating at the cutting edge when preparing content and achieves engagement rate figures that are far above the industry average.

Throughout the year, VP Bank has placed a major focus on the matter of employer branding. The job portal and job adverts have been entirely overhauled and a number of successful campaigns have been completed.

VP Bank has also carried out several multi-channel campaigns for distribution marketing. These include for example push campaigns for asset management mandates as well as a mortgage campaign. This also involved the deployment of innovative presentation solutions, which will be expanded in the future to all existing products.

With its new, highly professional livestreams, VP Bank is also setting the pace for the industry in the events sector.



A unique brand design for every digital identity: The Research Portal, the social media channels and the new Job Portal all feature the fresh Clarity look.

VP Bank supports the principle of corporate commitment. Numerous social and cultural initiatives and projects have benefited from this commitment over many years. In addition, VP Bank is helping to develop and secure the status of both Liechtenstein and the regions in which it is represented as a business and industrial hub.

Sponsorships

VP Bank supports selected sponsorship projects in the fields of sport, culture and the culinary arts. These projects are unique – and indeed are just as unique as client experiences. The Bank draws on these projects as a source of inspiration, whilst also offering a platform for young talented persons.

Sponsored projects include the "VP Bank Swiss Ladies Open", the "Ensemble Esperanza & International Academy of Music in Liechtenstein" as well as the young talent competition "marmite youngster" and the Vaduz Food Festival in the field of culinary arts.

Further information can be found on the VP Bank website at www.vpbank.com / About us / Responsibility / Social Responsibility.

Review (selection)

February

VP Bank strengthened its long-standing commitment to supporting the world's leading young musical talents. The Bank signed sponsorship deals with the Ensemble Esperanza and the International Academy of Music in Liechtenstein for the coming years.

April

VP Bank showed its commitment to supporting up-and-coming talent in the restaurant industry. It concluded a sponsorship agreement with Marmite Verlags AG for the coming years in relation to the "marmite youngsters" initiative.

September

The first Vaduz Food Festival was held from 1 to 11 September 2022 with VP Bank as its sponsor. VP Bank has continued its sponsorship support for the VP Bank Swiss Ladies Open, the largest women's tournament on the Ladies European Tour in Switzerland, until 2026.

December

VP Bank tokenised a piano for the first time in relation to the new year concert of the Academy of Music in Liechtenstein, thus making an important contribution toward enabling young talented musicians to play on excellent instruments.

marmite

MUSIKAKADEMIE in LIECHTENSTEIN

genuss festival

VP BANK Swiss Ladies Open

vpbank.com/
engagements

Partnership innovation

Personalised investment consulting increasingly with recommendation algorithms.

InvestCloud's investment consulting module enables VP Bank to flexibly expand its offerings with new services from complementary third-party providers.

Interview with Christine Ciriani, Chief Executive Officer EMEA InvestCloud, Boris Rankov, Head of Digital Advisory and Portfolio Management InvestCloud, Marcel Tschanz, Group Chief of Staff VP Bank, André Rheinberger, Head of Sales Management VP Bank.

Why did VP Bank launch a partnership with InvestCloud?

Marcel Tschanz: Our ambition is to make our own services and those of complementary third-party providers digitally available to our clients as well as to others who do not have an account or securities account with us. InvestCloud offers a module for investment consulting that is optimally suited to our objectives. Therefore, in order to adapt their investment consulting module to meet our needs, we launched a strategic partnership with them.

We want to create a digital ecosystem of services that increases the efficiency of client advisors and offers clients a completely new service world.

What are the advantages of InvestCloud's investment consulting module?

Christine Ciriani: Our digital platform is open and flexibly structured. This means that VP Bank can design its investment offerings in a modular manner and also expand them to include services of third-party providers. The more that financial service providers integrate their offerings with us, the greater the entire range of modular Open Wealth services becomes. In addition to investment consulting, this also includes offers for wealth management, financial planning, communication and distribution. Our investment consulting module orchestrates and aggregates data and services through real-time interfaces with the core banking system of VP Bank and well as the integrated offerings of third parties.

Will digital tools replace personal advice in the future?

André Rheinberger: Professional and, at the same time, personal client advice is more challenging today, but more exciting than ever. Digitisation is the driver here. A wide array of innovative products and services as well as digital advisory processes are becoming more and more important. However, these criteria are no substitute for personal contact. Wealth will always be a personal matter based on mutual trust. With the aid of digital solutions, however, client advisors can make faster, more targeted offers to their clients. This means they have more time for a personal discussion.

What advisory approach does VP Bank take in order to be able to make more targeted offers to its clients?

Marcel Tschanz: Financial decisions are geared to the needs and goals across the various phases of life. For that reason, we want to include the relevant events in the course of a life more strongly in our advice. In addition, clients spread their assets and liabilities among various institutions. However, they want to maintain an overview of their entire financial situation and have all information available digitally and thus always up to date. At VP Bank, we want to implement this holistic advisory approach together with partners like InvestCloud.

What ideas does InvestCloud plan to implement with VP Bank as a next step?

Boris Rankov: Together, we want to create a digital ecosystem of services that increases the efficiency of advisors and intermediaries and at the same time offers clients a completely new service world. This includes, for example, new services for personalised investment consulting supported by recommendation algorithms – customised yet highly scalable. Or interactive digital investment proposals that are made directly to clients in VP Bank's e-banking. The basis for these enhancements has now been created with the introduction of our module at VP Bank. We look forward to continuing to work together just as productively in the future.

More information about the partnership with InvestCloud
vpbank.com/investcloud

The experts André Rheinberger, Christine Ciriani and Marcel Tschanz talking about the introduction of InvestCloud.

Marcel Tschanz is happy about the new range of advisory services.

Stakeholder Report

03

Commitment to sustainability

Sustainability will shape the future. By integrating sustainability criteria into all of its business processes, VP Bank wants to have a positive impact on society and the environment while at the same time making an active contribution to the sustainable development in the finance industry.

Sustainability Plan 2026

VP Bank has developed its Sustainability Plan 2026 in close cooperation with internal and external stakeholders. In order to identify the areas with the greatest potential impact and set appropriate goals, VP Bank spoke with clients, shareholders and employees, held workshops with the Board of Directors and external experts, and carried out a materiality analysis. The plan went into effect on 1 January 2021. The sustainability plan includes both products and business activities. Consistent implementation of this strategy is intended to bring about positive change and drive the growth of the company.

An overview of how VP Bank defines risks and opportunities and how the Bank aims to positively impact society and the environment and balance out any possible negative impacts can be found in chapter "Communication on progress" of the Sustainability Report 2022.

Investing in change

VP Bank believes that growth, profitability and stability go hand in hand with a positive impact on the environment and society as a whole. In 2020, the Bank launched its "Investing for Change" initiative to consistently integrate sustainability factors into the investment and advisory process. The VP Bank Sustainability Score (VPSS) was developed to make it possible to evaluate financial instruments in terms of sustainability criteria. The VPSS provides a broader assessment of sustainability than typical ESG ratings. Since 2021, investments have also been reviewed in terms of whether or not they contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs).

More information about the VPSS as well as a detailed description of inclusion and exclusion criteria can be found on the VP Bank website at Private clients > Sustainable investing.

VP Bank has made it a goal to offer its clients new investment opportunities in the area of sustainability. To this end, the Bank has added, for example, risk-optimised ESG equity funds and the Green City Basket. In 2021, VP Bank consistently integrated the evaluation of sustainability criteria in accordance with the VPSS into all discretionary mandates and launched the Sustainable Plus offer, which offers additional themes such as investing in green and social bonds, microfinance and sustainability-related thematic investments.

Further information about sustainable investments, including the thematic and impact-oriented investment approach, can be found on the VP Bank website.

Sustainability Plan 2026

Product offering	Business activities
Embed sustainability in our investment process	Integrate sustainability into our business activities
Create a net positive impact through our offering	Achieve CO_2-neutral operations
Grow assets under management in sustainable investment solutions	Improve gender diversity in our workforce
Achieve an "AA" MSCI ESG rating	

Sustainable corporate governance

For VP Bank, a management approach that includes sustainable corporate governance is a key factor for success. Sustainability also includes the well-being of the Bank's employees and the communities in which the Bank is active. For this reason, VP Bank aims to continually improve its working conditions and increase community involvement while at the same time complying with best-practice standards and principles, intentionally investing in further training for employees, and promoting innovation.

Further information can be found in chapter "Our social contribution (S)" of the Sustainability Report 2022 as well as in the "Employees" chapter of this annual report, in which the personnel strategy is described.

Memberships and publications

In 2021, VP Bank signed the UN Principles for Responsible Banking (PRB) and the UN Principles for Responsible Investment (PRI) and joined the Net-Zero Banking Alliance (NZBA). It is also a member of the UN Global Compact (UNGC), Swiss Sustainable Finance and the Swiss Climate Foundation.

With its Sustainability Report 2022, VP Bank discloses information in accordance with the requirements of PRB and PRI as well as the progress reports required by the UNGC. The report is compiled in accordance with GRI Standards and includes a number of the indicators suggested by the Sustainability Accounting Standards Board (SASB). More recently, the Bank implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and highlighted contributions to the UN SDGs in the report.

Further information about sustainable governance, including details concerning the above-mentioned standards and guidelines, can be found in chapters "Stakeholder Engagement" and "Climate related financial disclosure" of the Sustainability Report 2022.

Carbon-neutral operational business by 2026

The Paris and Glasgow Agreements have mapped out a plan for fighting climate change. VP Bank's goal is to be carbon-neutral by 2026. The Bank's stakeholders agree on the gravity of this issue and have ranked climate change and the efficient use of resources as two key topics as part of the materiality analysis that was carried out.

VP Bank Group has relied on renewable energies for quite some time. For example, solar panels on the roof of the Giessen building in Vaduz have provided the Bank with eco-friendly energy for around 25 years. Further technologies that are used in some of the Bank's branches include LED lighting, motion-sensor lights and various renewable energy sources such as geothermal heat pumps.

More information about the Bank's CO_2 target and its progress in terms of environmental protection can be found in chapter "Our ecological contribution" of the Sustainability Report 2022.

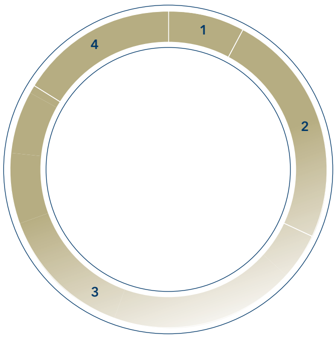
Philanthropy

In accordance with its Articles of Association, the VP Bank Foundation supports exceptional projects, institutions and persons in the fields of the environment, arts, education, science and culture. In 2022, the Foundation awarded funds totalling around CHF 210,000, which were distributed as shown in the figure below.

Sustainability also means taking responsibility for future generations. In future, VP Bank aims to help its clients obtain new perspectives and achieve new goals in the area of philanthropy with the dedicated Philanthropy and Impact area of responsibility.

VP Bank Foundation's distribution of funds

1. Environment and sustainability **8%**
2. Education and science **24%**
3. Social issues and society **52%**
4. Art and culture **16%**



With its client advisory services, VP Bank focuses on personalised, long-term support, transparency, short decision-making paths, agility and tailored, sustainable solutions.

VP Bank's client advisors work with clients in the private banking, intermediaries, corporate and lending segments. By assigning client advisors to clearly defined segments, the Bank ensures the best possible advisory quality and a focus on the specific needs of clients in each segment. Thanks to numerous synergies between the respective business segments, VP Bank clients benefit from attractive added value in the extensive products and services and pooled expertise.

VP Bank makes a concerted effort to strengthen its service and performance culture and to continually optimise the client experience. Independent test ratings prove that VP Bank operates at the highest level in terms of advisory standards in an international comparison.

VP Bank's services

VP Bank's clear strengths include its comprehensive, tailored client support and the combination of broad specialist expertise and a wide variety of services. Complex client requirements are systematically recorded, and clients are informed about their status on a regular basis and in a transparent manner. VP Bank systematically takes into account all sustainability criteria, the comprehensive economic, legal and risk aspects, and operational considerations.

The Bank's services start with **basic services** for account and custody management and payment transactions. Private and institutional clients also have access to customised wealth management and investment consulting solutions, wealth planning, pension and estate planning, financing and fund solutions.

In the **investment solutions** area, VP Bank has a broad range of investment consulting and wealth management options. Clients can work together with their client advisor and investment specialists to put together a portfolio that is optimally tailored to their personal requirements and combines their own ideas with proposals from the Bank. Ongoing portfolio monitoring ensures compliance with the client's risk profile and specifications. A specialised advisory team offers clients additional support for their specific individual requirements.

In the **wealth management** area, the investment strategy is specified as part of a mandate, with investment decisions then being delegated to VP Bank. Clients choose the mandate forms depending on total assets, risk tolerance and sustainability requirements. The Sustainable Plus Mandate is suitable for clients looking for a portfolio with a better sustainability profile, as measured by the VP Bank Sustainability Score (VPSS). It also provides access to investments with a special impact that are used to finance green or social projects (impact bonds). Furthermore, clients can choose areas of special focus that are especially important to them, such as climate protection, renewable energies or health. In sum, wealth management ranges from Fund Mandates to Enhanced Mandates, where additional elements, like volatility, come into play.

The **lending business** is predominantly geared to the linkage between investment and financing solutions, as well as to the design of customised solutions. With regard to the lending business, which is strongly rooted in the home market of Liechtenstein, VP Bank is a lender to retail and corporate clients.

To ensure comprehensive support, VP Bank works closely with external specialists, enabling it to suggest reliable partners to its clients for wealth planning, retirement and estate planning, tax advice, corporate earnings or corporate transactions.

Financial intermediaries and fund providers benefit from a variety of professional services tailored to their needs. The needs of intermediary clients have been particularly important at VP Bank ever since it was founded in 1956 by Princely Councillor of Commerce Guido Feger, one of Liechtenstein's most important trustees. In addition to basic services for account and portfolio management, custodian bank services and order processing, specific services are offered especially for intermediaries for investment consulting, advice on regulatory issues, integration of sustainability aspects and fund solutions. With its direct execution service, VP Bank provides direct access to trading.

The addition of a broad range of digital solutions for sharing data and information makes VP Bank a leading bank for intermediaries. The continuous development with respect to data interfaces and the modern client portal offer independence, transparency, efficiency and security, as well as round-the-clock electronic access to accounts and securities accounts. VP Bank also maintains an open dialogue with its intermediary clients to enable the continuous development of its range of services. This ensures the Bank is equipped to meet evolving needs and regulatory requirements at all times.

Digitally supported client services

For its client services, VP Bank relies on personal contact with advisors and specialists. This allows the Bank to recognise more complex client requirements in the best way while anticipating the needs of the future.

The newly created digital solutions in client advisory services, originally conceived in response to COVID-19 protective measures, are now well established and embedded in the Bank's range of services. In addition to personal advisory consultations, clients can now have advisory consultations via video conferences, wherever they happen to be and at any time.

Advanced tools such as the RM Cockpit, a modern client portal developed specifically for VP Bank, support client advisors during the entire advisory process, from the client meeting preparation phase to the execution phase following the meeting. Working digitally, various investment proposals can be directly simulated during the advisory meeting, adjustments can be made jointly and orders can be placed. Portfolio adjustments thereby become much more transparent and understandable to clients. This makes it possible to make well-informed decisions even during the client discussions, since the client advisor can provide immediate clarifications and answers to questions.

By continuously expanding its e-banking platform into a comprehensive client portal, VP Bank is responding to the changing needs of clients with regard to the degree of digitisation of banking services. In doing so, it is increasing its focus on transparency and accessibility. The opportunities for interaction are always being expanded; by integrating research publications such as macro commentaries and investment ideas into its e-banking service, VP Bank is able to provide its clients with direct access to the full range of its specialists' investment expertise.

Structured advisory process

The constantly changing environment of the banking world requires an optimised product and service range. VP Bank's client-focused advisory concept therefore involves adapting the business model for traditional investment advice.

With its systematic advisory process and ongoing development of services and digital solutions, the Bank has laid the foundation for the investment consulting of the future.

VP Bank's advisory process, which is clearly defined Group-wide, ensures that individual client needs are recognised and implemented professionally. The process provides client advisors with supporting guidance based on minimum standards for recurring processes and activities, digital and other resources, quality requirements, the definition of responsibilities, and collaboration between internal and external partners. This gives client advisors more time to support their clients on an individual, holistic basis.

The steps in the advisory process include new client development, understanding, advising and implementing client preferences, and accompaniment of the implementation.

Details on the advisory process can be found in the online annual report. (→ QR code)

vpbank.com/
advisory-process

Client feedback

On an ongoing basis, VP Bank ascertains and analyses its clients' views on its services and assesses its advisory quality, thereby gaining valuable insight into how it can adjust its services to satisfy client needs more effectively. Internal processes for the delivery of services are also reviewed and optimised in a targeted manner with the help of client feedback. A special focus is placed on client-centred, innovative, pioneering services and offers. To do this, client opinions are systematically solicited in personal meetings, on contact forms on the website and in client surveys conducted on an ongoing basis.

If complaints are received, VP Bank seeks solutions for the specific situation in a personal dialogue with the client and then implements them in a targeted manner. This approach makes it possible to derive the implications for relationship management and to use the insights gained also for optimisations to services and processes. In this way, VP Bank also satisfies the complaint resolution requirements of the Financial Market Authority (FMA) Liechtenstein.

Continuous training for client advisors

Highly trained client advisors are the foundation of excellent support. In addition, the constant addition of new regulatory requirements means that VP Bank needs to train and develop its client-facing employees in a manner consistent with these requirements. VP Bank thus continuously invests in their training and continuing education. All client advisors at the Liechtenstein and Swiss locations have successfully completed the international certification according to the Swiss Association for Quality (SAQ) and are currently in the recertification phase. In addition, all client advisors throughout the Group participate in ongoing training on technical, economic and regulatory issues.

Client assets

As at 31 December 2022, VP Bank had client assets totalling CHF 46.4 billion, down 9.4 per cent from the previous year.

It also held another CHF 5.8 billion in custody assets. Client assets under management as of the reporting date totalled CHF 52.3 billion (previous year: CHF 58.8 billion).

Overall, VP Bank Group recorded a gross inflow of new money in 2022 totalling CHF 1.1 billion, or 2.0 per cent.

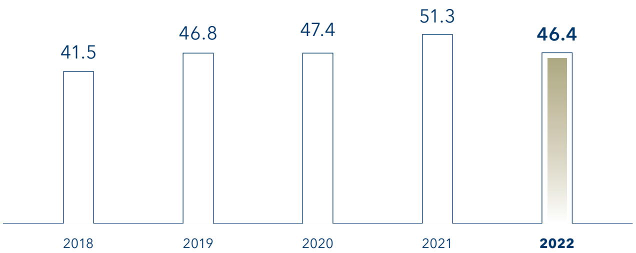
Classification of client assets under management

in %	31.12.2022	31.12.2021
Analysis by asset class		
Liquidity	25	24
Bonds	14	14
Equities	31	30
Investment funds	26	28
Other	4	4
Total	**100**	**100**
Analysis by currency		
CHF	22	23
EUR	31	29
USD	33	33
Other	14	15
Total	**100**	**100**

Client assets under management excl. custody assets

CHF billion

–9.4%



Employees

The most valuable and decisive competitive advantage that a bank can have are its employees. That is why VP Bank places great importance on an open exchange of information and ideas, fair remuneration and flexible working models, as well as on promoting the strengths of its employees through continuous development opportunities.

Excite Talents

We recruit and retain extraordinary employees because we create motivating and inspiring employee experiences.

Grow for the Future

We know the unique abilities of our employees and develop them further in a variety of ways.

Love to Empower

Our managers are inspiring and support the employees as they grow through change.

Connect to Collaborate

Our integrative culture makes our employees feel welcome and encourages them to collaborate in a cooperative, agile manner.

vpbank.com/carreer-apprenticeship

People Strategy

Enthusiastic employees make for enthusiastic clients. Therefore, the VP Bank People Strategy focuses on promoting the diverse talents of its employees. It is geared to four key priorities: with these priorities and the associated implementation measures in the context of culture and talent management, VP Bank creates the basis for extraordinary moments – for its employees and thus equally for its clients.

Employee satisfaction

For VP Bank, it is essential that employees be connected and feel they belong to the company in order to overcome the challenges they face and lead the company toward a continued successful future. VP Bank therefore conducts regular surveys in order to measure employee satisfaction. The goal of the Group-wide survey is to determine areas for improvement and maintain existing strengths.

A Pulse Survey was conducted in 2022. The response rate was 85 per cent. Using the feedback from the survey as a starting point, each team is currently developing a range of measures to be implemented at a later date, with a focus on leadership, corporate values and cooperation. In terms of reviewing corporate values, a series of workshops has already been held to give employees the opportunity to provide their input. The Bank will provide more information about its redefined corporate values and roll them out in 2023.

Targeted support for up-and-coming talent

VP Bank is committed to providing professional training for interns in the sales and information technology areas. Highly trained instructors complement the trade schools and pass on their industry knowledge, thereby ensuring that trainees can apply their knowledge in practice and learn about the broadest range of work and operating areas. These efforts lay the foundation for future career moves following the training period. For the Bank, the development of trainees through the dual work/education system continues to represent a strategically important talent management component.

The development programmes for students and university graduates are an important part of talent development at VP Bank. With the career start programme for university graduates and the support model for students, VP Bank offers attractive career opportunities for young talent. In the support model, masters-level students can combine theory and practice and gain valuable experience over a 12 to 18month period. In the career start programme, bachelors and masters graduates have the opportunity to further their knowledge in selected areas as well as participate in specialised and foreign internships in preparation for a defined target function after 18 months and take their first career step.

Through the graduates programmes and apprenticeship training, VP Bank develops future talent in a targeted manner and thus its corresponding growth from within. At the end of 2022, VP Bank had 14 young apprentices (previous year: 15) in the sales programme and another 2 studying information technology. In the summer of 2022, 6 apprentices (previous year: 6) completed their final exams. In the graduates programmes, at the end of 2022, 1 student was enrolled in the work-study support model (previous year: 1), 5 graduates were enrolled in the career start programme (previous year: 6) and 2 were in the bachelors graduate programme (previous year: 1).

Continuous development and promotion of talent

2022 was another year characterised by various changes and transformational events. The main focus was primarily on providing employees and managers with support in the new digital working world and in dealing with constant change. Against this background, there was a clear need for continuous further development, particularly with respect to the leadership culture and Group-wide collaboration.

With a view to providing managers with the best possible support, a leadership curriculum entitled "Agile Change Leadership" was held between September and November 2022. For the first time, all 204 managers throughout the Group met via video conference in teams that spanned hierarchies, locations and departments in order to exchange ideas and information about opportunities and experiences in connection with the various changes, as well as to pick up useful tips for daily work. This training course for managers will be expanded in 2023, ensuring the continuous qualitative development of leadership at VP Bank.

In addition, VP Bank invests in the promotion of its talents. For instance, employees have the chance to be nominated for the VP Bank Talent Academy based on a calibration process that takes place once a year. The academy offers enrollees the opportunity to hone their personal strengths by means of various modules, to expand their network and to take part in a hackathon, thereby enhancing their action and method skills. The highlight of the Talent Academy is the final concept presentation to the Executive Board and the Board of Directors of VP Bank. The aim is to integrate the concepts that have been developed into the operational business of VP Bank.

In addition to leadership, social and method skills, VP Bank continually invests in the professional development of client advisors. In addition to development measures specific to them, they take part in a certification process in accordance with the Swiss Association for Quality (SAQ) standard. To keep this certificate up to date, client advisors complete target training courses on permanent quality assurance and professionalisation of advisory skills in connection with a recertification procedure.

In addition, employees take part in external training courses in order to develop their knowledge in a targeted manner and on an ongoing basis. With the help of a personalised development plan, each employee's development steps are defined and enhanced with suitable further training where necessary.

In the reporting year in Liechtenstein, 30 people (previous year: 27) completed a job-related course of studies with a recognised diploma, while another 29 people (previous year: 34) were participating in continuing education at the end of 2022. The average amount spent on external continuing education was approximately CHF 10,000.

Management by objectives (MbO)

Management by objectives is part of VP Bank Group's management approach. Each year a recurring process ensures that the objectives set by the Bank for the following year are iterated systematically throughout all levels of the organisation. At the individual level, corresponding objectives and primary tasks are set for individual employees. The employees' activities are thereby systematically oriented, and the achievement of the Bank's objectives is coordinated with those of the individuals. In addition to individual objectives, the key requirements for all employees and individual employee groups were set Group-wide. This enables VP Bank to ensure that, for example, strategic objectives or compliance requirements are grounded at the Bank in a homogeneous manner.

In addition to periodic location discussions, an interim evaluation is made during the summer months, at which time it is examined whether the achievement of the objectives and the completion of the principal tasks are on course and whether any measures need to be initiated. At the end of the reporting period, the manager assesses and recognises the performance of the employees when determining performanceoriented remuneration. The manager takes into account the achievement of objectives, the satisfactory completion of the principal tasks and, notably, compliance with regulatory provisions, internal rules and client-specific conditions. By leading with objectives, line managers give their employees the confidence and freedom to shape their work, and recognise the necessary individual development measures.

Employee recruitment and exits

The shortage of skilled professionals makes recruiting qualified employees a considerable challenge. In the reporting year, between 20 and 30 positions were advertised per month on average. Recruiting specialists in the areas of IT and compliance/tax is especially challenging. The Bank has been hiring an increasing number of candidates from outside its immediate vicinity, particularly from Zurich, and this trend continued to grow in 2022. Electronic applicant management has helped to make the management of vacancies more efficient and to speed up the responses to applications.

The recruitment of technically and socially competent individuals who fit the needs of VP Bank is and always will be a challenge for human resources. VP Bank uses a standardised recruiting process based on interviews and a personality analysis.

Employees exiting the company also receive professional support. Exit interviews are conducted by both line managers and human resources staff, with exiting employees surveyed using a standardised form.

The fluctuation rate for 2022 amounted to 13.4 per cent (previous year: 11.5 per cent). As was the case in previous years, this was unintended fluctuation, meaning the exits were initiated by the employees.

The high workloads associated with the pandemic, uncertainty, hiring freezes and the pressure to perform have increasingly led employees to rethink their goals in terms of their careers and their lives. This trend grew still further due to the process of change which VP Bank is undergoing as a result of Strategy 2026. A particular increase in fluctuation was seen at the Singapore and Luxembourg locations in 2022, while the fluctuation rate in Liechtenstein fell significantly again.

Employee retention, remuneration and support

Job functions that appear meaningful and satisfying as well as a good work environment are extremely important for employee well-being. Many factors can destroy a good working environment: bad influences from within the company, economic circumstances or even an employee's personal or family situation.

VP Bank is aware that employees should be seen as individuals with differing needs and within the context of their own life situations. The contact persons in the Human Resources department are always ready and willing to help all employees and their line managers clarify any issues. Support measures for employees and line managers include regular discussions with those involved, searching for solutions, support during situations of conflict or personal crisis and also team analyses and coaching. Employees at the Liechtenstein and Swiss locations may also take advantage of external help for overcoming difficult work and non-work-related situations. This professional service with a broad range of specialists may be used around the clock and on an anonymous basis upon request. Individual evaluations or developmental counselling are also offered. Broad expertise is available in-house and, where required, is supplemented using external partners.

Remuneration is also essential for employee satisfaction and loyalty to the company. VP Bank is committed to paying fair and competitive compensation in line with the market. Guaranteed fixed remuneration varies according to function and related requirements, whereas variable salary components are geared to the success of the company and individual performance. Pension obligations are guaranteed by Treuhand-Personalstiftung for employees in Liechtenstein and by AXA Winterthur for employees at VP Bank (Switzerland) Ltd. At the Luxembourg location, employees are affiliated with the Lalux insurance company pension scheme.

In addition to financial incentives, employees also receive other attractive benefits depending on the location. These benefits range from sporting and social activities and events to the possibility of purchasing additional vacation days to length of service benefits, offers designed to promote health, subsidised canteen meals, attractive offers in the mobility area and much more.

Employee representation

The employee representation organisation (Arbeitnehmervertretung – ANV) was created at the Liechtenstein location in 1998, based on the then newly enacted Employee Participation Act (Mitwirkungsgesetz). The five members are each elected to a four-year term of office.

The ANV's functions are based on the Employee Participation Rules, which were issued by the Executive Board. Whenever general employment conditions are amended or staff reductions are planned, the Executive Board must inform the ANV and give it a chance to participate, although decision-making powers remain with the Executive Board. The ANV serves as a contact point for all employees at the Liechtenstein location in order to discuss a variety of topics which concern VP Bank employees and to defend employee interests. All proposals, complaints and personal matters are handled with utmost discretion in regularly scheduled meetings within the ANV. Regular meetings are also held between the Chairman of the ANV and the Human Resources department's management in order to discuss current personnel matters.

At VP Bank (Luxembourg) SA and VP Fund Solutions (Luxembourg) SA, a joint Works Council represents the employees of both companies. Given the size of the company, the employee delegation comprises nine elected members, eight of whom are permanent members and one is an alternate.

The Works Council represents employee interests and intervenes to protect and improve working conditions, defend employment situations and jobs as well as protect employees' social security benefits. The employer must inform the Works Council on business operations and the development of the company as well as on the most recent and probable development of its activities and its economic situation. The Works Council also has the right to request certain information at regular intervals.

The Group Human Resources unit

The Human Resources (HR) department has its own staff at the Liechtenstein, Zurich, Luxembourg and Singapore locations. Group HR manages international topics and, where necessary, includes the country companies. Along with the local HR staff, the unit is broken down into four primary segments: HR Consulting, HR Change & Development, HR Services and HR Benefits & Payroll. The HR Consulting division includes the HR Business Partner and Young Talents teams.

Group HR advises Group Executive Management, senior management and employees, provides suitable tools and handles a number of subjects. HR plays a pivotal role and ensures that tasks, skills and responsibilities are properly matched up and administered. HR also supports key processes such as recruiting, wage setting, promotions and much more.

Employee headcount

As of 31 December 2022, VP Bank Group employed 1,011 people. VP Bank Ltd in Liechtenstein saw its headcount increase by 19 employees, while VP Bank (Luxembourg) SA saw its headcount drop by 18 employees. The other locations only saw minimal changes.

At the end of 2022, VP Bank Group had a total of 162 client advisors (full-time equivalents: 156). At VP Bank, client advisors are defined as those employees who are client-facing and manage allocated assets.

Client-facing employees such as active advisory team members, investment consultants and clerks are not considered client advisors since they do not have any allocated assets.

Number of client advisors	31.12.2022		31.12.2021	
	FTE	HC	FTE	HC
	156.0	162	168.4	174

FTE = full-time equivalents
HC = headcount (nominal number of employees)

The average length of service at VP Bank Group fell slightly to 8.2 years at the end of 2022 (previous year: 8.5 years).

Employee statistics of VP Bank Group

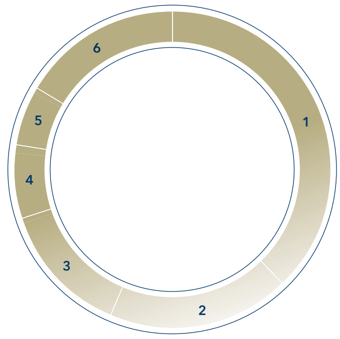
as of 31.12.2022	Men	Women	Total
Number of employees	602	409	1011
Percentage share	59.5	40.5	100
Average age	43.9	41.1	42.8
Average length of service	8.0	8.6	8.2

as of 31.12.2021	Men	Women	Total
Number of employees	600	412	1012
Percentage share	59.3	40.7	100
Average age	44	40.9	42.7
Average length of service	8.4	8.7	8.5

As regards nationalities, Swiss employees continue to represent the largest group, at 37.8 per cent of the total (previous year: 36.8 per cent), followed by Liechtenstein nationals, with 18.7 per cent (previous year: 19.0 per cent). German employees continue to represent the third-largest group, with 13.6 per cent (previous year: 13.9 per cent).

Nationality of VP Bank Group's employees

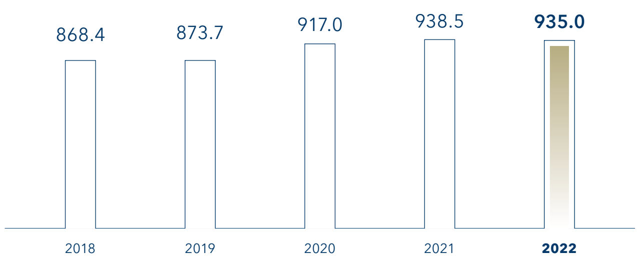
1. Switzerland **37.8%**
2. Liechtenstein **18.7%**
3. Germany **13.6%**
4. Austria **7.6%**
5. Singapore **6.0%**
6. Rest of the world **16.3%**



Headcount of VP Bank Group

full-time equivalents

–0.4%



Number of employees by location

as of 31.12.	2022		2021		Change	
	Employees	Full-time equivalents	Employees	Full-time equivalents	Employees	full-time equivalents
VP Bank Ltd, Vaduz	623	566.3	604	551.1	19	15.2
VP Bank (Switzerland) Ltd	107	99.3	110	101.7	–3	–2.4
VP Bank (Luxembourg) SA	103	96.6	121	113.4	–18	–16.8
VP Fund Solutions (Luxembourg) SA	38	35.2	36	32.9	2	2.3
VP Bank (BVI) Ltd	15	15.0	14	14.0	1	1.0
VP Wealth Management (Hong Kong) Ltd	17	17.0	16	15.3	1	1.7
VP Bank Ltd Singapore Branch	79	79.0	80	80.0	–1	–1.0
VP Fund Solutions (Liechtenstein) AG	29	26.6	31	30.0	–2	–3.4
Total	**1011**	**935.0**	**1012**	**938.4**	**–1**	**–3.4**

VP Bank Ltd in Vaduz is a Liechtenstein-based joint-stock corporation and the head office of VP Bank Group. The Financial Market Authority Liechtenstein (FMA) is the competent supervisory authority in the country of its headquarters.

Bearer shares of the head office are listed on the SIX Swiss Exchange, meaning that VP Bank Ltd is also subject to the rules and regulations issued by SIX on the basis of the legislation pertaining to stock exchanges, in particular, the Financial Market Infrastructure Act. The business activities of VP Bank Group are supervised by the local competent authorities of each country in which the Group is active through subsidiary companies, branch establishments and/or representative offices.

General information

In Liechtenstein, the activities of VP Bank Ltd are subject primarily to the Act of 21 October 1992 on Banks and Securities Firms (Banking Act, BankA) and the Ordinance of 22 February 1994 on Banks and Securities Firms (Banking Ordinance, BankO). The FMA monitors compliance with the requirements of banking legislation.

Ongoing supervision is ensured on the basis of legally required reports to be submitted by the banks, as well as through direct and periodic contact with the boards of directors and management of the banking institutions. With regard to auditing and review of compliance by banks with their legal requirements, the FMA relies primarily on the audit reports prepared by external auditors, which act as an "extended arm" of the FMA. The FMA may also carry out its own audits or accompany external audits. The FMA – together with the external banking-law auditors, who must in turn possess a licence from the FMA and are also under its supervision – constitutes the main pillar of the Liechtenstein system of dual supervision.

As an EEA member state, Liechtenstein has implemented the 4th and 5th EU Anti-Money Laundering Directives as well as Regulation (EU) 2015/847 on information accompanying transfers of funds. The relevant implementation provisions are found in the national Law of 11 December 2008 on Professional Due Diligence for the Prevention of Money Laundering, Organised Crime and Financing of Terrorism (Due Diligence Act, DDA) and the associated Ordinance of 17 February 2009 (Due Diligence Ordinance, DDO). Together with the offence of money laundering set down in Section 165 of the Liechtenstein Criminal Code, these constitute the relevant legal bases for entities in the financial services sector in Liechtenstein that are subject to due diligence obligations. The provisions have been revised on repeated occasions and comply with international requirements and standards.

Pursuant to banking legislation, banks and securities firms in Liechtenstein can offer and provide a comprehensive array of financial services. Within the scope of its business activities, and the financial services offered by it, VP Bank Ltd must observe, in particular, the following laws and related ordinances:

- Payment Services Act (PSA)
- Act on Settlement Finality in Payment and Securities Settlement Systems (Finality Act)
- Act on Alternative Investment Fund Managers (AIFMA)
- Ordinance on Certain Undertakings for Collective Investments in Transferable Securities (UCITSA)
- Investment Undertakings Act (IUA 2015)
- Act on the Disclosure of Information Concerning Issuers of Securities (Disclosure Act, DA)
- Act on the Implementation of Regulation (EU) No. 596/2014 on Market Abuse (EEA Market Abuse Regulation Implementation Act, EWR-MDG)
- Act on Deposit Insurance and Investor Compensation at Banks and Securities Firms (Deposit Insurance and Investor Compensation Act, DIICA)
- Act on the Recovery and Resolution of Banks and Securities Firms (Bank Recovery and Resolution Law, BRRA)
- Act on the Supplementary Supervision of Undertakings in a Financial Conglomerate
- Persons and Companies Act (PCA)

The following discusses several developments of relevance from the perspective of regulating financial markets and related pertinent legal bases which, during the past financial year, have been revised, enacted or are likely to be of relevance in the future.

Payment Accounts Directive

On 23 July 2014, the EU issued Directive 2014/92/EU (Payment Accounts Directive). This directive essentially encompasses the following points:

- Right to access a payment account with basic functions (known as "basic account") in order to guarantee access to a payment account by all entitled consumers (keyword "financial inclusion")
- Transparency and comparability of fees for payment accounts (fee information and fee overview as well as a website with comparative details)
- Provision of a payment account exchange service by banks

The EU directive has been implemented in Liechtenstein through the creation of the new Payment Accounts Law (PAL) of 30 September 2021. This law is expected to enter into force at the same time as the corresponding EEA acquisition decision (expected in 2023, exact date not yet known).

EEA Financial Services Sustainability Implementing Act (EEA FSSIA)

The EEA FSSIA is designed to implement Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

For reasons of legal certainty and due to the significance of the EEA FSSIA for the Liechtenstein financial market, as well as in order to ensure equality of competition with the EU member states, Liechtenstein decided on early implementation of the Disclosure and Taxonomy Regulation into national law. The EEA FSSIA entered into force on 1 May 2022.

EU banking package (Capital Requirement Regulation, Capital Requirement Directive and Bank Recovery and Resolution Directive)

The banking package was published in the EU Official Journal in May 2019. This package comprises amendments to key EU banking rules (CRD IV and CRR) and to the EU resolution regime (BRRD). The aim of the entire banking package is to further minimise risks in the European banking sector by adopting into European and national law the international reforms initiated by the Basel Committee for Banking Standards and the Financial Stability Board (FSB).

Liechtenstein opted for a two-step procedure for implementation. The first step addressed the implementation of CRD V and the transposition of CRR II. The associated legislative modifications entered into force on 1 May 2022.

A second step will implement the requirements of BRRD II in national law. In addition, adjustments will need to be made to the Bank Recovery and Resolution Act (BRRA) and to the Banking Act (BankA). Through BRRD II, the standard of the international Financial Stability Board (FSB) for total loss-absorbing capacity is in particular to be integrated into existing rules on the minimum requirement for own funds and eligible liabilities (MREL) of credit institutions. The pertinent adjustments are expected to enter into force during 2023.

Basel IV

In the coming years, the revision of the major European regulations within the framework of Basel IV will bring about far-reaching changes.

The focus on the calculation of equity requirements and on medium- to long-term liquidity risk will increase. In the case of equity, the emphasis is on the denominator of the capital ratio: In some cases, the calculation of risk exposure in credit, market and operational risk will change significantly. For liquidity risk, the observation period is extended from one month to one year, so that a structural liquidity ratio will finally be rolled out.

EBA Guidelines on Lending and Supervision

The EBA Guidelines on Lending and Supervision (2020/06) deal with a very wide range of requirements related to supervisory and credit decision-making processes (including internal governance regulations, processes and mechanisms for credit and counterparty risk management, or specified requirements related to consumer creditworthiness).

The requirements were to be implemented for newly originated loans by 30 June 2021. For existing loans, the new standards will apply from no later than 30 June 2024.

Due Diligence Act (DDA) and the Due Diligence Ordinance (DDO)

There were no relevant changes to due diligence legislation in the reporting year. However, the Moneyval report was published, which acknowledges that Liechtenstein has improved its defensive measures with respect to the combating of money laundering and financing of terrorism.

Also noteworthy is the adjustment of FMA Guideline 2018/7, which added a new chapter with specifications concerning source of wealth. In particular, this guideline thus helps to create and maintain business profiles by explaining the terms and the meaning of the term "source of wealth".

Automatic exchange of information (AEOI)

On 1 January 2016, Liechtenstein introduced the automatic exchange of information (AEOI). The initial AEOI reporting for the 2016 reporting period took place in 2017 and then continued accordingly in subsequent years. Starting on 30 June 2022, the relevant data were exchanged with 114 AEOI partner countries for the 2021 reporting year. However, Liechtenstein unilaterally did not provide data to a total of 12 permanently non-reciprocal states.

EU Directive on Administrative Cooperation (DAC 6)

As Liechtenstein is not an EU member state, VP Bank Ltd is not subject to any notification obligations for cross-border tax arrangements as provided for in the sixth amendment to the EU Directive on Administrative Cooperation (DAC) from 1 July 2020.

VP Bank Ltd will however closely follow developments in this area. As an EU member, Luxembourg is subject to this directive and has already implemented it.

Qualified Intermediary (QI)

In 2001, the US Internal Revenue Service (IRS) implemented the Qualified Intermediary (QI) regime to (i) identify US persons investing in US securities through foreign intermediaries and (ii) ensure that US withholding tax on non-US resident aliens is properly applied by foreign intermediaries to US withholding income when paid to non-US persons.

Foreign intermediaries that assume QI status may apply a lower withholding tax rate on US source income under an applicable double taxation agreement (DTA) for eligible non-US persons under a relief at source procedure (i.e. without the need for a refund procedure and without disclosure of the non-US persons to the IRS).

VP Bank Ltd and its affiliated companies within VP Bank Group are QIs and thus subject to QI regulations.

Taxation of the digitised economy

On 31 May 2019, the Organisation for Economic Co-operation and Development (OECD) published a work programme on the tax challenges associated with the digitisation of the economy. Taxation even without physical market presence (pillar 1) and minimum taxation (pillar 2) are envisaged. The first decisions were taken in mid-2021. VP Bank Ltd will closely follow further developments in this area.

Tax compliance guideline of the Liechtenstein Bankers' Association

On 1 January 2021, the updated guideline of the Liechtenstein Bankers' Association regarding tax compliance of clients went into effect. VP Bank Ltd implemented this amended directive in a timely manner.

Shareholder Rights Directive II (SRD II)

The EU Shareholder Rights Directive II is intended to facilitate direct communications between a corporation that is exchange-traded in the EEA and its shareholders and thus to make it easier for shareholders to exercise their rights. In this regard, custodian banks are obligated, inter alia, to send certain information from such companies to the shareholders or from the shareholders to such companies. VP Bank Ltd has made comprehensive arrangements for this purpose and adjusted its internal processes.

In the 2022 reporting year, the Office of Justice had compliance with the SRD II requirements reviewed in Liechtenstein for the first time.

EU Regulation on markets in crypto assets (MiCA)

A little over two years after its first proposal, the EU published the final text of the new regulation on markets in crypto assets (MiCA) in early December 2022. MiCA is intended to create a legal framework in the EU for issuing, brokering and trading crypto assets. It will introduce licensing and good conduct requirements, as well as rules on market abuse with respect to crypto assets.

Although the regulation will not come into force in the EU until 2024, it will be necessary to start with implementation of the requirements at an early stage, as the regulation entails far-reaching changes in the area of crypto assets.

Important links to legislation and the Liechtenstein financial centre

Liechtenstein Investment Fund Association	www.lafv.li
Liechtenstein Bankers Association, LBA	www.bankenverband.li
Deposit Guarantee and Investor Compensation Foundation PCC	www.eas-liechtenstein.li
Liechtenstein Financial Market Authority, FMA	www.fma-li.li
Official website of the Principality of Liechtenstein	www.liechtenstein.li
Body of Liechtenstein law	www.gesetze.li
Liechtenstein Chamber of Industry and Commerce	www.lihk.li
Liechtenstein Landesverwaltung, LLV	www.llv.li
Landtag of the Principality of Liechtenstein	www.landtag.li
Liechtenstein Institute of Professional Trustees and Fiduciaries	www.thv.li
Financial Services Conciliation Board	www.schlichtungsstelle.li
Association of Liechtenstein Charitable Foundations and Trusts e.V.	www.vlgst.li
Association of Independent Asset Managers in Liechtenstein	www.vuvl.li
Liechtenstein Insurance Association	www.lvv.li
Liechtenstein Economics Chamber	www.wirtschaftskammer.li
Liechtenstein Association of Auditors	www.wpv.li

Partnership knowledge

Academic findings promote a sustainable financial industry.

The exchange with the University of Liechtenstein takes place in a wide variety of specialist areas. The field of sustainable finance plays a special role.

Interview with Prof. Dr Marco J. Menichetti, Dean of the Liechtenstein Business School, Professor of Bank and Finance Management, University of Liechtenstein, Dr Othar Kordsachia, Assistant Professor of Sustainable Finance, University of Liechtenstein, and Bernd Hartmann, Chief Strategist of VP Bank.

With regard to sustainability, what links university teaching with financial world practice?

Marco Menichetti: Practitioners know what topics are advanced by academia and can integrate current findings from research into their own investment process. In return, researchers receive valuable feedback from practice, in addition to exchanging ideas and experience with other academics.

VP Bank and the University of Liechtenstein are collaborating in the area of sustainability. How did that come about?

Marco Menichetti: We viewed VP Bank as a suitable partner, since many alumni of our master's programme in finance went to work there. We also had a direct connection in the bank to Bernd Hartmann, an alumnus of our master's programme, who at the end of his studies was the first winner of the Liechtenstein Banking Award for his thesis.

Bernd Hartmann: Since sustainable investing is an integral part of our investment approach, it was essential for me to get a fascinating insight into new academic findings and valuable food for thought. Another reason for collaborating with the University of Liechtenstein was to support young academic talent as part of VP Bank's "People Strategy".

A highlight is the annual International Research Conference on Sustainable Finance. What does the collaboration look like exactly?

Othar Kordsachia: First, VP Bank makes a number of employees available from its investment research department, and they provide extensive feedback on all papers submitted at the conference. That way, the researchers understand how application-oriented the presented research matter is.

Marco Menichetti: Secondly, VP Bank provides the Best Paper Award to the top paper submitted at the conference. The award includes a prize of CHF 2,000, which has a great impact on the quality of the papers received. And thirdly, VP Bank provides significant financial support for holding this conference.

Othar Kordsachia: The invited researchers present their theses at the research conference. VP Bank employees provide detailed feedback on every research paper. The winner of the Best Paper Award is announced at the end of the conference, and they receive a certificate and the prize money in front of the conference attendees.

How much interest is there in the workshop and the award?

Marco Menichetti: There is great interest among researchers. We receive papers from researchers in Europe, as well as in the USA and Asia. This is because the Best Paper Award – together with two other awards that are also given – comes with prize money that is unusually generous for a research conference. The conference is now increasingly attracting attendance also by students and employees in the financial services industry from Liechtenstein, Switzerland, Austria and Germany.

Bernd Hartmann: For someone like me, who thought they wouldn't have anything more to do with academic papers after completing their studies, it's always a little challenge, but one that is a pleasure to face.

What are the benefits of the partnership?

Marco Menichetti: The Best Paper Award by VP Bank strengthens the reputation of the Finance & Economics Department of the Liechtenstein Business School in a very decisive manner. This is because a conference featuring numerous international papers, with a Best Paper Award by VP Bank and two other awards by other partners, is very rare. We are proud and grateful for the support of our partners who make this possible for us. We also see this conference as an important tool with which we can support young talent.

Bernd Hartmann: As with every good partnership, both sides should derive a benefit. On the one hand, VP Bank benefits from the ability to position itself among the students as an attractive employer. On the other, the findings from the evaluated research papers enable us to continually enhance our sustainability approach, which in turn also benefits our clients.

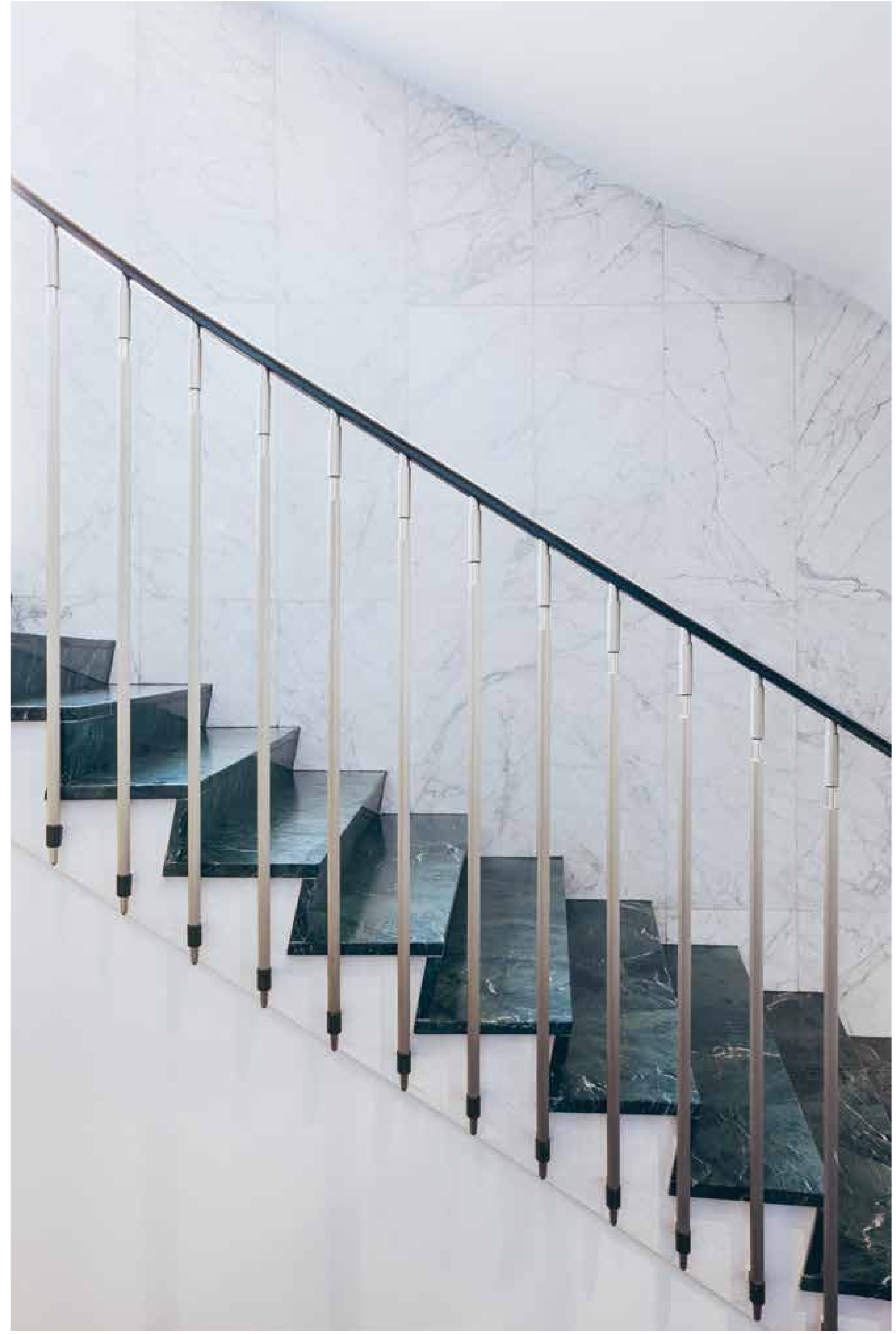
Othar Kordsachia: Practice-oriented research papers in the field of sustainable finance decisively advance the acceptance of sustainable investments. Our workshop in cooperation with VP Bank offers a platform for academics and practitioners to exchange ideas and experiences and at the same time raises the visibility of the Liechtenstein financial centre for sustainable investors.

> The cooperation promotes the exchange of ideas and experiences between academics and practitioners and at the same time raises the visibility of the Liechtenstein financial centre for sustainable investors.

More information about the partnership with the University of Liechtenstein
vpbank.com/university-liechtenstein

The Architecture Atelier at the University of Liechtenstein offers the right environment for working creatively and with a vision.

Marco Menichetti firmly believes that the Best Paper Award enables practitioners to benefit from the latest research findings.



Corporate governance and compensation Report

04

Corporate governance

VP Bank Group strives to win the trust of all stakeholder groups. Accordingly, it acts with integrity and in a transparent manner at all times and grants insight into its decision-making and control processes.

Corporate governance stands for responsible corporate management and control. The "Swiss Code of Best Practice for Corporate Governance" defines corporate governance as the entirety of principles focussed on the interests of shareholders which aim for transparency and a healthy balance of management and control whilst maintaining decision-making capability as well as efficiency at the highest level of a company.

Good corporate governance ensures transparent management aimed at sustainable achievement. It is designed to serve not only the company but also external stakeholder groups. The overall framework of corporate governance is determined to a significant degree by the legislator and shareholders; the specific manner in which it is designed is the responsibility of the Board of Directors.

VP Bank Group strives to win the trust of all stakeholder groups. It therefore acts with integrity and in a fair, transparent manner at all times and grants its stakeholder groups insight into its decision-making and control processes. This is why, for years and of its own accord, it has published information about its strategic objectives as well as its relationships with stakeholders.

This report describes the basic principles underlying the corporate management of VP Bank Ltd, Vaduz,[1] as required by the revised "Directive on Information Relating to Corporate Governance" (DCG) of the Swiss stock exchange SIX Swiss Exchange Ltd dated 18 June 2021 as well as the Liechtenstein legislation.

In Switzerland, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) has been in force as of 1 January 2014. It is applicable to Swiss joint-stock corporations whose shares are listed on a stock exchange in Switzerland or abroad, whereby VP Bank is not directly affected. 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 quoted on SIX Swiss Exchange Ltd must disclose the same information concerning corporate governance. As a consequence, the DCG contains in part special provisions

Functions of Corporate governance

Corporate governance
Auditing
BoD members and Board Committees
Transparency / disclosure
Shareholder rights
Capital structure
BoD and GEM / compensation

[1] Hereinafter referred to as VP Bank.

for issuers which are not subject to the ERCO, but must apply these, in part, in an according manner.

Unless otherwise indicated, all details relating to corporate governance are valid as of 31 December 2022.

1. Group structure and shareholders

1.1 Group structure

1.1.1 Description of operating Group structure

As a joint-stock corporation, VP Bank is constituted in accordance with Liechtenstein law. It is the parent company (head office) of VP Bank Group. The organisation chart (→ page 22) shows the Group's operating structure and from page 109 onwards the detailed segment reporting is set out.

The Executive Board of the head office is designated as "Group Executive Management (GEM)". It assumes responsibility for the operational management of the head office as well as assuming the function as Group Executive Management for VP Bank Group.[2] Members of Executive Management are represented on the Boards of Directors of the subsidiary companies. As a general rule, a member of Executive Management acts as Chairman of the Board of the given subsidiary companies.

1.1.2 Listed companies included in the reporting entity

The registered shares A of VP Bank, Vaduz, are listed on SIX Swiss Exchange Ltd; the registered shares B are not listed.

	ISIN	Year-end price CHF	Market value CHF million
Registered shares A (listed)	LI0010737216	87.80	528.1 [1]
Registered shares B (unlisted)	LI0010737596	8.80	52.8
Total (market capitalisation of registered shares A plus market value of registered shares B)			**580.9**

[1] Market capitalisation of listed registered shares A as of 31 December 2022.

No other listed companies are included in the reporting entity.

1.1.3 Unlisted companies included in the reporting entity

The subsidiary companies and material shareholdings included in the scope of the reporting entity are listed in the financial report (→ page 184) together with their name, registered office, share capital and percentage of share capital held.

1.2 Significant shareholders (anchor shareholders)

As of 31 December 2022, the following shareholders and shareholder groups have declared that they own more than 10 per cent of the share capital of VP Bank or exercise more than 5 per cent of the voting rights.

Shareholders	Registered shares A	Registered shares B	Votes	Percentage of votes	Percentage of share capital
"Stiftung Fürstl. Kommerzienrat Guido Feger" foundation, Vaduz[1]	1,066,426	4,530,047	5,596,473	46.6%	23.0%
"U.M.M. Hilti-Stiftung" foundation, Schaan	578,270	658,370	1,236,640	10.3%	9.7%
"Marxer Stiftung für Bank- und Unternehmenswerte" foundation, Vaduz	756,885	0	756,885	6.3%	11.4%

[1] Including the institutions controlled by the foundation.

During the period under review, no further disclosure notifications were received as foreseen by Art. 25 of the Liechtenstein Act of 23 October 2008 on the Disclosure of Information Concerning Issuers of Securities (DA) and by Art. 120 to 124 of the Swiss Financial Market Infrastructure Act (FinMIA). No shareholder agreements exist.

1.3 Cross-shareholdings

VP Bank has entered into no cross-shareholdings with other companies involving share capital or voting rights.

2. Capital structure

2.1 Capital

The share capital of VP Bank amounts to CHF 66,154,167 and is divided into 6,015,000 fully paid-up registered shares A with a par value of CHF 10.00 each, as well as 6,004,167 registered shares B with a par value of CHF 1.00 each (→ financial report, page 174).

	Number	Balance on 31.12.2022 Capital in CHF
Registered shares A	6,015,000	60,150,000
Registered shares B	6,004,167	6,004,167
Total	**12,019,167**	**66,154,167**

2.2 Conditional and authorised capital

VP Bank has neither authorised nor conditional capital.

2.3 Changes in capital

The total shareholders' equity of VP Bank for the past three financial years (as of the respective balance sheet date) changed as follows:

in CHF 1,000	31.12.2020	31.12.2021	31.12.2022
Share capital	66,154	66,154	66,154
Capital reserves	47,049	47,049	47,049
Statutory reserves	239,800	239,800	239,800
Other reserves	358,889	361,062	363,615
Provisions for general banking risks	63,150	63,150	63,150
Retained earnings	159,929	158,736	149,498
Total	**934,970**	**935,951**	**929,266**

[2] In principle, the term "Executive Board" is issued in this chapter.

2.4 Shares and participation certificates

The registered shares A of VP Bank can be traded freely on SIX Swiss Exchange Ltd. The registered shares B are not listed, but are widely held among the regional population. Both share categories bestow the membership rights provided for in the Liechtenstein Persons and Companies Act (PCA) and the company's Articles of Association. Each registered share A (par value of CHF 10.00) and each registered share B (par value of CHF 1.00) grants the holder the right to one vote at the annual general meeting of VP Bank, irrespective of the par value of the share.

VP Bank has issued no participation certificates.

2.5 Dividend-right certificates

VP Bank has issued no dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

The registration and transfer of registered shares is regulated in detail in Art. 7 of the Articles of Association.[3] Only shareholders entered into the share register are entitled to exercise membership rights vis-à-vis the company. The Board of Directors can refuse to enter holders of registered shares B into the register of shareholders on important grounds (Art. 7a of the Articles of Association). During the reporting year, the Board of Directors did not make use of their powers of authority in this respect.

2.7 Convertible bonds and options

VP Bank has issued neither convertible bonds nor options based on its own shares.

3. Board of Directors

The Board of Directors bears responsibility for the medium- to long-term strategic orientation of VP Bank Group. It is responsible for the overall management, supervision and control of the company.

Liechtenstein legislation provides for a clear separation of the overall management, supervision and control duties performed by the Board of Directors and the duties performed by operational management. Accordingly, the Board of Directors of VP Bank consists exclusively of non-executive members (i.e. members not actively involved in management).

3.1 Members of the Board of Directors

The Board of Directors of VP Bank consists of seven members. No Board member has belonged to Group Executive Management, the Executive Board of VP Bank or the Executive Board of any Group company during the past three financial years.

As a bank, VP Bank maintains business relationships with numerous domestic and foreign companies. This is also true for the members of the Board of Directors as well as for individuals or legal entities that are closely related to the Board members.

The list (→ table below) provides information on the names, ages, functions, joining dates and remaining terms of office of the Board members.

At the Annual General Meeting of 29 April 2022, Ursula Lang was re-elected for a term of office of three years. Following the annual general meeting, she was appointed Vice President by the Board of Directors with immediate effect.

Markus Thomas Hilti and Dr Gabriela Maria Payer announced that they would not renew their mandates. For thirty years, Markus Thomas Hilti has helped to shape VP Bank as representative of the U.M.M. Hilti-Stiftung foundation, most recently also as its Vice President. He explained that his resignation will not change the foundation's long-term commitment as anchor shareholder of VP Bank.

Dr Mauro Pedrazzini was elected to the Board of Directors for a term of three years. Dr Mauro Pedrazzini's appointment further expands the financial expertise within the Board of Directors and also strengthens the link to the home market of Liechtenstein.

3.2 Other activities and vested interests

The other activities of the members of the Board of Directors and any interests can be found in the biographies on the following pages.

3.3 Number of authorised activities

VP Bank is not subject to the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). From that point of view, it has not issued any statutory rules concerning the number of authorised activities.

Surname	Year of birth	Position	Joined Board of Directors in	Elected until AGM in	Committee memberships
Dr Thomas R. Meier	1962	Chairman	2018	2024	Strategy & Digitalisation Committee[1], Nomination & Compensation Committee
Ursula Lang	1967	Vice President	2016	2025	Audit Committee, Risk Committee[1]
Philipp Elkuch	1969	Member	2021	2024	Nomination & Compensation Committee[1], Strategy & Digitalisation Committee
Dr Beat Graf	1964	Member	2014	2023	Nomination & Compensation Committee, Audit Committee
Dr Mauro Pedrazzini	1965	Member	2022	2025	Strategy & Digitalisation Committee, Risk Committee
Michael Riesen	1962	Member	2014	2023	Audit Committee[1], Risk Committee
Katja Rosenplänter-Marxer	1981	Member	2020	2023	Audit Committee, Risk Committee

[1] Chairperson

[3] Articles of Association on the Internet: vpbank.com/regulations

VP Bank Board of Directors

Dr Thomas R. Meier

- Chairman of the Board of Directors
- Chairman of the Strategy & Digitalisation Committee and Member of the Nomination & Compensation Committee

Biography on page 80

Ursula Lang

- Vice President of the Board of Directors
- Chairwoman of the Risk Committee and Member of the Audit Committee

Biography on page 80

Dr Mauro Pedrazzini

- Member of the Strategy & Digitalisation Committee and the Risk Committee

Biography on page 82

Michael Riesen

- Chairman of the Audit Committee and Member of the Risk Committee

Biography on page 82

Philipp Elkuch

- Chairman of the Nomination & Compensation Committee and Member of the Strategy & Digitalisation Committee

Biography on page 81

Dr Beat Graf

- Member of the Audit Committee and the Nomination & Compensation Committee

Biography on page 81

Katja Rosenplänter-Marxer

- Member of the Audit Committee and the Risk Committee

Biography on page 83

Dr Thomas R. Meier

Born 1962, Citizen of Switzerland

Education

2017	Programme for Board Members, Swiss Board School, IMP–HSG
2003	Advanced Management Program, Wharton School, University of Pennsylvania (USA)
1994	PhD in Law (Dr iur.), University of Zurich
1988	Master of Laws (lic. iur.), University of Zurich

Professional background

2015–2017	Head CSR, Chairman, Julius Baer Foundation, Bank Julius Baer & Co. Ltd., Zurich
2007–2015	Member of the Executive Board, CEO Asia
2005–2007	Member of the Private Banking Management Board, CEO for Asia, Middle East, Eastern Mediterranean & Eastern Europe
2004–2005	Deutsche Bank Luxembourg S.A., Luxembourg, Member of the Executive Management and Head of Private Wealth Management;
1988–2004	Various positions at the Credit Suisse Group

Other activities and vested interests

- Member of the Board of Directors, the Audit Committee and the Risk Committee of Leonteq Ltd., Zurich
- Board Member of Smiling Gecko social enterprise (NGO), Dübendorf
- Owner of Cardeira, Portugal and Switzerland
- Member of the Advisory Board of Hywin Holdings Ltd., Shanghai (China)

Ursula Lang

Born 1967, Citizen of Switzerland

Education

1996	Admission to the Swiss bar
1993	lic. iur. degree, University of Zurich

Professional background

Since 2015	Self-employed attorney-at-law (specialised in Criminal Law, Commercial Criminal Law, Compliance), Owner of the Lang Law Firm, Zurich
1998–2013	Credit Suisse, Zurich
2011–2013	General Counsel for Switzerland and in the Private Banking and Wealth Management segment
2008–2011	Head of Compliance Switzerland and, from 2009, also Co-Head of Global Compliance
2006–2008	Global Head of Anti-Money Laundering Compliance
2000–2006	Compliance employee at Credit Suisse Private Banking and Credit Suisse Financial Services
1998–2000	Employee in the Legal department
1996–1998	Stiffler & Nater Rechtsanwälte, Zurich, attorney-at-law
1994–1996	District Court of Horgen, Zurich, legal trainee and clerk

Other activities and vested interests

- Member of the Board of Directors and Chair of the Audit and Risk Committee of responsAbility Investments AG, Zurich

Philipp Elkuch

Born 1969, Citizen of Liechtenstein

Education

1999	Master of International Economics and Management, Bocconi University, Milan (Italy)
1994	Mechanical Engineering degree, ETH, Zurich

Professional background

Since 2019	Sulzer, Winterthur, Global Head of Digital Strategy & Transformation
2013–2019	DXC Technology, Zurich
2016–2019	Managing Director, Switzerland
2013–2016	Managing Partner, Digital Consulting, Switzerland, Austria and Germany
2000–2013	Afry, Switzerland – Finland – Italy
2010–2013	Member of the Board of Directors of the Group companies in Austria, Czech Republic and Hungary
2012–2013	Senior Vice President, Energy Business Group, Switzerland, UAE and UK
2009–2012	Business Area President, Renewable Energies, Eastern Europe, Switzerland, Germany and Austria
2004–2009	CEO AFRY Italia, Genoa (Italy)
2000–2003	Director, Energy Management Consulting, Switzerland, Germany, Finland and Spain
1994–1999	ABB, Baden, Project Manager for power plant construction, Colombia, USA and Malaysia

Other activities and vested interests

- Chairman of the Board of Directors of Liechtensteinische Kraftwerke, Schaan
- Member of the Board of Initiative digital-liechtenstein.li, Vaduz
- Member of the Board of Directors of Panitek Power Ltd, Zurich
- Chairman of the Board of Directors of EVUlution AG, Landquart

Dr iur. Beat Graf

Born 1964, Citizen of Switzerland

Education

2007	Master of Advanced Studies in Risk Management, University of Applied Sciences and Arts, Lucerne
1996	Dr iur. degree, University of Fribourg
1990	lic. iur. degree, University of Fribourg

Professional background

Since 2004	Allgemeines Treuunternehmen (ATU), Vaduz
Since 2015	Chairman of the Council of Trustees, CEO and Chairman of various ATU Group companies
2012–2015	Member of Executive Management and responsible for the coordination of all ATU subsidiaries
2007–2012	Member of Executive Management and Head of Compliance
2004–2007	Head of Compliance
1999–2004	LM Legal Management AG, St. Gallen, Founding Partner and Managing Director
1991–1999	UBS AG, St. Gallen
1998–1999	Deputy Head of Legal Services Eastern Switzerland
1993–1998	Assistant in the Legal department
1991–1993	Apprenticeship as a corporate client advisor

Other activities and vested interests

- Member of the Board of Trustees of the "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation, Vaduz (→ section 1.2)
- Member of the Board of Trustees of the "Privatbank Personalstiftung" foundation, Vaduz

Dr Mauro Pedrazzini

Born 1965, Citizen of Liechtenstein

Education

1999	Executive MBA University of St. Gallen (HSG)
1996	PhD in Physics, Research Centre for Plasma Physics, ETH Lausanne
1991	Undergraduate degree in Physics, Chemistry and Astronomy (lic. phil. nat.), University of Berne

Professional background

Since 2021	Owner of MPCE Mauro Pedrazzini Consulting & Engineering Est., Eschen
2013–2021	Minister in the Government of the Principality of Liechtenstein, Head of the Ministry for Social Affairs (Health, Social Affairs, Family and Equal Opportunities), member of the Advisory Council on the Management of State Assets
2006–2013	LLB Asset Management AG, Vaduz, Head of Equity Management
2001–2013	Financial analyst and fund manager
2003–2013	LLB Asset Management
2001–2003	Liechtensteinische Landesbank AG, Vaduz
1992–2001	Balzers AG (currently Oerlikon Balzers AG), Liechtenstein, Research and Development project manager, Head of Engineering, Head of Research and Development
1990–1991	University of Berne, research assistant in the Laboratory for High-Energy Physics

Other activities and vested interests

None

Michael Riesen

Born 1962, Citizen of Switzerland

Education

1992	Swiss Certified Accountant
1988	Swiss Certified Trustee with Federal Diploma
1985	Swiss Certified Business Economist HKG

Professional background

Since 2014	Independent corporate consultant
1987–2013	Ernst & Young Ltd, Zurich, Review and advisory services for complex national and international financial institutions (since 1995 as Lead Auditor of banks and collective investments licensed by FINMA, since 1998 as Partner of Ernst & Young)
2010–2012	Sponsoring Partner of Ernst & Young EMEIA Sub-Area Financial Services' global Assessment of Service Quality (ASQ) programme
2008–2012	Managing Partner Quality & Risk Management as well as Member of the Management Committee of Ernst & Young EMEIA Sub-Area Financial Services
2008–2010	Managing Partner Financial Services and a Member of Executive Management
2006–2008	Country Managing Partner Assurance Financial Services as well as Member of Executive Management
2005–2006	Head Assurance Financial Services as well as Member of Executive Management
2004	Head of an Assurance Financial Services unit
2000–2003	Head Professional Practice Banking Audit
1985–1987	Schweizerische Bundesbahnen (Swiss Federal Railways), Organisation & Audit department, Berne, Internal Auditor

Other activities and vested interests

None

Katja Rosenplänter-Marxer

Born 1981, Citizen of Germany

Education

2010	Specialist course in commercial and company law at DeutscheAnwaltAkademie (German Lawyers' Academy)
2010	Admission to the bar in Germany
2009	Second state law exam, Assessor iuris (Germany)
2007–2009	Clerkship, Regional Court of Constance (Germany)
2006–2007	Master of Science Educational Leadership, Northern Arizona University, Flagstaff (USA)
2005–2006	Studies in Public Management, Northern Arizona University, Flagstaff (USA)
2005	First state law exam, Magister iuris (Germany)
2000–2005	Law Degree, University of Constance (Germany)

Professional background

2012–2017	Law office of Marxer & Partner Rechtsanwälte, Vaduz, Legal Associate
2010–2012	Law office of Wagner & Joos, Konstanz (Germany), attorney
2009	Law office of Gnann, Thauer & Kollegen, Freiburg (Germany), articled clerk
2008–2009	City of Konstanz (Germany), articled clerk
2008	Law office of Baiker & Kollegen, Konstanz (Germany), articled clerk
2008	Public prosecutor's office, Konstanz (Germany), articled clerk
2007–2008	District Court of Villingen-Schwenningen (Germany), articled clerk
2007	HSBC Trinkaus & Burkhardt AG, Düsseldorf (Germany), trainee

Other activities and vested interests

- Member of the Board of Trustees of the "Lebenswertes Liechtenstein" foundation, Vaduz

3.4 Election and term of office

Details concerning the election and terms of office of the current members of the Board of Directors can be found in the analysis shown in section 3.1. Pursuant to Art. 16 of the Articles of Association, the Board of Directors must comprise at least five members who are elected for a term of three years. The members of the Board of Directors are elected individually (re-election is permitted). The Board of Directors elects the Chairman and Vice Chairman from amongst its members for a term of three years (re-election is permitted).

3.5 Internal organisation

The internal organisation and modus operandi of the Board of Directors are set out in the Articles of Association (Art. 17 to 19) and in the Organisation and Business Regulations (OBR chapters 2 to 4).[4]

In collaboration with the Executive Board, the Board of Directors annually reviews the Group's strategy in keeping with the provisions of the Articles of Association and the OBR and establishes the medium-term and long-term objectives as well as the management guidelines of VP Bank Group. The Board of Directors decides on the annual budget proposed by the Executive Board for the head office and Group, on strategically important projects, on consolidated and individual company financial statements, as well as on important personnel-related issues.

3.5.1 Division of tasks within Board of Directors

The Chairman – or, in their absence, the Vice Chairman – conducts, in the name of the Board of Directors, the direct supervision and control of the Executive Board and Group Executive Management. To be able to fulfil its duties in an optimum manner, the Board of Directors is supported by four committees: the Nomination & Compensation Committee, the Audit Committee, the Risk Committee and the Strategy & Digitalisation Committee.

3.5.2 Composition, tasks and areas of responsibility of the Board committees

The tasks, powers of authority, rights and obligations of the various committees are laid down in the Organisation and Business Regulations. In addition, the functions of the Audit Committee, the Strategy & Digitalisation Committee and the Risk Committee are governed by way of separate business regulations.

Minutes are kept on the meetings and the matters dealt with by the committees at their respective meetings and submitted to the Board of Directors. In addition, the committee chairmen inform the Board of Directors at the following Board meeting about all important matters as part of a standard agenda item.

Nomination & Compensation Committee

The Nomination & Compensation Committee comprises the members Philipp Elkuch (Chairman), Dr Thomas R. Meier and Dr Beat Graf. Pursuant to section 3.2 OBR, the Committee is primarily responsible for the following tasks:

- assisting the Chairman of the Board of Directors in the fulfilment of their management and coordination duties, as well as the entire Board of Directors on matters of corporate governance, organisation and monitoring of business developments;
- defining the criteria for the election of Board members; performing the evaluation and submitting the related motions to the Board of Directors;
- submitting motions to the Board of Directors on the composition of the Committees of the Board of Directors;
- preparing and submitting motions to the Board of Directors concerning the appointment of the Chief Executive Officer and – in collaboration with the Chief Executive Officer – of the remaining members of Executive Management;
- submitting proposals to the Board as to the compensation to be paid to the members of Executive Management;
- dealing with fundamental issues concerning personnel policy (e.g. salary and equity participation systems, management development, succession planning, staff welfare benefits) for the attention of the Board of Directors;
- submitting motions to the Board with regard to the compensation paid to the Chairman and other members of the Board of Directors.

Audit Committee

The Audit Committee comprises Michael Riesen (Chairman), Dr Beat Graf, Ursula Lang and Katja Rosenplänter-Marxer. The Audit Committee assists the Board of Directors in fulfilling the duties assigned to it under the Banking Act with regard to the overall management, supervision and control of the head office and of VP Bank Group. Pursuant to section 3.3 OBR, the Audit Committee is responsible in particular for the following tasks:

- receiving and dealing with the reports of Group Internal Audit and the Banking-Law Auditors as well as assessing the appropriateness of the procedures deployed to remedy the pending matters arising from the audit;
- critically assessing financial reporting as well as discussion thereof with the CFO, the Head of Group Internal Audit and representatives of the Banking-Law Auditors;
- deciding whether the individual company and consolidated financial statements can be recommended to the Board of Directors for submission to the annual general meeting of shareholders;
- assessing the implementation of the Bank's tax strategy;
- assessing the functional capability of the internal control system;
- assessing the measures taken designed to ensure compliance with and observance of legal (e.g. compliance with capital adequacy, liquidity and risk-diversification provisions) and internal provisions (compliance);
- taking note of significant interactions with the respective supervisory authorities and assessing the measures taken to implement the conditions imposed as well as assessing the appropriateness of the procedures implemented to ensure compliance with regulatory conditions imposed and of remedial action taken;
- assessing the quality of the internal and external auditors, as well as the collaboration between the two sets of auditors;
- defining the multiyear audit plan of Group Internal Audit, as well as informing themselves as to and discussing the

[4] Organisation and Business Regulations on the Internet: vpbank.com/regulations

audit planning of the Group Auditor and Banking-Law Auditors;
- assessing the performance, fees paid to and independence of the external auditors, especially in terms of the compatibility of their auditing activities with any advisory mandates they may have;
- advising the Board of Directors on the appointment and removal of external auditors;
- submitting motions to the Board of Directors for the appointment and removal of the Head of Group Internal Audit;
- advising the Board of Directors on the appointment and removal of the Chief Financial Officer.

Risk Committee

Ursula Lang (Chairwoman), Dr Mauro Pedrazzini, Michael Riesen and Katja Rosenplänter-Marxer belong to the Risk Committee. The Risk Committee assists the Board of Directors in fulfilling the tasks assigned to it under the Banking Act regarding the overall management, supervision and control of the head office and of VP Bank Group. Pursuant to section 3.4 OBR, the Risk Committee is responsible in particular for the following tasks:

- receiving and dealing with the reports of the Chief Risk Officer (CRO) as well as assessing the appropriateness of procedures deployed to manage and monitor risks;
- critically assessing financial, business, reputational and operational risks as well as discussing these with the Chief Risk Officer;
- assessing the functional capability of risk management and monitoring as well as of the internal control system;
- assessing the functional capability of the measures taken designed to ensure compliance with and observance of legal (e.g. compliance with capital adequacy, liquidity and risk-diversification provisions) and internal provisions (compliance);
- receiving and dealing with the reports of Legal, Compliance & Tax;
- assessing the quality (effectiveness) of risk governance as well as the cooperation between Risk Management, Risk Monitoring, Group Executive Management, Risk Committee and the Board of Directors;
- reviewing whether the pricing of the offered liabilities and assets takes adequate account of the Bank's business model and risk strategy and, should this not be the case, presenting a plan with corrective measures;
- evaluating whether the incentives offered as part of the system of compensation take into account the risk, equity, liquidity as well as the probability and timing of revenues;
- advising the Board of Directors on the appointment or removal of the Chief Risk Officer.

Strategy & Digitalisation Committee

Dr Thomas R. Meier (Chairman), Philipp Elkuch and Dr Mauro Pedrazzini belong to the Strategy & Digitalisation Committee. The Strategy & Digitalisation Committee assists and advises the Board of Directors on strategic issues and projects. Pursuant to section 3.5 OBR, the following tasks, in particular, are incumbent on it:

- preparing strategic issues for the attention of the Board of Directors;
- handling strategic issues on an in-depth basis (e.g. digitisation in banking);
- ensuring on-going steering and management processes in the area of strategy;
- reviewing strategy periodically and on an ad hoc basis (strategy review);
- reviewing the implementation of strategic measures (strategy controlling);
- ensuring that strategy is well embedded within the Bank;
- examining the strategic fit of mergers, acquisitions, cooperation partnerships, business cases, etc.;
- raising the outward and market orientation as well as the innovative capacity of the Bank.

3.5.3 Modus operandi of the Board of Directors and its committees

At the invitation of the Chairman, the Board of Directors normally meets 7 to 10 times per year as well as for one strategy meeting in camera and an innovation day. In principle, the meetings consist of three parts:

- a Board-internal part;
- a consultative part during which members of the Executive Board and Group Executive Management are also in attendance to present their proposals and exchange information;
- a decision-taking part during which the Board of Directors arrives at its decisions. In order to be informed at first-hand, the CEO is also present during the decision-taking part of Board meetings.

Specific topics addressed by the Board of Directors and its committees can require, if needed, that further individuals can be called upon to attend (executives of VP Bank Group, representatives of the Banking-Law Auditors, as well as internal or external specialists and advisors). During 2022, the Board of Directors held seven ordinary meetings and two extraordinary meetings. In addition, together with the Executive Board, the Board of Directors held two all-day workshops concerning strategy and innovation.

The Nomination & Compensation Committee usually meets six to ten times per annum. In case of need, the CEO participates in the meetings of the Nomination & Compensation Committee in an advisory capacity. During 2022, the Nomination & Compensation Committee met on a total of nine occasions. In addition, an exchange of information concerning developments in VP Bank's organisation took place at a joint meeting with the Strategy & Digitalisation Committee.

The Audit Committee usually meets on five to eight occasions per annum, with the meeting dates being set to accommodate the needs arising from specific tasks (closing of accounts, financial reporting, Auditors' reports, etc.). The CFO, the Chief Risk Officer and the Head of Group Internal Audit attend the meetings.

For the purpose of addressing audit-specific topics, representatives of the external auditing firm (as a general rule, the Auditor-in-Charge) attend the meetings. Last year, the Audit Committee convened for six ordinary meetings. At one joint meeting with the Risk Committee, an exchange of information took place with the Executive Board regarding the quality of the internal control system and other matters.

The Risk Committee usually meets on five to eight occasions per annum. The Chief Risk Officer and the Head of Group Internal Audit attend the meetings. Last year, the Risk Committee convened for six ordinary meetings.

Surname	Board of Directors	Nomination & Compensation Committee	Audit Committee	Risk Committee	Strategy & Digitalisation Committee
Number of meetings	**11**	**10**	**6**	**6**	**8**
Dr Thomas R. Meier	11	10			8
Markus Thomas Hilti[1]	3	3			
Philipp Elkuch	11	9			8
Dr Beat Graf	10	7	6	1	
Ursula Lang	11		6	6	
Dr Gabriela Maria Payer[1]	3	3			3
Michael Riesen	11		6	6	
Katja Rosenplänter-Marxer	11		6	6	
Dr Mauro Pedrazzini[2]	8			5	5

[1] Member of the Board of Directors until 29 April 2022.
[2] Member of the Board of Directors since 29 April 2022.

At one joint meeting with the Audit Committee, an exchange of information took place with the Executive Board regarding the quality of the internal control system and other matters.

The Strategy & Digitalisation Committee usually meets on six to eight occasions per annum. The CEO and other representatives of the Executive Board attend the meetings. In 2022, the Strategy & Digitalisation Committee met for a total of seven meetings. In addition, an exchange of information concerning developments in VP Bank's organisation took place at a joint meeting with the Nomination & Compensation Committee.

Chairman Emeritus

Fürstlicher Kommerzienrat Dr Heinz Batliner, Vaduz, has been Chairman Emeritus of VP Bank since 1996. The Board of Directors bestowed this honorary title upon him for his services to VP Bank. From 1961 to 1990, Dr Heinz Batliner was Manager / General Manager and Chairman of the Executive Board, and from 1990 through 1996, Chairman of the Board of Directors.

3.6 Rules on competences

The Board of Directors is the corporate body in charge of overall management, supervision and control of the Executive Board. It bears ultimate responsibility for the strategic direction of VP Bank Group. The powers and duties of the Board of Directors are laid down in detail in Art. 17 of the Articles of Association as well as in sections 2.2 to 2.4 OBR. The tasks and competencies of the four Board committees are described in section 3 OBR.

The Board of Directors has delegated to the Executive Board the responsibility for the operational management of VP Bank as well as the overall management, supervision and control of the subsidiary companies of VP Bank Group. The tasks and competencies of the Executive Board are laid down in the Articles of Association (Art. 21) and in the OBR. The OBR contains more detailed provisions regarding the Executive Board / Group Executive Management in section 5 thereof.

The segregation of functions between the Board of Directors and the Executive Board / Group Executive Management is also evident in the organisational chart (→ page 22).

3.7 Information and control instruments vis-à-vis the Executive Board and Group Executive Management

The Board of Directors and its committees have at their disposal various informational and control instruments for managing and supervising the activities of the Executive Board. Among those instruments are the strategy process, medium-term planning, the budgeting process and reporting.

The members of the Board of Directors regularly receive various reports: monthly financial reports (individual company and Group basis), risk-controlling reports, as well as periodic reports on the semi-annual and annual financial statements (consolidated and individual company accounts). The latter also include qualitative information, as well as budget variances, period-specific and multi-year comparisons, key performance indicators and risk analyses, all of which cover the head office, the subsidiaries and the Group in aggregate. These reports enable the Board of Directors at all times to gain a picture of significant developments and the risk situation. Those reports that lie within the scope of tasks of the Audit or Risk Committees are dealt with by the respective committee and corresponding motions are forwarded to the Board of Directors for approval. The most recent reports undergo a comprehensive review at each Board meeting.

The Board of Directors reviews twice a year the implementation of business strategies and strategy controlling on the basis of the reporting by the Executive Board.

A further important instrument to assist the Board of Directors in fulfilling its supervisory and control function is Group Internal Audit which conducts its activities in compliance with the internationally recognised standards of the Swiss Institute of Internal Auditing and the Institute of Internal Auditors (IIA). The duties and powers of Group Internal Audit are laid down in specific regulations.

As an independent body, it examines in particular the internal control system, management processes and risk management.

The Chairman of the Board of Directors receives all minutes of the Executive Board meetings. In addition, this person also exchanges information with the CEO on a weekly basis, and on an ad hoc basis with the other members of Executive Management.

4. Executive Board and Group Executive Management

The Executive Board is responsible for the operational management of the head office and, at the same time, for the management of VP Bank Group and is designated as Group Executive Management (GEM). Its tasks and competencies are specified in the OBR as well as in the functional descriptions for the individual members of Executive Management. The Chairman of the Executive Board (CEO) is responsible for the overall management of the Group and Group-wide coordination.

The members of Executive Management generally meet every two weeks for a half-day session. Additional meetings and workshops are held for the purpose of assessing the strategy and corporate developments, as well as for dealing with annual planning, budgeting and other current issues.

4.1 Members of the Executive Board and Group Executive Management

As of 31 December 2022, the Executive Board and Group Executive Management were made up of the following individuals:

Surname	Year of birth	Functions	At VP Bank since	Member since
Paul H. Arni	1964	Chief Executive Officer (CEO)	2019	2019
Roger Barmettler	1972	Chief Financial Officer (CFO), Deputy CEO	2020	2021
Patrick Bont	1975	Chief Risk Officer (CRO)	2020	2020
Dr Urs Monstein	1962	Chief Operating Officer (COO)	2018	2018
Thomas von Hohenhau	1983	Head of Client Solutions	2020	2020
Tobias Wehrli	1977	Head of Intermediaries & Private Banking	2015	2020

Thomas von Hohenhau served as Head of Client Solutions and a member of the Executive Board and Group Executive Management from 1 September 2020. The Client Solutions business unit was reorganised and transferred entirely to the new organisation as of 1 January 2023. Thomas von Hohenhau resigned from the Executive Board and Group Executive Management of VP Bank at the end of 2022 and left VP Bank Group.

4.2 Other activities and vested interests

The other activities of the members of Executive Management and any interests can be found in the biographies on the following pages.

4.3 Number of authorised activities

VP Bank is not subject to the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). From that point of view, it has not issued any statutory rules concerning the number of authorised activities.

4.4 Management contracts

VP Bank has no management contracts with third parties that involve the delegation of management functions.

5. Compensation, shareholdings and loans

5.1 Content and method of determining compensation and equity participation programmes

The details and procedures to determine compensation and of the equity participation programmes of the Board of Directors and Executive Board are described in the compensation report (→ page 96 ff.).

5.2 Transparency of compensation, shareholdings and loans from foreign-domiciled issuers

As an issuer domiciled outside Switzerland, VP Bank discloses information on compensation, shareholdings and loans as provided for in section 5.3 of the Appendix to the Corporate Governance Directive dated 18 June 2021, i.e. by analogy to Art. 14 to 16 ERCO. The details in this regard can be found in the financial report and individual company accounts of VP Bank Ltd, Vaduz (→ pages 205 ff.).

6. Shareholders' participation rights

6.1 Voting right restrictions and proxies

Each registered share grants the holder the right to one vote at the annual general meeting of VP Bank, irrespective of the par value of the shares. Each shareholder may either attend in person or be represented by another shareholder by means of a written proxy. There are no restrictions on voting rights or statutory group clauses.

6.2 Statutory quorums

Amendments to the Articles of Association regarding a change in the ratio of the registered shares A to registered shares B (Articles of Association, Art. 4(2)) as well as to the provisions governing the restriction on registration of registered shares B (Articles of Association, Art. 7a(1)) require the approval of at least a two-thirds' majority of all shares issued by VP Bank (Articles of Association, Art. 14(4)).

6.3 Convocation of the annual general meeting

Convocation of the annual general meeting is made in accordance with the provisions of law and the Articles of Association (Art. 11).

6.4 Agenda

The agenda for the annual general meeting is based upon the provisions of law and those of the Articles of Association (Arts. 11 to 14).

Paul H. Arni

- Chief Executive Officer (CEO) of VP Bank Group

Biography on page 90

Roger Barmettler

- Chief Financial Officer (CFO) of VP Bank Group and Deputy Chief Executive Officer

Biography on page 90

Patrick Bont

- Chief Risk Officer (CRO) of VP Bank Group

Biography on page 92

Dr Urs Monstein

- Chief Operating Officer (COO) of VP Bank Group

Biography on page 92

Tobias Wehrli

- Head of Intermediaries & Private Banking at VP Bank Group

Biography on page 91

Thomas von Hohenhau

- Head of Client Solutions at VP Bank Group

Biography on page 91

Paul H. Arni

Born 1964, Citizen of Switzerland

Education

2020	Certified Board Member, Rochester-Bern Executive Programs, Berne
2006	Advanced Management Program (AMP), The Wharton School at the University of Pennsylvania (USA)
2002	Master of Business Administration MBA, University of Berne and University of Rochester (USA)
1999	Post-graduate diploma in Bank Management, Institute of Financial Services Zug (IFZ)
1995	Controller Diploma, Controller Academy, Zurich, and Swiss Institute for Business Administration (SIB), Zurich
1990	Business Economist FH, Zurich University of Applied Sciences, Zurich

Professional background

Since 2019	VP Bank AG, Vaduz, Chief Executive Officer
2017–2019	Deutsche Bank (Switzerland) AG, Zurich, Head of Wealth Management Switzerland and Member of Executive Management
2014–2017	Bank Julius Baer & Co. Ltd., Zurich, Market Head Zurich, Deputy Regional Manager Switzerland, Member of the Management Advisory Board
2008–2014	Credit Suisse AG, Zurich 2012–2014 Global COO Private Banking 2008–2012 Regional Head Zurich and Head of Private Banking Switzerland for the Zurich Region
1993–2008	UBS AG, Zurich 2007–2008 Regional Head of Wealth Management & Business Banking Mittelland, Berne 2003–2007 Head of Management Support, Wealth Management Switzerland; 1999–2003 Head of Controlling for various business units; 1998–1999 Integration Office Switzerland during the UBS/SBC merger; 1993–1998 Controller / Team Head Controlling Retail Banking
1991–1993	BMW (Switzerland) AG, Dielsdorf, Dealership Business Consultant and Sales Zone Manager for the Zurich Region
1985–1990	PBZ Privatbank, Zurich, Assistant to the Board of Management and employee in the Capital Markets department

Other activities and vested interests

- Member of the Board of the Liechtenstein Bankers Association, Vaduz
- Member of the Board of the Liechtenstein Chamber of Commerce and Industry (LIHK), Vaduz

Roger Barmettler

Born 1972, Citizen of Switzerland

Education

2001	Swiss Certified Accountant, Treuhandkammer Zurich, Switzerland
1997	Bachelor of Science in Business Administration, University of Lucerne, Switzerland

Professional background

Since 2020	VP Bank AG, Vaduz; since March 2021: Chief Financial Officer; June 2020 to February 2021: Chief Financial Officer ad interim; 2020: Head of Group Finance
2018–2019	UBS AG, Zurich, Group Accounting
2005–2018	Credit Suisse AG, Zurich
2014–2018	Liquidity Measurement & Reporting
2013–2014	Head of Credit Risk Reporting Private Banking
2011–2012	COO of Risk Analytics & Reporting
2006–2011	Group Accounting, Financial Reporting & Consolidation
2005–2006	Audit Manager Financial Audit Team
2004–2005	UBS Investment Bank, Zurich, Senior Auditor, Group Internal Audit
2002–2003	KPMG LLP, Philadelphia (USA), Senior Auditor
1997–2004	KPMG Fides Peat, Zurich, Audit Manager

Other activities and vested interests

- Member of the Board of Trustees of the "Treuhand-Personalstiftung" foundation, Vaduz
- Member of the Board of Trustees of the "Privatbank Personalstiftung" foundation, Vaduz
- Member of the Board of Trustees of the "Einlagensicherungs- und Anlegerentschädigungs-Stiftung SV" foundation, Vaduz

Tobias Wehrli

Born 1977, Citizen of Switzerland

Education

2012–2014	Executive Master's in Business Administration (EMBA), FHS St. Gallen, specialisation in Service Management
2006	Fit for CAS Customers (Comprehensive Advice Seeking)
2005	Next PACE – Credit Suisse Advisory Process in Private Banking
2004	Series 7 / General Securities Registered Representative Qualification Examination (American NYSE Trader Exam)
2003–2004	Executive Master of Financial Planning, CFP post-graduate studies at the FHS Fachhochschule für Technik, Wirtschaft und Soziale Arbeit St. Gallen (University of Applied Sciences)
1998–2001	FHS Fachhochschule für Technik, Wirtschaft und Soziale Arbeit St. Gallen (University of Applied Sciences; field of study: Economics with specialisation in Financial Services)

Professional background

Since 2020	VP Bank Ltd, Head of Intermediaries & Private Banking, Vaduz
2015–2020	Head of Intermediaries, VP Bank Ltd, Vaduz, special responsibility VP Bank Group: locations Zurich, Singapore, Luxembourg, Liechtenstein
2016–2019	Additional team management "Commercial Banking Domestic"
2009–2015	St. Galler Kantonalbank AG, St. Gallen, Head of Desk for External Asset Managers, Member of the Management Board
2007–2009	Financial Architects Schweiz, Wil, investment advisor for FMH Swiss Medical Association, Deputy General Manager / Partner
2005–2007	Credit Suisse Private Banking, St. Gallen, Relationship Manager for foreign countries, Assistant Vice President
2004–2005	Swiss American Sec. Inc., New York City (USA), Broker, Trading and Sales, Assistant Vice President
2001–2004	Credit Suisse Private Banking, Frauenfeld, Relationship Manager Domestic, Assistant Vice President
1997–1998	UBS Inc., Zurich, Financial Education Team
1996–1997	UBS Inc., Wil, commercial employee in private customer business
1993–1996	UBS Inc., Wil, commercial training incl. BMS (federal vocational baccalaureate)

Other activities and vested interests

None

Thomas von Hohenhau[1]

Born 1983, Citizen of Germany and Switzerland

Education

2011	Master of Arts in Banking and Finance, University of St. Gallen (HSG)
2007	Bachelor of Arts in Business Administration, University of Zurich

Professional background

2020–2022	VP Bank Ltd, Vaduz, Head of Client Solutions
2019–2020	Deposit Solutions, Zurich, CEO Switzerland
2016–2020	Deposit Solutions, Global, Chief Client Officer
2016–2018	Deposit Solutions, Zurich, Managing Director
2015–2016	Bank Julius Baer & Co. Ltd., various international locations, Head of Portfolio Management International
2014–2015	Bank Julius Baer & Co. Ltd., Global, Global Head of PM Business Operations & Management
2012–2014	Bank Julius Baer & Co. Ltd., various international locations, Global Head of Integration Merrill Lynch Portfolio Management
2009–2014	Bank Julius Baer Co. Ltd., Zurich, Head of PM Business Development

Other activities and vested interests

- Owner of Andorien Capital AG, Zurich
- Member of the Board of Young SECA

[1] Left VP Bank Group on 31 December 2022.

Patrick Bont

Born 1975, Citizen of Switzerland

Education

2015–2016	Executive Master of Business Administration (EMBA) in Digital Transformation, HTW Chur, University of Applied Sciences
2010–2012	Executive Master of Laws (LL.M.) in Company Foundations and Trust Law, University of Liechtenstein
1995–2001	Master of Arts (lic. iur. HSG), University of St. Gallen HSG

Professional background

Since 2020	VP Bank Ltd, Vaduz, Liechtenstein, Chief Risk Officer
2009–2020	FMA Financial Market Authority Liechtenstein, Vaduz
2016–2020	Member of Executive Management, Division Manager Banking
2013–2015	Member of Executive Management, Division Manager Other Financial Intermediaries
2010–2013	Head of Legal and International Affairs
2009–2010	Lawyer, Executive Board staff
2001–2009	UBS AG, Zurich / Hong Kong
2005–2009	Director, Head of Business Management, Group General Counsel Area, UBS Corporate Center, Zurich
2007–2008	Director, Head of Business Management, Legal & Compliance, UBS Investment Bank, Hong Kong
2003–2005	Business Analyst, Operational Risk, UBS Corporate Center, Zurich
2001–2003	Junior Client Advisor, UBS Wealth Management, Zurich

Other activities and vested interests

- University of Liechtenstein, Lecturer for the Compliance certificate course

Dr Urs Monstein

Born 1962, Citizen of Switzerland

Education

1996	Swiss Banking School, Zurich
1994	Dr iur., University of St. Gallen (HSG)
1991	lic. oec., University of St. Gallen (HSG)
1988	lic. iur., University of St. Gallen (HSG)

Professional background

Since 2018	VP Bank Ltd, Vaduz; since 2018: Chief Operating Officer (COO); February to September 2019: Chief Executive Officer (CEO) ad interim, Chief Operating Officer (COO)
2006–2017	Bank Julius Bär & Co. AG; Zurich 2012–2017: Global Head IT/CIO; 2010–2011: Head of Strategic Programs; 2008–2009: COO International / Program Manager; 2006–2007: Program Manager Strategic Initiatives
2004–2006	Bank Ehinger & Armand von Ernst, Zurich, COO, Member of Executive Management
1998–2003	UBS Group AG, Zurich; 2001–2003: Head of Strategic Project Management; 2000–2001: Head of Private Banking Services Switzerland; 1998–1999: Project Manager Migration Private Banking Switzerland
1992–1997	Union Bank of Switzerland, Zurich; 1996–1997: Head of the Investment Clients and Securities Administration Unit; 1995–1996: Training placement for corporate clients, Geneva; 1993–1995: Assistant to the Chairman of the Board of Management, Switzerland Region; 1992–1993: Controlling Region Switzerland
1987–1990	University of St. Gallen (HSG), research assistant (tax law, public law)

Other activities and vested interests

- Chairman of the Board of Directors of Data Info Services AG, Vaduz

6.5 Entries in the share register / invitation to the annual general meeting

Registered shares are entered into the share register with the name, citizenship, address and date of birth of the owner. Only registered shareholders are entitled to exercise membership rights vis-à-vis the company.

Registered shareholders who have been entered into the share register receive an invitation to the annual general meeting, including the agenda, sent to the address known to VP Bank. Upon successful registration, shareholders receive an entry pass together with the relevant voting material.

The invitation to the annual general meeting is also published in the Liechtenstein newspapers and the Swiss financial press.

7. Change of control and defensive measures

As VP Bank Ltd is a licensed bank domiciled in Liechtenstein whose shares are listed on SIX Swiss Exchange Ltd, it also must observe several Swiss regulations in addition to those of Liechtenstein. The former include, in particular, the provisions regarding the disclosure of significant shareholders which are included in the Financial Market Infrastructure Act (FinMIA) and the related Financial Market Infrastructure Ordinance (FinMIO). Consequently, shareholders are to make ad hoc notification to both SIX Swiss Exchange Ltd and VP Bank Ltd whenever the defined thresholds are crossed.

The Articles of Association of VP Bank contain no comparable regulations as to “opting-out” and “opting-in” as reflected in the Swiss provisions. Neither do any change of control clauses exist in favour of the members of the Board of Directors or the Executive Board or Group Executive Management.

The provisions of the Liechtenstein Act on Takeovers (TOA) apply.

8. Auditor

8.1 Duration of mandate and term of office of the lead auditor

For reasons of corporate governance, and with a view to the introduction of a mandatory rotation principle, PricewaterhouseCoopers AG, Zurich, were appointed as Group and statutory auditors, starting with the 2020 financial year, following the proposal of the Board of Directors at the Annual General Meeting of 26 April 2019. At the Annual General Meeting of 29 April 2022, PricewaterhouseCoopers AG were reappointed as Group and statutory auditors for the 2022 financial year.

Rolf Birrer has been the lead auditor since 2020.

8.2 Audit fee[1]

in CHF 1,000	2022	2021
Audit of annual financial statements	607	565
Other audit-related and certification services	810	662
Total	**1'417**	**1'227**

[1] Professional fees are reported exclusive of VAT and expenses.

The costs for the financial, supervisory and special statutory audits of the companies of VP Bank Group amounted to CHF 1,416,903 for the 2022 financial year (2021: CHF 1,226,886).

8.3 Additional professional fees[1]

in CHF 1,000	2022	2021
Tax-advisory services	156	273
Other services	23	6
of which audit-related services		5
of which legal services		
of which other advisory services	23	1
Total	**179**	**279**

[1] Professional fees are reported exclusive of VAT and expenses.

In the 2022 financial year, PricewaterhouseCoopers billed CHF 179,015 (2021: CHF 279,001) for services rendered, mainly in connection with tax services for investment funds.

In assigning additional tasks to the auditors, the Bank ensures that these services are commensurate with their activities as external auditors and lead to no conflicts of interest.

8.4 Supervisory and control instruments in relation to the external audit

The Audit Committee reviews the multiyear audit planning as well as the planned annual auditing activities and, in a specific agenda item, discusses these with the Auditor-in-Charge from the external auditing firm as well as the Head of Group Internal Audit. The Audit Committee attaches particular importance to a risk-oriented approach in the planning and conduct of the audit, as well as appropriate coordination of the auditing activities of the external auditors with those of Internal Audit.

All reports by the external auditors are reviewed at the meetings of the Audit Committee. In 2022, the external auditors were present at all meetings of the Audit Committee in which external audit-related items were on the agenda. In addition, the Auditor-in-Charge was in attendance at the Board of Directors' meeting to present and deal with the Banking-Law Auditors' Report.

Each year, the Audit Committee examines and evaluates the effectiveness and independence of the external auditors. In doing so, it relies on documents generated by the external auditors, such as the Auditors' Report prescribed under the Banking Act, management letters, as well as oral and written statements of position on individual issues and technical questions in connection with financial-statement reporting and the audit. Furthermore, a systematic annual assessment is made with reference to checklists and professional fee comparisons within the auditing industry. Based on this evaluation, a motion is submitted to the Board of Directors for the attention of the annual general meeting as regards the election of the external auditors and Group Auditors.

9. Information policy

All announcements of VP Bank required by law are made in a legally binding manner in the official Liechtenstein publication media (Articles of Association, Art. 25(1)).

VP Bank informs shareholders and capital market participants in an open, comprehensive and timely manner. Its information policy is based on the principle of equal treatment of all capital market participants. VP Bank informs shareholders and capital market participants by means of detailed annual and semi-annual reports, which are drawn up for VP Bank Group in accordance with International Financial Reporting Standards (IFRS), as well as via media releases concerning the latest changes and developments.

As a company listed on SIX Swiss Exchange Ltd, VP Bank is also subject in particular to the obligation to immediately publicise any price-sensitive events (ad hoc publicity obligation).

10. Trading lock-up periods

A general lock-up period for trading of VP Bank financial instruments (shares, bonds, money market papers) and derivatives of these applies for all employees of the Group one working day prior and on the actual date of publication of the annual and semi-annual results.

Because of their position or role, members of the Board of Directors, the Executive Board, management level 2 and Group Finance and Group Internal Audit are categorised as insiders for the purposes of VP Bank financial instruments or derivatives of these. Additional persons and areas that potentially have access to material unpublished information about VP Bank Group will be determined through regular insider compliance risk assessments. These persons and areas are recorded in an insider list for VP Bank financial instruments.

These persons (including related parties) and areas are subject to lock-up periods, in particular during the following periods: Between 1 June and the time at which the semi-annual results are published, and between 1 December and the time at which the annual results are published, no transactions may be executed with VP Bank financial instruments or derivatives of these.

The lock-up periods are not deemed lifted by any ad hoc disclosures in line with the SIX Swiss Exchange Directive on ad hoc publicity. If orders subject to restrictions are executed during the lock-up periods, this will also be considered a violation of internal directives.

In consultation with the Chief Risk Officer, the Chairman of the Board of Directors or the Chief Executive Officer may at any time order further trading restrictions, such as in the case of M&A transactions.

Allocations of shares as part of stock-ownership and other incentivisation plans are not considered to be a purchase and the corresponding allocation date is therefore not relevant for adherence to the retention periods.

Calendar

Annual General Meeting: 28 April 2023
Semi-Annual Report 2023: 17 August 2023

Investors and other interested parties can find additional information on the Bank as well as the Articles of Association, the OBR, and further publications on the website www.vpbank.com

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Compensation Report

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.

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.

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.

- 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 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.

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

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

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.

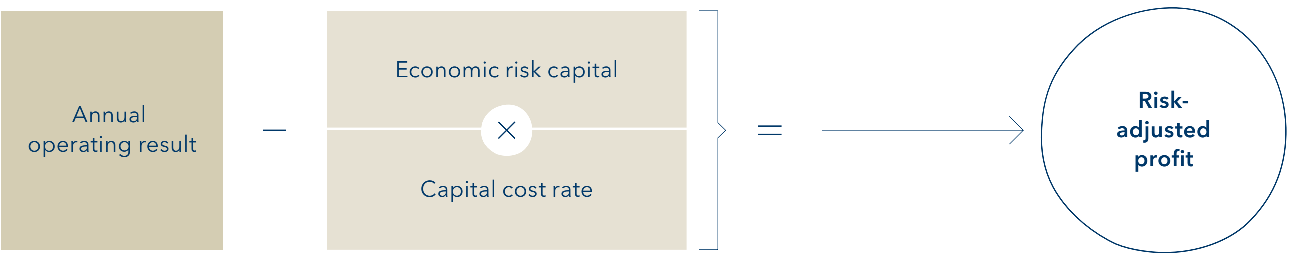
With the budget, the Board of Directors approves the framework for the fixed compensation and, at the end of the year, decides on the level of provisions for the variable portion of salary – taking the annual results into account.

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.

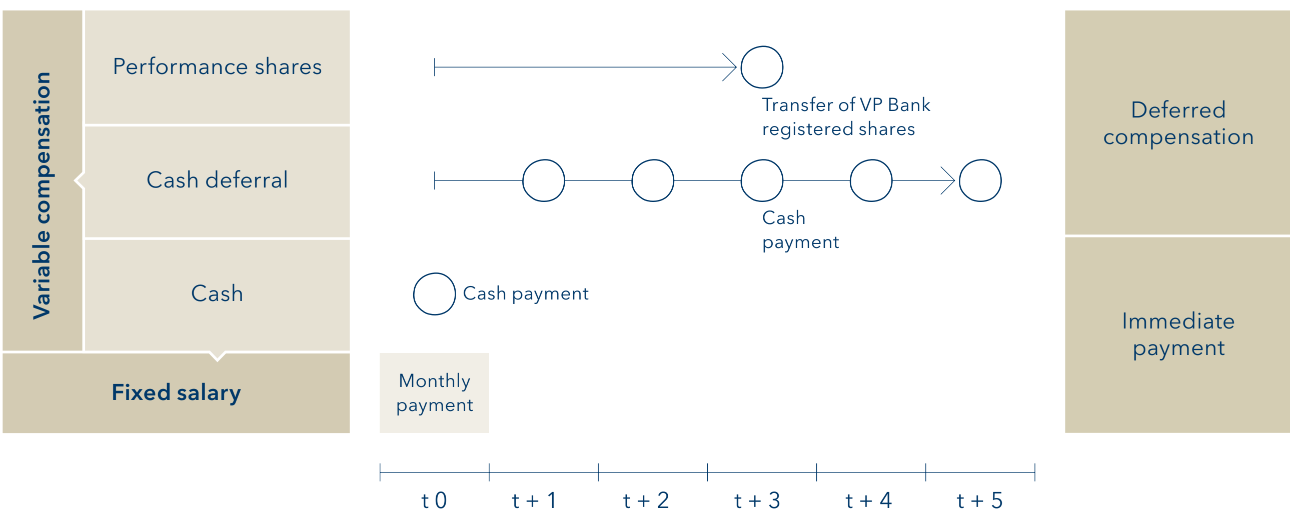
Information on the compensation of members of the Executive Board is to be found in the financial report, the stand-alone financial statements of VP Bank Ltd, Vaduz, under Compensation paid to members of governing bodies (page 218).

		Performance shares		Shares (vesting)	
Performance Share Plan	**Vesting date**	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

	Vesting date		Value on vesting date	Value	
Cash Deferral Plan	**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



Partnership client solution

Innovative e-banking thanks to many years of cooperation.

VP Bank has been working with the Swiss tech company Inventage for 20 years on the development of digital client solutions and a jointly developed client portal.

Interview with Stephan Lötscher, Partner of Inventage and Daniel Kurmann, Head of IT Client Channels at VP Bank.

What makes VP Bank's e-banking solution stand out?

Stephan Lötscher: VP Bank's e-banking takes into account the individual needs of a discerning private client as well as those of a multi-faceted networked intermediary. It was an exciting challenge for us to digitally reconcile these two very different client groups. Over the 20 years of our cooperation, a great deal has happened in the development of technology and we have always taken advantage of progress. Today, VP Bank e-Banking is no longer simply an e-banking service, but a portal in which the Bank can offer all its services, such as e-Post, a market data overview and an information area specifically for the needs of intermediaries. It is the signature digital product of the Bank, which, incidentally, has never been hacked.

How do the needs of the client groups mentioned differ?

Daniel Kurmann: Private clients have everyday needs. For example, they want to check their account balance, make payments or receive account statements. If they own investment assets, they also want to carry out stock market transactions and follow the developments in their portfolio. Intermediaries, on the other hand, want to get an overview of their clients and client groups and see where they invest their money. They also want to enter stock market orders for several clients.

Stephan Lötscher: Client needs can also change. We review them continuously and adapt the e-banking functions accordingly. It is important to us that clients can always do everything in one place.

Inventage employs people who remember the background of past implementations, who can dive into the depths of the codes and, in this way, solve a problem quickly.

How do VP Bank's clients benefit from the long-standing collaboration between VP Bank and Inventage?

Daniel Kurmann: Our e-banking is based on the latest technology and meets the highest security standards. In addition, we can react very quickly to new requirements, whether these are on the client side, of a regulatory nature or on the technology side. Inventage also has a lot of experience with other financial service providers, which benefits us and also our clients.

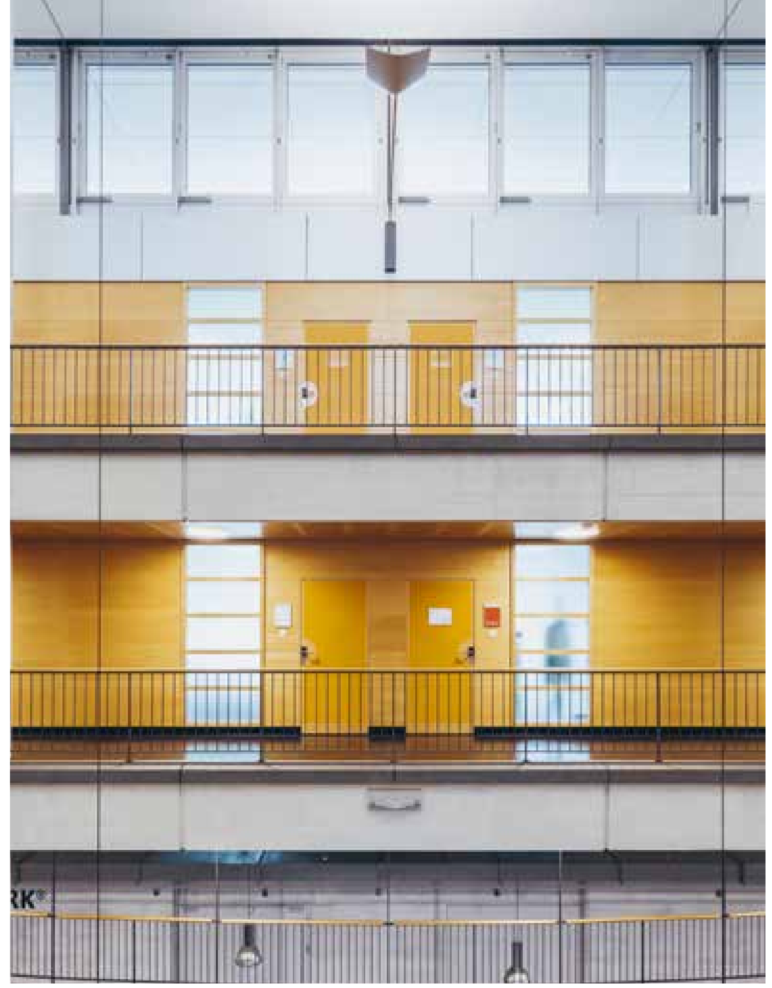
Stephan Lötscher: We are not only working on this solution from the software developer's point of view, but we also privately use the e-banking solutions of various providers and understand the client's perspective. This tells us what the competition is doing and enables us to provide new input.

What do you appreciate about this mutual cooperation?

Stephan Lötscher: Having VP Bank as a partner is fortunate for us. We can converse as equals and tackle challenges together. We do not simply have an order-supplier relationship, but want to work together to create a solution that meets the most modern standard and that we can both support. At Inventage, we get the impression that VP Bank greatly appreciates our work. The long-standing continuity of the business relationship is very valuable here.

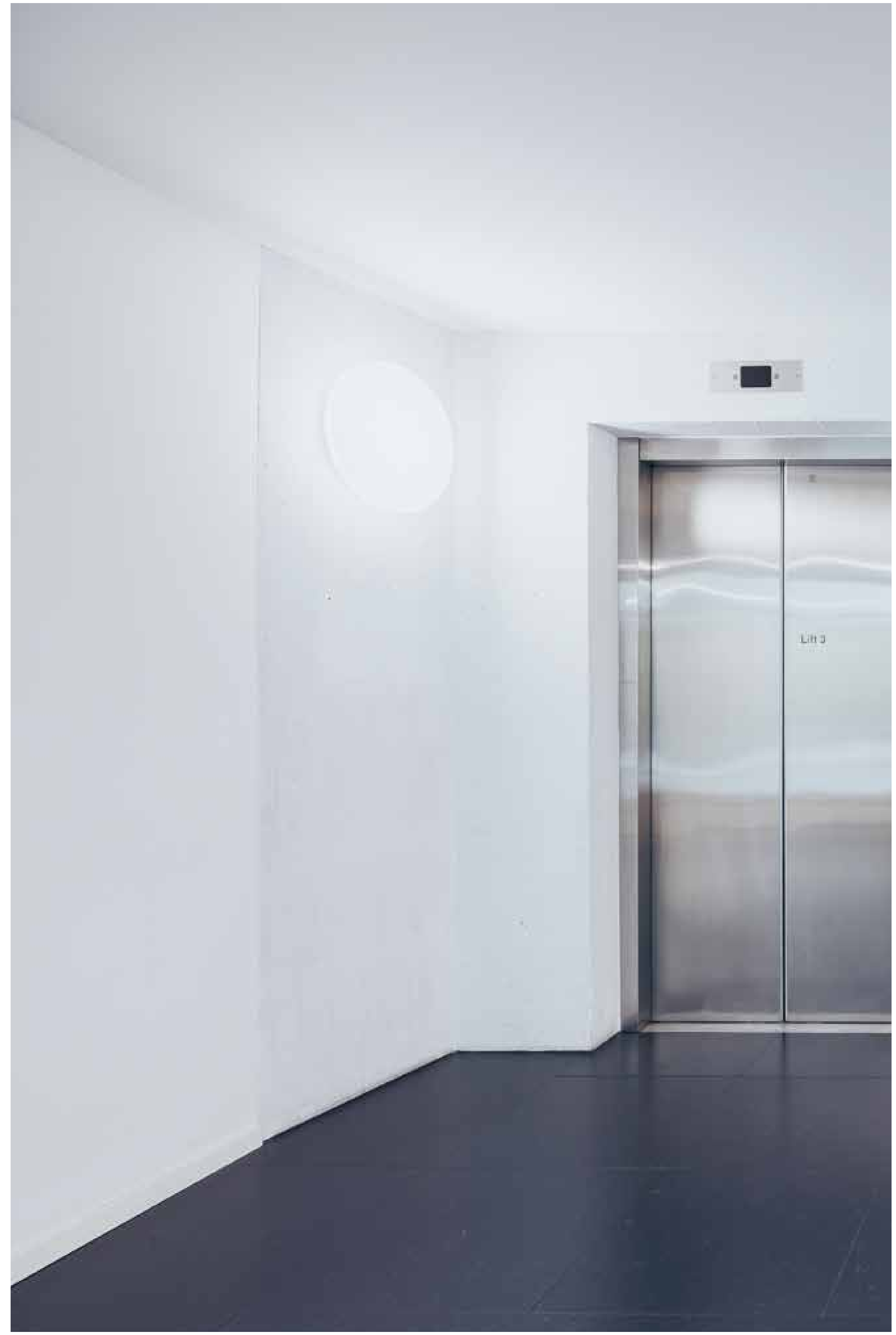
Daniel Kurmann: I absolutely agree with what Stephan Lötscher said. We also appreciate the continuity. We deal with people who know us and our history. No matter what the issue or problem might be, Inventage employs people who remember the background of past implementations, who can dive into the depths of the codes and, in this way, solve a problem quickly. This is of enormous value to be able to offer our clients excellent e-banking in the future as well.

More information about the partnership with Inventage
vpbank.com/inventage



The collaboration with Inventage has contributed significantly to the Bank's digital flagship: the client portal of VP Bank. Its clear and intuitive design supports our clients in their daily tasks.

Daniel Kurmann (left)
and Stephan Lötscher
from Inventage agree:
the portal is the solution
for all client groups.



Segments

05

Segment reporting

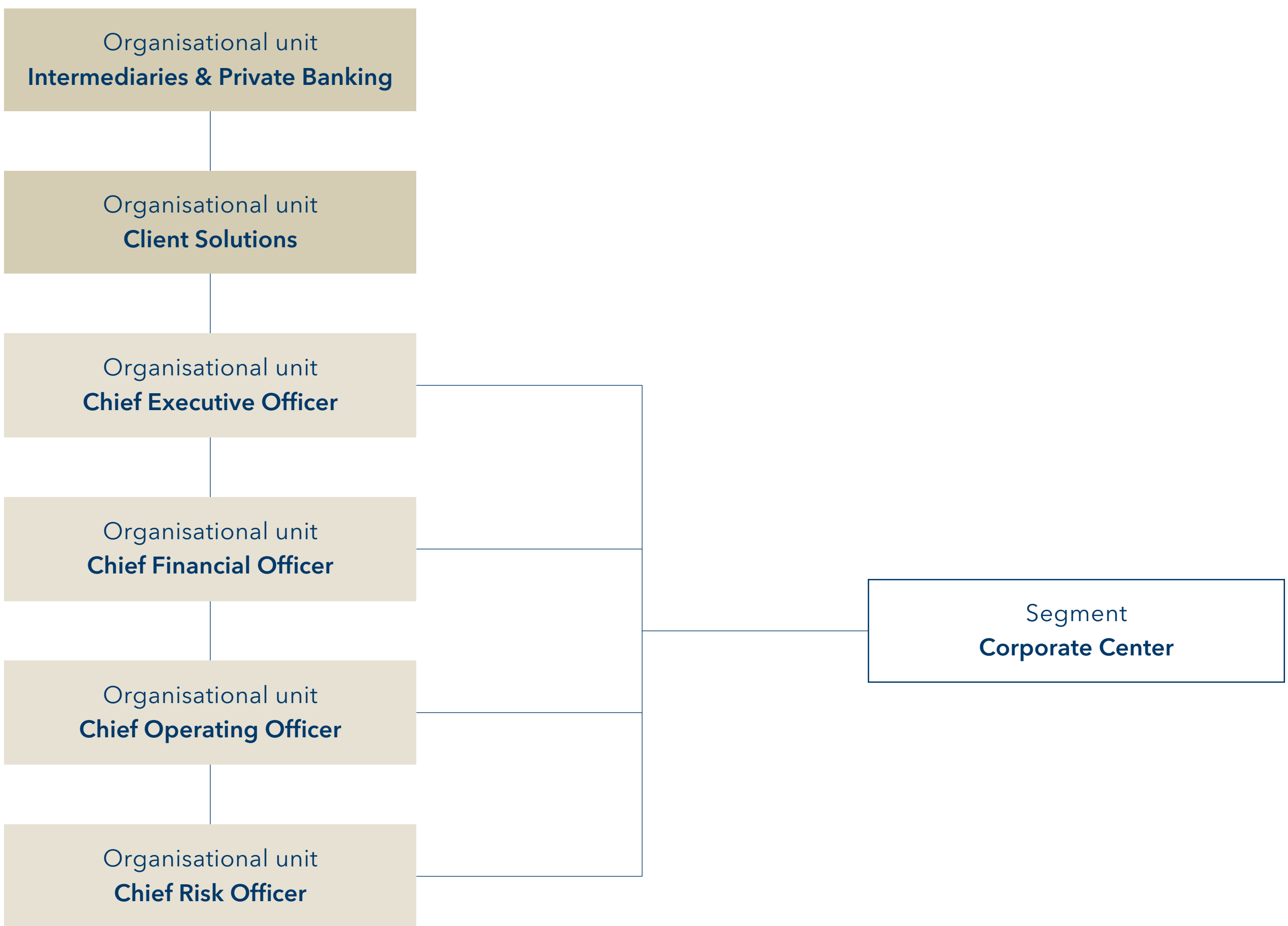
Structure

External segment reporting reflects the organisational structure of VP Bank Group as of 31 December 2022 and as well as internal reporting to management. These form the basis for assessing the financial performance of the segments and the allocation of resources to them.

VP Bank Group consists of the six organisational units "Intermediaries & Private Banking", "Client Solutions", "Chief Executive Officer", "Chief Financial Officer", "Chief Operating Officer" and "Chief Risk Officer".

The four organisational units "Chief Executive Officer", "Chief Financial Officer", "Chief Operating Officer" and "Chief Risk Officer" are grouped together under the business unit "Corporate Center" for segment reporting.

Revenues and expenditures as well as assets and liabilities are allocated to the business units based on the responsibilities for the clients and the originator principle. Insofar as a direct allocation is not possible, the positions in question are reported under Corporate Center. Consolidation entries are also included under Corporate Center.



Business segment reporting 2022

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	119,485	2,453	–445	121,493
Total net income from commission business and services	117,770	28,921	–7,110	139,581
Income from trading activities	31,436	2,728	31,343	65,507
Income from financial instruments	0	2,742	6,620	9,362
Other income	–318	32	704	418
Total operating income	**268,374**	**36,876**	**31,111**	**336,361**
Personnel expenses	70,669	13,328	89,647	173,644
General and administrative expenses	11,057	6,551	59,023	76,631
Depreciation of property, equipment and intangible assets	7,342	568	33,059	40,969
Credit loss expenses	–2,400	–16	–6	–2,421
Provisions and losses	2,036	338	–26	2,348
Services to/from other segments	60,128	3,467	–63,595	0
Operating expenses	**148,832**	**24,236**	**118,103**	**291,171**
Earnings before income tax	**119,542**	**12,640**	**–86,992**	**45,190**
Taxes on income				5,030
Group net income				**40,160**
Segment assets (in CHF million)	5,722	37	6,872	12,631
Segment liabilities (in CHF million)	9,941	660	928	11,529
Client assets under management (in CHF billion)[1]	34.8	11.7	0.0	46.4
Net new money (in CHF billion)	–0.5	1.5	0.0	1.1
Headcount (number of employees)	377	84	550	1,011
Headcount (expressed as full-time equivalents)	349.9	78.8	506.3	935.0

The netting of costs and earnings between the business units takes place on the basis of specific transfer prices. The transfer prices between the segments are reviewed annually and adjusted to reflect economic conditions.

[1] Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).

Business segment reporting 2021

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	96,461	516	13,012	109,989
Total net income from commission business and services	133,653	32,132	–9,310	156,475
Income from trading activities	31,721	2,401	15,884	50,006
Income from financial instruments[1]	0	330	11,122	11,452
Other income	779	137	1,028	1,944
Total operating income	**262,614**	**35,515**	**31,736**	**329,866**
Personnel expenses	68,801	13,709	91,492	174,001
General and administrative expenses	8,003	6,155	48,204	62,362
Depreciation of property, equipment and intangible assets	6,255	588	29,540	36,383
Credit loss expenses	–1,637	–4	–8	–1,649
Provisions and losses	1,001	4	8	1,014
Services to/from other segments	58,398	2,952	–61,350	0
Operating expenses	**140,820**	**23,404**	**107,887**	**272,111**
Earnings before income tax	**121,794**	**12,112**	**–76,151**	**57,755**
Taxes on income				7,117
Group net income				**50,638**
Segment assets (in CHF million)[1]	6,202	15	6,980	13,196
Segment liabilities (in CHF million)	10,809	832	469	12,111
Client assets under management (in CHF billion)[2]	39.6	11.6	0.0	51.3
Net new money (in CHF billion)	0.8	–0.5	0.0	0.3
Headcount (number of employees)	384	90	538	1,012
Headcount (expressed as full-time equivalents)	360.0	85.9	492.6	938.5

The netting of costs and earnings between the business units takes place on the basis of specific transfer prices. The transfer prices between the segments are reviewed annually and adjusted to reflect economic conditions.

[1] Due to internal reorganisation, defined financial instruments with the associated income from financial investments are transferred from Corporate Center to Client Solutions.
[2] Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).

Intermediaries & Private Banking

Segment results

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Total net interest income	119,485	96,461	23,024	23.9
Total net income from commission business and services	117,770	133,653	–15,883	–11.9
Income from trading activities	31,436	31,721	–285	–0.9
Income from financial instruments	0	0	0	n.a.
Other income	–318	779	–1,097	–140.7
Total operating income	**268,374**	**262,614**	**5,759**	**2.2**
Personnel expenses	70,669	68,801	1,869	2.7
General and administrative expenses	11,057	8,003	3,054	38.2
Depreciation of property, equipment and intangible assets	7,342	6,255	1,087	17.4
Credit loss expenses	–2,400	–1,637	–762	–46.6
Provisions and losses	2,036	1,001	1,034	103.3
Services to/from other segments	60,128	58,398	1,730	3.0
Operating expenses	**148,832**	**140,820**	**8,011**	**5.7**
Segment earnings before income tax	**119,542**	**121,794**	**–2,252**	**–1.8**
Additional information				
Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / total operating income (in %)	52.9	51.5		
Operating expenses excluding valuation allowances, provisions and losses / total operating income (in %)	55.6	53.9		
Client assets under management (in CHF billion)	34.8	39.6		
Change in client assets under management compared to 31.12. prior year (in %)	–12.3	10.2		
Net new money (in CHF billion)	–0.5	0.8		
Total operating income / average client assets under management (bp) (gross margin)[1]	72.1	69.4		
Segment result / average client assets under management (bp)[1]	32.1	32.2		
Cost/income ratio operating income (in %)[2]	52.8	51.6	1.2	2.2
Headcount (number of employees)	377	384	–7.0	–1.8
Headcount (expressed as full-time equivalents)	349.9	360.0	–10.1	–2.8

[1] Annualised, average values.
[2] Operating expenses less depreciation, credit loss expenses, provisions and losses / operating income less other income and income from financial instruments.

Structure

The "Intermediaries & Private Banking" business unit comprises the intermediaries and private banking business at local and international locations as well as the universal banking and lending business in Liechtenstein.

Segment income

The pre-tax segment income fell in 2022 from CHF 121.8 million to CHF 119.5 million compared to the previous-year period).

In 2022, operating income could be increased, year-on-year, by CHF 5.8 million (2.2 per cent). This growth results from the net interest income from clients (+23.9 per cent). The performance of interest rates in USD and EUR, above all, contributed to this positive result. Income from trading activities was maintained at almost the same level as the previous year (CHF –0.3 million). The decline in the commission and services business is based on lower transaction-related earnings, caused by a reduction in client activities due to the uncertainties on the financial markets. However, it was also impacted by the lower asset basis in 2022 due to market corrections and the associated reduction in recurring earnings.

Operating expenses increased by CHF 8.0 million or 5.7 per cent to CHF 148.8 million. This is primarily due to investments in Strategy 2026 and costs linked to the complex processing of sanctions for Russian clients and the client verification process as part of a revised risk evaluation model.

2022 saw a net new money outflow of CHF 0.5 billion. This reflects the net new money outflow of CHF 0.5 billion from clients with a Russian connection. Client assets under management as of 31 December 2022 totalled CHF 34.8 billion (31 December 2021: CHF 39.6 billion). The head-count decreased from 360 positions to 350 positions in the reporting year.

Client Solutions

Segment results

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Total net interest income	2,453	516	1,937	375.7
Total net income from commission business and services	28,921	32,132	–3,210	–10.0
Income from trading activities	2,728	2,401	327	13.6
Income from financial instruments	2,742	330	2,412	n.a.
Other income	32	137	–105	–76.6
Total operating income	**36,876**	**35,515**	**1,361**	**3.8**
Personnel expenses	13,328	13,709	–381	–2.8
General and administrative expenses	6,551	6,155	396	6.4
Depreciation of property, equipment and intangible assets	568	588	–20	–3.4
Credit loss expenses	–16	–4	–12	–293.0
Provisions and losses	338	4	334	n.a.
Services to/from other segments	3,467	2,952	515	17.5
Operating expenses	**24,236**	**23,404**	**833**	**3.6**
Segment earnings before income tax	**12,640**	**12,112**	**528**	**4.4**
Additional information				
Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / total operating income (in %)	63.3	64.2		
Operating expenses excluding valuation allowances, provisions and losses / total operating income (in %)	64.8	65.9		
Client assets under management (in CHF billion)	11.7	11.6		
Change in client assets under management compared to 31.12. prior year (in %)	0.5	1.6		
Net new money (in CHF billion)	1.5	–0.5		
Total operating income / average client assets under management (bp) (gross margin)[1]	31.6	30.8		
Segment result / average client assets under management (bp)[1]	10.8	10.5		
Cost/income ratio operating income (in %)[2]	68.5	65.1	3.4	5.2
Headcount (number of employees)	84	90	–6.0	–6.7
Headcount (expressed as full-time equivalents)	78.8	85.9	–7.2	–8.3

[1] Annualised, average values.
[2] Operating expenses less depreciation, credit loss expenses, provisions and losses / operating income less other income and income from financial instruments.

Structure

The "Client Solutions" business unit comprises the following teams: Direct Private Markets Investments, Collective Private Markets Investments, CSL Access Partners, Fund Client & Investment Services, Philanthropy and Impact, CSL Operations, CSL Legal, Risk & Compliance, and CSL Office. The two fund management companies VP Fund Solutions (Luxembourg) SA and VP Fund Solutions (Liechtenstein) AG remain as independent legal entities and are now part of Client Solutions. Some individually defined financial instruments are managed in the Client Solutions business unit.

Segment income

In 2022, the pre-tax segment income was increased by CHF 0.5 million, compared to the previous-year period, to CHF 12.6 million.

Operating income was increased by CHF 1.4 million, despite corrections on the stock market. Income from interest-related transactions and financial assets developed positively: this increased by CHF 1.9 million or CHF 2.4 million respectively compared to the previous year. Similar, income from trading activities grew by CHF 0.3 million compared to the previous-year period. Corrections on the financial markets had a negative impact on client assets and, as a result, on the recurring earnings within commission income.

Operating expenses increased by CHF 0.8 million to CHF 24.2 million, which can be attributed to higher general and administrative expenses.

In the 2022 reporting year, the fund business saw a strong net new money inflow of CHF 1.5 billion. The client assets under management amounted to CHF 11.7 billion as of 31 December 2022 (31 December 2021: CHF 11.6 billion). The headcount in the reporting year was slightly below the previous year's level at 79 (–7 positions).

Corporate Center

Segment results

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Total net interest income	–445	13,012	–13,457	–103.4
Total net income from commission business and services	–7,110	–9,310	2,199	23.6
Income from trading activities	31,343	15,884	15,459	97.3
Income from financial instruments	6,620	11,122	–4,502	–40.5
Other income	704	1,028	–324	–31.5
Total operating income	**31,111**	**31,736**	**–625**	**–2.0**
Personnel expenses	89,647	91,492	–1,845	–2.0
General and administrative expenses	59,023	48,204	10,819	22.4
Depreciation of property, equipment and intangible assets	33,059	29,540	3,519	11.9
Credit loss expenses	–6	–8	2	24.3
Provisions and losses	–26	8	–34	–403.7
Services to/from other segments	–63,595	–61,350	–2,245	–3.7
Operating expenses	**118,103**	**107,887**	**10,216**	**9.5**
Segment earnings before income tax	**–86,992**	**–76,151**	**–10,841**	**–14.2**
Additional information				
Headcount (number of employees)	550	538	12.0	2.2
Headcount (expressed as full-time equivalents)	506.3	492.6	13.7	2.8

Structure

The "Corporate Center" is of great importance for banking operations and the processing of business transactions. In addition, those earnings and expenses of VP Bank Group that have no direct relationship to client-oriented business units, as well as consolidation adjustments, are reported under the Corporate Center. The income-generating business activities of the segment "Corporate Center" are associated with the exercise of the Group Treasury function. The results of the Group's own financial investments, the structural contribution and the changes in the value of hedges are reported in this segment.

Segment income

The pre-tax segment income in 2022 amounted to CHF –87.0 million as opposed to CHF –76.2 million in the prior year.

Operating income was kept at the same level as the previous year, at around CHF 31 million. Income from interest-related business dropped by CHF 13.5 million. Due to the increase in USD interest rates in 2022, higher interest credits for passive funds were charged to client units internally at the Bank within funds transfer pricing. Commission and service income saw a fall in revenues. This includes bank commissions that were invoiced to front business units by the service units through internal recharging.

Income received from Group Treasury & Execution is reported under income from trading activities. This relates to income generated from the execution of foreign-exchange trades. Income from derivatives for risk minimisation and income from balance sheet management are disclosed under this heading as well. Income from trading activities increased by CHF 15.5 million compared to the previous year. This increase is mainly due to higher USD and EUR interest margins. Income from financial investments totalled CHF 6.6 million in 2022. This position recorded a result of CHF 11.1 million in the previous-year period.

In the reporting period, operating expenses increased by CHF 10.2 million to CHF 118.1 million, primarily due to investments in Strategy 2026. This led to depreciation and amortisation increasing by CHF 3.5 million. The rise in general and administrative expenses of CHF 10.8 million was, on the one hand, primarily driven by an increase in IT costs of CHF 10.5 million due to the outsourcing of IT infrastructure to Swisscom and upgrades to the core banking system and on the other hand, by the expenses linked to the implementation and monitoring of sanction measures.

Partnership distribution

Benefiting from an established Chinese network.

Asia offers exciting growth opportunities. With Hywin Wealth as a recognised Chinese financial services provider, VP Bank can successfully advance its Asia strategy.

Interview with Dr Nick Xiao, Vice President Hywin Wealth Holdings and Chief Executive Officer Hywin International and Will Wang, Head of Alternative Solutions & Strategic Partnership Asia VP Bank.

Hywin is listed on NASDAQ and is a leading independent wealth management provider in China, focusing on providing asset allocation and comprehensive financial products to high net worth clients. Its main services are wealth management, asset management and other comprehensive financial services as well as health management.

How did the partnership with Hywin come about?

Will Wang: VP Bank's Asia strategy prompted us to make contact with various Chinese financial institutions. During the discussions, it became clear that Hywin and VP Bank were the best fit in terms of philosophy, entrepreneurial spirit and vision for the future.

Nick Xiao: Hywin and VP Bank held their first meeting in October 2018. Further visits followed in 2019. In 2020, the discussions moved into the implementation phase – primarily with projects in the areas of External Asset Managers (EAM), investment funds and marketing events. In March 2021, VP Bank became a unit holder in Hywin, establishing a long-term strategic orientation.

What are the main advantages for Hywin in this partnership?

Nick Xiao: Hywin clients want to allocate their assets internationally. Therefore, they are searching for safe custody, professional advice, an open product platform and efficient execution. VP Bank meets these client needs and helps Hywin to strengthen client relationships. In addition, there is an opportunity for Hywin to learn from VP Bank with respect to discretionary mandates, asset structuring, fund solutions and other topics.

And the advantages for VP Bank?

Will Wang: The partnership with Hywin provides VP Bank with efficient access to China, the most important growth market for wealth management in Asia. Hywin's 17 years of experience in China also provide us with extensive know-how about Asia. This also helps our clients with our advisory services regarding investment and planning. If clients wish, VP Bank can also find a reliable partner for their local wealth management needs with Hywin in Hong Kong and Singapore.

What areas does the partnership cover?

Will Wang: Our partnership essentially focuses on three areas. First of all, we are working together on building the VP Bank brand among clients and employees of Hywin in Mainland China and Hong Kong through a variety of channels. Secondly, we have established close cooperation in cross-border wealth management and product distribution. And thirdly, there is a successful joint effort with Hywin Hong Kong in the form of a traditional EAM model in investment and wealth planning as well as financing. This is where we play to our strengths as an experienced intermediary bank.

How satisfied are you personally with the cooperation?

Nick Xiao: VP Bank meets all the requirements for Hywin. It is a wealth manager with an established client base and is also an exchange-listed enterprise with recognised governance and transparency, a solid capital base and risk management, and a clear commitment to Asia. At the same time, the good relations and shared values between our shareholders and the management team have strengthened the cooperation.

Will Wang: Our cooperation is a very entrepreneurial activity that requires not only shared visions, but also consistent strategic work as well as intensive internal and external communication. It can be compared to a newborn baby who, after a relatively short time, has already become a healthy teenager and can look to the future with hope and confidence.

Has the partnership been well received by clients and Hywin employees?

Nick Xiao: Hywin's clients see the collaboration as a valuable extension into the offshore sector. Above all, they appreciate VP Bank's strengths in technology-supported custody platforms, fund solutions, wealth planning and private markets. VP Bank's China-savvy, Mandarin-speaking teams in Hong Kong, Singapore and Vaduz really impressed our Hywin clients and colleagues because of their multicultural approach and professionalism. And our Hywin colleagues see VP Bank's specialists as coaches and partners when it comes to research, consulting, fiduciary services and risk management.

Are there any joint projects in the future?

Nick Xiao: Clients in Asia are increasingly using family offices as a vehicle for investment and succession planning. Hywin and VP Bank can work even more closely together to gain further market shares in this area. Another exciting topic is the transfer of assets to the next generation.

> Clients in Asia are increasingly using family offices as a vehicle. Hywin and VP Bank can work even more closely together in future to gain further market shares.

Will Wang: Within the framework of the applicable cross-border regulations, Hywin China and VP Bank would like to join forces to further expand international product distribution. Coronavirus measures permitting, we will organise physical roadshows as well as internal and external events in Mainland China. This would strengthen and deepen the partnership between us even further.

More information about the partnership with Hywin
vpbank.com/hywin

For Bill Ma Baoping, Madame Wang Dian and Zhu Hua (from left to right), good relations and shared values are important components of a functioning partnership.

Nick Xiao and Will Wang (right) on their way to the next meeting.

Nick Xiao and
Will Wang (right) are
the dynamic team for
the Asian market.

Financial Report 2022 of VP Bank Group

06

Consolidated annual Report of VP Bank Group

Consolidated results

In 2022, VP Bank Group recorded a Group net income of CHF 40.2 million. Compared to the 2021 financial year with a Group net income of CHF 50.6 million, this corresponds to a decrease of 20.7 per cent. The cost/income ratio changed from 82.5 per cent to 86.6 per cent.

Own funds

VP Bank Group has a strong capital base. As of 31 December 2022, the tier 1 ratio was 21.7 per cent. In December 2021, it was 22.4 per cent.

Client assets

As of 31 December 2022, VP Bank Group's client assets under management amounted to CHF 46.4 billion. This represents a decline of 9.4 per cent since the start of the year, which primarily reflects the turbulent developments on the financial markets. Positive net new money of CHF 1.1 billion somewhat offset the negative market performance of CHF 5.6 billion. In addition, assets of sanctioned Russian clients totalling CHF 0.3 billion were reclassified.

Custody assets decreased by CHF 1.7 billion to CHF 5.8 billion compared to the 2021 financial year, representing a decrease of 22.1 per cent.

In all, client assets, including custody assets, totalled CHF 52.3 billion as of 31 December 2022 and were thus CHF 6.5 billion lower than at the start of the year.

Income statement

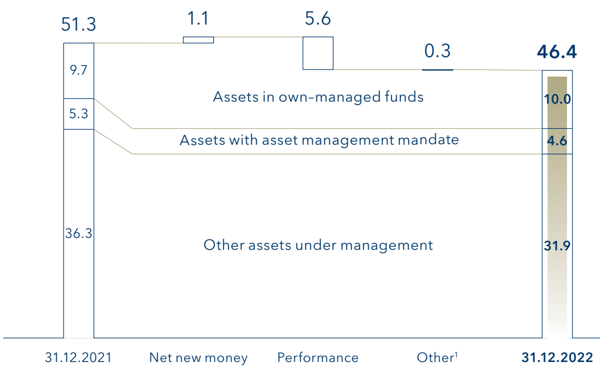
Operating income

In the reporting year, VP Bank generated operating income of CHF 336.4 million. Compared to the previous-year period, this represents an increase of CHF 6.5 million, or 2 per cent.

Income from commission business and services amounted to CHF 139.6 million in the reporting period, representing a reduction of CHF 16.9 million, or 10.8 per cent. Due to lower average assets under management, recurring commission income from wealth management decreased by CHF 7.9 million, or 6.5 per cent, and amounted to CHF 113.3 million as of 31 December 2022. Transaction-based commission income fell by 26 per cent to CHF 26.2 million compared to the previous year's income of CHF 35.3 million.

Decrease in client assets under management

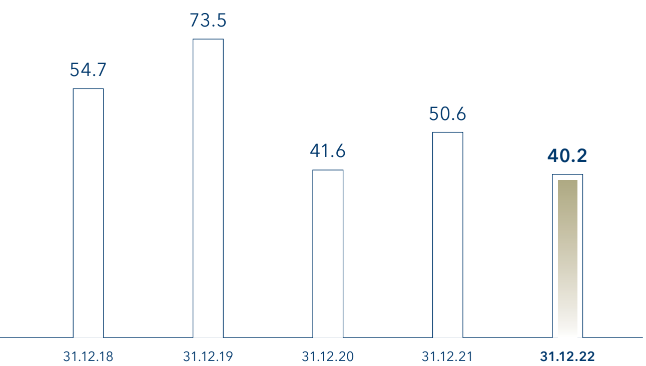
in CHF billion



[1] Includes assets of sanctioned Russian customers reclassified to client assets.

Net income

in CHF million



Net interest income rose by CHF 11.5 million in comparison to the previous year to CHF 121.5 million in the year under review, representing an increase of 10.5 per cent.

This solid increase is attributable to significant hikes in benchmark interest rates by leading central banks, which translates into higher interest income and higher interest expenses.

Income from trading activities amounted to CHF 65.5 million, representing growth of 31 per cent. This notable increase is also mainly related to the hike in benchmark interest rates by central banks, which positively influenced the margins on the swap transactions.

Income from financial investments made a positive contribution of CHF 9.4 million to the annual results. Compared to the previous year, this represents a decrease of CHF 2.1 million. This reduction is mainly due to valuation changes of CHF 1.5 million relating to financial instruments measured at fair value.

Operating expenses

Operating expenses rose by 7 per cent from CHF 272.1 million in the previous-year period to CHF 291.2 million in the reporting period.

Compared to the previous-year period, personnel expenses declined by 0.2 per cent to CHF 173.6 million.

General and administrative expenses rose by CHF 14.3 million to CHF 76.6 million. This increase is primarily related to investments in the IT strategy and to additional expenses associated with the complex handling of sanctions involving Russian clients.

Depreciation and amortisation increased by CHF 4.6 million to CHF 41 million due to the commissioning of projects. This item includes an impairment of CHF 1 million that was taken on the capitalised client relationships from the acquisition of the private client business of Öhman Bank S.A.

In the reporting period, valuation allowances, provisions and losses of CHF 0.1 million, net, were released, whereas the net release in the previous-year period amounted to CHF 0.6 million.

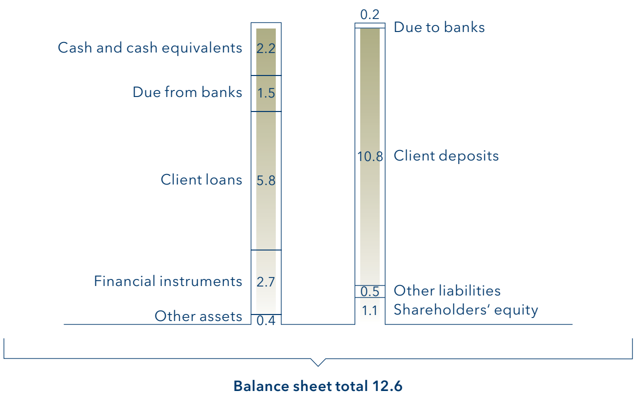
Balance sheet

Total assets as of 31 December 2022 amounted to CHF 12.6 billion. Compared to 31 December 2021, this corresponds to a decrease of 4.3 per cent. Amounts due from customers fell by 7.7 per cent and amounts due from banks by 8.8 per cent. On the liabilities side, amounts due to customers decreased by 5.1 per cent.

VP Bank Group has a very good level of liquidity with liquid assets in the amount of CHF 2.2 billion, which corresponds to 17.5 per cent of total assets and is reflected in a very good liquidity coverage ratio (LCR) of 233 per cent.

Sound balance sheet as of 31 December 2022

in CHF billion



Consolidated income statement

in CHF 1,000	Note	2022	2021	Variance absolute	Variance in %
Interest income from financial instruments at amortised cost		132,898	110,983	21,915	19.7
Other interest income		30,316	12,815	17,501	136.6
Interest expense using the effective interest method		41,721	13,809	27,912	202.1
Total net interest income	**1/32**	**121,493**	**109,989**	**11,504**	**10.5**
Commission income		185,007	205,559	–20,552	–10.0
Commission expenses		45,426	49,084	–3,658	–7.5
Total net income from commission business and services	**2**	**139,581**	**156,475**	**–16,894**	**–10.8**
Income from trading activities	3	65,507	50,006	15,501	31.0
Income from financial instruments	4	9,362	11,452	–2,090	–18.3
Other income	5	418	1,944	–1,526	–78.5
Total operating income		**336,361**	**329,866**	**6,495**	**2.0**
Personnel expenses	6	173,644	174,001	–357	–0.2
General and administrative expenses	7	76,631	62,362	14,269	22.9
Depreciation of property, equipment and intangible assets	8	40,969	36,383	4,586	12.6
Credit loss expenses	9	–2,421	–1,649	–772	–46.8
Provisions and losses	9	2,348	1,014	1,334	131.6
Operating expenses		**291,171**	**272,111**	**19,060**	**7.0**
Earnings before income tax		**45,190**	**57,755**	**–12,565**	**–21.8**
Taxes on income	10	5,030	7,117	–2,087	–29.3
Group net income		**40,160**	**50,638**	**–10,478**	**–20.7**
Share information					
Undiluted group net income per registered share A	11	6.57	8.33		
Undiluted group net income per registered share B	11	0.66	0.83		
Diluted group net income per registered share A	11	6.54	8.30		
Diluted group net income per registered share B	11	0.65	0.83		

Consolidated statement of comprehensive income

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Group net income	**40,160**	**50,638**	**–10,478**	**–20.7**
Other comprehensive income, net of tax				
Other comprehensive income which will be transferred to the income statement upon realisation				
• Changes in foreign-currency translation differences	868	1,799	–931	–51.8
Total other comprehensive income which will be transferred to the income statement upon realisation	**868**	**1,799**	**–931**	**–51.8**
Other comprehensive income which will not be transferred subsequent to the income statement				
• Changes in value of FVTOCI financial instruments	–6,268	4,754	–11,022	–231.8
• Actuarial gains/losses from defined-benefit pension plans	9,523	27,328	–17,805	–65.2
• Tax effects (note 10d)	–1,117	–3,583	2,466	68.8
Total other comprehensive income which will not be transferred subsequent to the income statement	**2,138**	**28,499**	**–26,361**	**–92.5**
Total comprehensive income in shareholders' equity	**3,006**	**30,298**	**–27,292**	**–90.1**
Total comprehensive income in income statement and shareholders' equity	**43,166**	**80,936**	**–37,770**	**–46.7**

Consolidated balance sheet

Assets

in CHF 1,000	Note	31.12.2022	31.12.2021	Variance absolute	Variance in %
Cash and cash equivalents	13	2,208,733	2,384,137	–175,404	–7.4
Receivables arising from money market papers	14	196,993	129,401	67,592	52.2
Due from banks	15/16	1,539,929	1,688,870	–148,941	–8.8
Due from customers	15/16	5,758,911	6,237,258	–478,347	–7.7
Trading portfolios	17	172	10,483	–10,311	–98.4
Derivative financial instruments	18	58,540	46,875	11,665	24.9
Financial instruments at fair value	19	180,013	195,927	–15,914	–8.1
Financial instruments measured at amortised cost	20	2,436,650	2,263,236	173,414	7.7
Joint venture companies	21	24	24	0	0.0
Property and equipment	22/32	84,318	95,192	–10,874	–11.4
Goodwill and other intangible assets	23/32	90,652	84,108	6,544	7.8
Tax receivables	10c	230	297	–67	–22.6
Deferred tax assets	10b	8,302	7,592	710	9.4
Accrued receivables and prepaid expenses		45,325	34,779	10,546	30.3
Other assets	24	22,269	18,251	4,018	22.0
Total assets		**12,631,061**	**13,196,430**	**–565,369**	**–4.3**

Liabilities and shareholders' equity

in CHF 1,000	Note	31.12.2022	31.12.2021	Variance absolute	Variance in %
Due to banks		178,776	70,886	107,890	152.2
Due to customers – savings and deposits		503,322	575,204	–71,882	–12.5
Due to customers – other liabilities		10,330,340	10,883,533	–553,193	–5.1
Derivative financial instruments	18	89,546	82,309	7,237	8.8
Medium-term notes	25	41,180	53,997	–12,817	–23.7
Debentures issued	26	255,081	255,134	–53	–0.0
Tax liabilities	10c	5,783	10,970	–5,187	–47.3
Deferred tax liabilities	10b	1,301	859	442	51.5
Accrued liabilities and deferred items		45,878	37,065	8,813	23.8
Other liabilities	27/32	75,707	139,781	–64,074	–45.8
Provisions	28	2,022	1,125	897	79.7
Total liabilities		**11,528,936**	**12,110,863**	**–581,927**	**–4.8**
Share capital	29	66,154	66,154	0	0.0
Less: treasury shares	30	–53,220	–56,790	3,570	6.3
Capital reserves		23,305	22,959	346	1.5
Retained earnings		1,143,724	1,134,088	9,636	0.8
Actuarial gains/losses from defined-benefit pension plans		–25,797	–34,105	8,308	24.4
Unrealised gains/losses on FVTOCI financial instruments		–24,757	–18,587	–6,170	–33.2
Foreign-currency translation differences		–27,284	–28,152	868	3.1
Total shareholders' equity		**1,102,125**	**1,085,567**	**16,558**	**1.5**
Total liabilities and shareholders' equity		**12,631,061**	**13,196,430**	**–565,369**	**–4.3**

Consolidated changes in shareholder's equity

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Actuarial gains/losses from defined-benefit pension plans	Unrealised FVTOCI gains/losses	Foreign-currency translation differences	Total share-holders' equity
Total shareholders' equity 01.01.2022	**66,154**	**-56,790**	**22,959**	**1,134,088**	**-34,105**	**-18,587**	**-28,152**	**1,085,567**
Other comprehensive income, after income tax					8,308	-6,170	868	3,006
Group net income				40,160				40,160
Total reported result 31.12.2022	**0**	**0**	**0**	**40,160**	**8,308**	**-6,170**	**868**	**43,166**
Appropriation of profit 2021				-30,524				-30,524
Management equity participation plan			27					27
Movement in treasury shares[1]		3,570	319					3,889
Total shareholders' equity 31.12.2022	**66,154**	**-53,220**	**23,305**	**1,143,724**	**-25,797**	**-24,757**	**-27,284**	**1,102,125**
Total shareholders' equity 01.01.2021	**66,154**	**-61,071**	**23,377**	**1,107,739**	**-57,859**	**-23,332**	**-29,951**	**1,025,057**
Other comprehensive income, after income tax					23,754	4,745	1,799	30,298
Group net income				50,638				50,638
Total reported result 31.12.2021	**0**	**0**	**0**	**50,638**	**23,754**	**4,745**	**1,799**	**80,936**
Appropriation of profit 2020				-24,289				-24,289
Management equity participation plan			-1,183					-1,183
Movement in treasury shares[1]		4,281	765					5,046
Total shareholders' equity 31.12.2021	**66,154**	**-56,790**	**22,959**	**1,134,088**	**-34,105**	**-18,587**	**-28,152**	**1,085,567**

[1] Details on transactions with treasury shares can be found in note 30.

Consolidated statement of cash flow

in CHF 1,000	Note	2022	2021
Cash flow from operating activities			
Group net income		40,160	50,638
Reconciliation to cash flow from operating activities			
Non-cash-related positions in Group results			
• Depreciation of property, equipment and intangible assets	22/23	40,969	36,383
• Creation/dissolution of retirement pension provisions		1,248	2,217
• Creation/dissolution of other provisions and valuation allowances		–2,741	1,069
• Non-cash-related income from capitalisation of assets		–4,001	0
• Unrealised gains on financial instruments measured at fair value		–3,229	–3,077
• Unrealised gains on financial instruments measured at amortised cost		–382	–85
• Deferred income taxes		–1,382	–287
Net increase/reduction in banking			
• Amounts due from/to banks, net		231,092	–205,006
• Trading portfolios incl. replacement values, net		5,882	362
• Amounts due from/to clients		–99,200	14,972
• Accrued receivables and other assets		–14,496	–7,164
• Accruals and other liabilities		–35,143	28,204
Income taxes paid	10a	–11,608	–8,672
Used provisions and valuation allowances		–229	–4,347
Foreign-currency impact on intragroup transactions		904	8,364
Net cash flow from operating activities		**147,844**	**–86,429**
Cash flow from investment activities			
Purchase of financial instruments measured at fair value		–18,835	–54,403
Proceeds from sale of/maturing financial instruments measured at fair value		26,995	47,934
Purchase of financial instruments measured at amortised cost		–864,825	–580,498
Proceeds from sale of/maturing financial instruments measured at amortised cost		608,875	497,475
Acquisition of property and equipment and intangible assets		–32,653	14,791
thereof from acquisitions	46	0	53,414
Sale of property and equipment and intangible assets		0	37
Net cash flow from investment activities		**–280,443**	**–74,664**
Cash flow from financing activities			
Purchase of treasury shares	30	–17	–50
Sale of treasury shares		1,139	909
Payment of lease liabilities		–5,661	–6,145
Dividend distributions		–30,524	–24,289
Issuance of medium-term bonds		8,163	14,752
Redemption of medium-term bonds		–20,947	–36,900
Redemption of debentures	26	0	–100,000
Net cash flow from financing activities		**–47,847**	**–151,723**
Foreign-currency translation impact		–10,828	–16,700
Net increase/reduction in cash and cash equivalents		**–191,274**	**–329,516**
Cash and cash equivalents at the beginning of the financial year		2,875,841	3,205,357
Cash and cash equivalents at the end of the financial year		2,684,567	2,875,841
Net increase/reduction in cash and cash equivalents		**–191,274**	**–329,516**

Consolidated statement of cash flow (continued)

in CHF 1,000	Note	2022	2021
Cash and cash equivalents are represented by			
Cash	13	2,208,760	2,384,252
Receivables arising from money market paper		9,995	0
Due from banks – at-sight balances	15	465,812	491,589
Total cash and cash equivalents		**2,684,567**	**2,875,841**
Consolidated statement of cash flow (summarised)			
Cash and cash equivalents at beginning of accounting period		**2,875,841**	**3,205,357**
Cash flow from operating activities, net of taxes		147,844	–86,429
Cash flow from investing activities		–280,443	–74,664
Cash flow from financing activities		–47,847	–151,723
Foreign-currency translation impact		–10,828	–16,700
Cash and cash equivalents at end of accounting period		**2,684,567**	**2,875,841**
Cash flow from operating activities from interest and dividends			
Interest paid		–36,090	–14,477
Interest received		150,341	123,743
Dividends received		7,349	7,360

At-sight balances due from banks bear interest at daily rates or are invested in interest-bearing short-term money-market deposits for between one day and three months, depending upon the liquidity requirements of VP Bank Group. Interest rates are based upon equivalent market rates. The fair value of cash and cash equivalents amounts to CHF 2,684.6 million (2021: CHF 2,875.8 million).

Reconciliation between cash flow from financing activities and the balance sheet positions:

in CHF 1,000	Note	31.12.2022	31.12.2021	Variance absolute	Variance from cash flows	Changes in fair values	Effect of changes in foreign exchange rates	Additions right of use assets	Other variances
Medium-term notes	25	41,180	53,997	–12,817	–12,784	–33	0	0	0
Debentures issued	26	255,081	255,134	–53	0	–53	0	0	0
Lease liabilities	32	19,868	25,174	–5,306	–5,661	0	96	470	–211
Total variance				**–18,176**	**–18,445**	**–86**	**96**	**470**	**–211**

in CHF 1,000	Note	31.12.2021	31.12.2020	Variance absolute	Variance from cash flows	Changes in fair values	Effect of changes in foreign exchange rates	Additions right of use assets	Other variances
Medium-term notes	25	53,997	76,148	–22,151	–22,148	–3	0	0	0
Debentures issued	26	255,134	355,205	–100,071	–100,000	–71	0	0	0
Lease liabilities	32	25,174	28,985	–3,811	–6,145	0	119	2,042	173
Total variance				**–126,033**	**–128,293**	**–74**	**119**	**2,042**	**173**

1. Fundamental principles underlying financial statement reporting

VP Bank Ltd, which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. Today, VP Bank Group owns subsidiary companies in Zurich, Luxembourg, the British Virgin Islands and Hong Kong, a branch in Singapore and a representative office in Hong Kong. As of 31 December 2022, VP Bank Group employed 935.0 persons, expressed as full-time equivalents (as of the end of the previous year: 938.5 persons).

Wealth management and investment consulting services for private and institutional investors, as well as lending, constitute its core activities.

Values disclosed in the financial statements are expressed in thousands of Swiss francs. The 2022 financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS).

Post-balance-sheet-date events

There were no post-balance-sheet-date events that materially affect the balance sheet and income statement for 2022.

The Board of Directors reviewed and approved the consolidated financial statements in its meeting of 16 February 2023. These consolidated financial statements will be submitted for approval to the Annual General Meeting of 28 April 2023.

2. Assumptions and uncertainties in estimates

The Board of Directors is responsible for issuing accounting directives. IFRS contain provisions requiring the management of VP Bank Group to make assumptions and estimates in drawing up the consolidated financial statements. The significant accounting principles are described in this part to show how their application affects the reported income and expenses, assets and liabilities and disclosure of contingent liabilities. The assumptions and estimates are reviewed regularly and are based upon historical experience and other factors, including anticipated developments arising from probable future events. Actual future results may differ from these estimates.

Changes in estimates

No material changes in estimates were made or applied. Further remarks about estimates can be found in the corresponding tables in the notes (expected credit losses, goodwill, intangible assets, legal cases, provisions, share-based remuneration, income taxes, pension plans).

3. Summary of the main accounting policies

3.1 Consolidation policies

Fully consolidated companies

The consolidated financial statements encompass the financial statements of VP Bank Ltd, Vaduz, as well as those of its subsidiary companies, which are all presented as a single economic unit. Subsidiary companies which are directly or indirectly controlled by VP Bank Group are consolidated. Subsidiary companies are consolidated as of the date on which control is transferred and are deconsolidated as of the date control ends.

Method of capital consolidation

Capital consolidation is undertaken in accordance with the purchase method, whereby the shareholders' equity of the consolidated company is netted against the carrying value of the shareholding in the parent company as of the date of acquisition or the date of establishment.

After initial consolidation, changes arising from business activities, which are reflected in the current results of the accounting period in the consolidated financial statements, are allocated to income reserves. The effects of intragroup transactions are eliminated when the consolidated financial statements are drawn up.

The share of non-controlling interests in shareholders' equity and Group net income is shown separately in the consolidated balance sheet and income statement.

Participations in joint venture companies

Companies in which VP Bank Group holds a 50 per cent stake (joint ventures) are accounted for using the equity method.

Under the equity method, the shares of an enterprise are accounted for at acquisition cost as of the date of acquisition. After acquisition, the carrying value of the joint venture company is increased or reduced by the Group's share of the profits or losses and of the changes in the shareholders' equity of the joint venture company that have no effect on net income.

3.2 General policies

Trade versus settlement date

The trade date method of recording purchases or sales of financial assets and liabilities is applied. This means that transactions are recorded in the balance sheet as of the date when the trade is entered into and not on the date when trade is subsequently settled.

Revenue recognition

Revenues from services are recorded when the related service is rendered. Portfolio management fees, securities account fees and similar revenues are recorded on a pro-rata basis over the period during which the service is rendered. Interest is recorded in the period during which it accrues. Dividends are recorded as and when they are received.

Foreign-currency translation

Functional currency and reporting currency:

The consolidated financial statements are expressed in Swiss francs. Foreign currency is translated into the functional currency at the exchange rate prevailing on the date of the transaction. Translation differences arising from such transactions and the gains and losses arising from translation at rates prevailing on the balance sheet date for monetary financial assets and financial liabilities in foreign currencies are recognised in the income statement.

Unrealised foreign-currency translation differences in non-monetary financial assets are part of the change in their fair value.

For the purpose of drawing up the consolidated financial statements, balance sheets of Group companies denominated in a foreign currency are translated into Swiss francs at the year-end exchange rate. Average exchange rates for the reporting period are applied for the translation of items of the income statement, the statement of comprehensive income and the statement of cash flows. Foreign-currency translation differences resulting from exchange rate changes between the beginning and end of the year and the difference in annual results at average and closing exchange rates are recognised in other comprehensive income.

Group companies

All balance sheet items (excluding shareholders' equity) are translated into the Group reporting currency at the rate of exchange prevailing as of the balance sheet date. Individual items of the income statement are translated at average rates for the period. The translation differences arising from the translation of financial statements into foreign currencies are recognised in shareholders' equity as translation differences with no effect on net income.

Foreign-currency translation differences arising in connection with net investments in foreign companies are reflected under shareholders' equity. Upon disposal, such foreign-currency translation differences are recorded in the income statement as a part of the gain or loss on disposal. Goodwill and fair-value adjustments from acquisitions of foreign companies are treated as receivables and liabilities of these foreign companies and are translated at the closing rates prevailing on the balance sheet date.

Domestic versus foreign

The term "domestic" also includes Switzerland.

Cash and cash equivalents

Cash and cash equivalents include the items "Cash and cash equivalents", "Receivables from money market papers" with an original maturity of three months or less and "At-sight balances due from banks".

3.3 Financial instruments

General

VP Bank Group subdivides the financial instruments, to which traditional financial assets and liabilities as well as equity instruments also belong, as follows:

- Financial instruments to be recorded via the income statement ("fair value through profit or loss" (FVTPL)) – "trading portfolios" and "financial instruments measured at fair value"
- Financial instruments measured at amortised cost
- Financial instruments at fair value, with changes in value and impairment losses recorded in the statement of other comprehensive income ("fair value through other comprehensive income" (FVTOCI))

The allocation of the financial instruments is made at the time of their initial recognition in accordance with the criteria of IFRS 9.

Trading portfolios

Trading portfolios comprise equity shares, bonds, precious metals and structured products. Financial assets held for trading purposes are measured at fair value. Short items in securities are disclosed as liabilities arising from trading portfolios. Realised and unrealised gains and losses are recorded in income from trading activities after deduction of related transaction costs. Interest and dividends from trading activities are recorded under trading income.

Fair values are based on quoted market prices if an active market exists. Should no active market exist, the fair value is determined by reference to traders' quotes or external pricing models.

Financial instruments measured at amortised cost

Investments where the objective consists of holding the financial asset in order to realise the contractual payment flows therefrom and which are made up solely of interest as well as the redemption of parts of the nominal value are recognised at amortised cost using the effective interest method.

A financial asset recognised at amortised cost is subject to the process for credit loss expenses described below. If an impairment has occurred, the carrying value is reduced to the recoverable amount to be recognised in the income statement through the item "Credit loss expenses".

Interest is recognised in the period when it accrues using the effective interest method and is reported in interest income under "Interest income from financial instruments measured at amortised cost".

Financial instruments measured at fair value (FVTPL)

Financial instruments not meeting the aforementioned criteria are recognised at fair value. The ensuing gain/loss is reported in "Income from financial investments" under the item "Income from financial instruments measured at fair value".

Insofar as the criteria of IFRS 9 are met, a financial instrument may be designated and recorded under this category upon initial recognition. Liquid equity instruments that are managed on a benchmark basis with a medium-term investment horizon are measured at fair value through profit or loss (FVTPL).

Interest and dividend income are recorded in "Income from financial investments" under the items "Interest income from FVTPL financial instruments" and "Dividend income from FVTPL financial instruments".

Financial instruments at fair value with changes in value and impairment losses recorded in the statement of other comprehensive income (FVTOCI).

Investments in equity instruments are recognised in the balance sheet at fair value. Changes in value are recognised in the income statement, except in those cases for which VP Bank Group has decided that they are to be recognised at fair value through other comprehensive income.

For illiquid equity instruments (private equity) as well as investments in high-dividend individual shares, the OCI option is applied, which results in measurement at fair value (FVTOCI). The focus of these investments is on long-term value generation.

Dividends are reported in "Income from financial investments" under the item "Dividends from FVTOCI financial instruments".

Bank and client loans

At the time of their initial recognition, loans to banks and clients are measured at their effective cost, which corresponds to the fair value at the time the loans are granted. Subsequent measurement thereof is made at amortised cost, with the effective interest method being applied. Interest on non-overdue loans is accounted for using the accrual method and reported under interest income using the effective interest method.

The carrying value of receivables for which micro fair-value hedge accounting is applied is adjusted by the changes in fair value attributable to the hedged risk.

Credit loss expenses in accordance with IFRS 9 impairment

Bases for modelling expected credit losses

According to IFRS 9 "Financial Instruments", all items on the assets side that are subject to potential credit risk and are not already recognised at fair value through profit or loss are allocated to one of the three stages:

- Stage 1 (Performing)
- Stage 2 (Under-performing)
- Stage 3 (Non-performing)

Upon settlement or purchase, the financial instruments in question are initially classified as "Performing" (stage 1). Should the credit risk of the financial instrument increase significantly during its term, the item is considered to be "Under-performing" (stage 2). Should a counterparty be in default or a further payment appear improbable, the asset is to be classified as "Non-performing" (stage 3).

For stage 1, the expected credit loss is to be computed and recognised based on credit occurrences expected over 12 months, for stages 2 and 3, on the other hand, over the remaining term of the instrument.

The expected credit loss in accordance with IFRS 9 must represent an undistorted probability-weighted amount which was determined through the evaluation of a series of possible scenarios as well as taking the present value into consideration. Furthermore, all available information on past events and current conditions are to be appropriately taken into account.

Implementation of IFRS 9 impairment at VP Bank Group

All asset items exposed to a potential credit risk and not already measured at fair value are covered. These include, in particular, amounts due from banks and clients, financial investments measured at amortised cost, money market receivables, and cash and cash equivalents. Also affected are off-balance-sheet items, such as credit and performance guarantees and irrevocable loan commitments.

In VP Bank Group, the modelling of expected credit losses is undertaken according to specific balance sheet segments. During the process of segmentation, a distinction is made whether an external or internal rating exists.

In the case of items with an external rating by Moody's or Standard & Poor's, this is used as the principal criterion for the allocation to a particular stage. In accordance with internal guidelines, items considered as investment grade are allocated to stage 1. Should a rating move outside the investment grade segment or should it be in non-compliance with the requirements for deposits with banks or financial investments, stage 2 applies. Should external rating agencies issue a default rating, the instrument drops to stage 3.

In the case of items with an internal rating of VP Bank Group, the allocation is made on the basis of whether the debtor is in default of payment regarding interest and/or amortisation of capital. From the moment a payment is overdue for 31 days or more, the item falls into stage 2, and if it is more than 90 days overdue to stage 3. In addition, a deterioration of the internal rating or a classification as a credit with an enhanced risk of default is used for the stage allocation.

In the case of items which are not internally or externally rated, primarily overdrafts, a possible default by the debtor regarding payment of interest and principal in excess of 30 and 90 days, respectively, or the classification as a loan with elevated risk serve as the criteria for the stage allocation. In addition, any collateral shortfalls for these items are taken into account.

In the case of items for which financial collateral or a guarantee from an externally rated third party exist, the credit risk of the debtor is substituted by that of the guarantor or third party (substitution approach). In this case, the stage allocation results from a combination of the aforementioned criteria.

At VP Bank Group, the modelling of expected credit losses (ECL) is generally performed on the level of individual transactions and on the basis of various risk parameters (especially probability of default, the loss given default, the amount receivable and the discount rate).

Wherever possible, reference is made to external data to determine the default probabilities. This is particularly the case whenever an external rating exists. Internal ratings reproduce, to an approximate extent, external ratings. The estimation of the loss given default focusses on the value of the collateral securing the credit. In the case of unsecured receivables with an external rating, assumptions based upon market-related considerations are made.

As an alternative to a separate determination of the default probability and loss given default, a loss rate approach to compute the ECL can be applied for individual portfolios. This concerns primarily Lombard loans. In such cases, VP Bank Group uses a combined loss rate.

In addition to the use of past and current information to estimate the ECL, VP Bank Group also takes into account prospective information, in particular forecasts of future economic developments.

For externally rated items, the ECL is initially estimated on the basis of cyclical parameters. The use of prospective information is based on existing early-warning systems and modifications to default probabilities. In addition, rating outlooks are taken into consideration.

For items with an internal rating, the ECL is also estimated on the basis of prospective, cyclical parameters. In the case of mortgage loans and related contingent liabilities, for example, this concerns primarily the loss given default. In this manner, possible movements in real-estate prices are depicted.

The computation of the ECL is based upon one base and two alternative scenarios which map macroeconomic conditions that differ. The base scenario reflects the future economic development which is estimated to be the most probable whilst an up and down scenario represents a relative improvement or deterioration, respectively, of the macroeconomic situation. The assumed probabilities of occurrence of the up and down scenario are identical.

Amounts due to banks and clients

Whenever micro fair-value hedge accounting is applied, secured liabilities are adjusted by the changes in fair value attributable to the hedged risk.

Derivative financial instruments

Derivative financial instruments are measured at fair value and presented in the balance sheet. The fair value is determined on the basis of stock exchange quotations or option pricing models. Realised and unrealised gains and losses are taken to income.

VP Bank Group deploys the following derivatives both for trading and hedging purposes. They may be subdivided into the following categories:

- **Swaps:** Swaps are transactions in which two parties swap cash flows for a defined nominal amount during a period agreed in advance.
- **Interest rate swaps:** Interest rate swaps are interest rate derivatives which protect fixed-interest instruments (e.g. non-structured, fixed-interest bonds or covered debentures) against changes in fair value as a result of changes in market interest rates.
- **Currency swaps:** Currency swaps comprise the swapping of interest payments which are based on the swapping of underlying amounts with two different currencies and reference interest rates and encompass in general also the swapping of nominal amounts at the inception or end of the contractually stipulated duration. Currency swaps are usually traded over the counter.

- **Forward contracts and futures:** Forward contracts and futures are contractual obligations to purchase or sell a financial instrument or commodities at a future date and at a stipulated price. Forward contracts are customised agreements which are transacted between parties over the counter (OTC). Futures, on the other hand, are standardised contracts which are entered into on regulated exchanges.
- **Options and warrants:** Options and warrants are contractual agreements as part of which the seller (writer) grants the purchaser, in general, the right but not the obligation to purchase (call option) or sell (put option) a specified quantity of a financial instrument or commodity at a price agreed in advance on or prior to a stipulated date. The purchaser pays the seller a premium for this right. There are also options with more complex payment structures. Options can be traded over the counter or on regulated exchanges. They can also be traded in the form of a security (warrant).

Hedge accounting

In accordance with the Risk Policy of the Group, VP Bank Group deploys certain derivatives for hedging purposes. From an economic point of view, the opposing measurement effects resulting from the underlying and hedging transactions offset each other. As these transactions do not, however, correspond to the strict and specific IFRS provisions, an asymmetrical representation, in bookkeeping terms, of the changes in value of the underlying transaction and the hedge ensues. Fair-value changes of such derivatives are reported in trading and interest income, respectively, in the appropriate period.

The rules of hedge accounting can be applied voluntarily. Under certain conditions, the use of hedge accounting enables the risk management activities of a company to be represented in the annual financial statements. This occurs through the juxtaposition of expenses and income from hedging instruments with those from the designated underlying transactions with regard to certain risks.

A hedging relationship qualifies for hedge accounting if all of the following qualitative attributes are fulfilled:
- The hedging relationship consists of eligible hedging instruments and eligible underlying transactions.
- At the inception of the hedging relationship, a formal designation and documentation of the hedging relationship is at hand which makes reference to the company's risk-management strategy and objective for this hedge.
- The hedging relationship meets the effectiveness requirements.

The hedging relationship must be documented at inception. The documentation must encompass, in particular, the identification of the hedging instrument and of the hedged underlying transaction as well as designating the hedged risk and the method to determine the effectiveness of the hedging relationship. In order to qualify for hedge accounting, the hedging relationship must satisfy the following effectiveness requirements at the inception of each hedging period:
- There must exist an economic relationship between the underlying transaction and the hedging instrument.
- Default risk does not dominate the changes in value resulting from the economic hedge.
- The hedge ratio accurately reflects the quantity of the underlying transaction used for the actual economic hedge as well as the quantity of the hedging instrument.

Derivative financial instruments are employed by the Group for risk management principally to manage interest rate risks and foreign-currency risks. Whenever derivative and non-derivative financial instruments fulfil defined criteria, they may be classified as hedging instruments, namely to hedge fair-value changes in recognised assets and liabilities (fair-value hedge accounting), to hedge fluctuations in anticipated future cash flows which are allocated to recognised assets and liabilities or anticipated transactions occurring with a high degree of probability (cash-flow hedge accounting) or to hedge a net investment in a foreign business operation (hedge of net investments).

Fair-value hedge accounting

IFRS 9 provides for the use of fair-value hedge accounting to avoid one-sided resultant effects for derivatives which serve to hedge the fair value of on-balance-sheet assets or liabilities against one or several defined risks. Exposed to market risk and/or interest rate risk, in particular, are the Group's credit transactions and its portfolio of securities insofar as they relate to fixed interest-bearing papers. Interest rate swaps are used primarily to hedge these risks. In accordance with fair-value hedge-accounting rules, the derivative financial instruments at fair value deployed for hedging purposes are recorded as market values from derivative hedging instruments. For the hedged asset and/or hedged liability, the opposing changes in fair value resulting from the hedged risk are also to be recognised in the balance sheet. The opposing valuation changes from the hedging instruments as well as from the hedged underlying items are recognised in the income statement as gains/losses from hedge accounting. That portion of the changes in fair value which is not related to the hedged risk is dealt with in accordance with the rules pertaining to the respective valuation category.

Cash flow hedge accounting as well as portfolio fair-value hedges were used neither in the current financial year nor the previous year.

Debt securities issued

Medium-term notes are recorded at their issuance price and measured subsequently at amortised cost. Bonds are recorded at fair value plus transaction costs upon initial recognition. Fair value corresponds to the consideration received. They are subsequently accounted for at amortised cost. In this connection, the effective interest method is employed in order to amortise the difference between the issue price and redemption amount over the duration of the debt instrument.

Treasury shares

Shares in VP Bank Ltd, Vaduz, held by VP Bank Group are recognised in shareholders' equity as treasury shares and deducted at cost. Changes in fair value are not recognised. The difference between sales proceeds of treasury shares and the related acquisition cost is shown under capital reserves.

Repurchase and reverse-repurchase transactions

Repurchase and reverse-repurchase transactions serve to refinance or finance, respectively, or to acquire securities of a certain class. These are recorded as an advance against collateral in the form of securities or as a cash deposit with collateral in the form of own securities.

Securities received and delivered are recorded in the balance sheet or closed out only when the control over the contractual rights (risks and opportunities of ownership) inherent in these securities has been ceded. The fair values of the securities received or delivered are monitored on an ongoing basis to provide or demand additional collateral in accordance with the contractual agreements.

Securities lending and borrowing transactions

Financial instruments measured at fair value which are lent out or borrowed and in respect of which VP Bank Group appears as principal are recorded in the balance sheet under amounts due to/from clients and banks. Securities lending and borrowing transactions in which VP Bank Group appears as agent are recorded under off-balance-sheet items.

Fees received or paid are recorded under commission income.

3.4 Other policies

Provisions

Provisions are recognised in the balance sheet only if VP Bank Group has a liability to a third party which is attributable to an occurrence in the past, if the outflow of resources with economic benefit to fulfil this liability is probable, and if this liability can be reliably estimated. If an outflow of funds is unlikely to occur or the amount of the liability cannot be reliably estimated, a contingent liability is shown.

Impairment in the value of non-current assets

The recoverability of property, plant and equipment is always reviewed whenever the carrying value appears to be overvalued because of occurrences or changed circumstances. If the carrying value exceeds the realisable value, a valuation adjustment is recorded. Any subsequent recovery in value is recognised in the income statement. If the review of the recoverability of an item of property, plant and equipment reveals a changed useful life, the residual carrying value is depreciated on a scheduled basis over the redefined useful life.

The recoverability of goodwill is reviewed at least once a year. If the carrying value exceeds the realisable value, an unscheduled write-down is made. Property, plant and equipment comprises bank premises, other real estate, furniture and equipment, leasing, as well as IT systems. Property, plant and equipment is measured at acquisition cost less operationally necessary depreciation and amortisation as well as impairments.

Property, plant and equipment

Property, plant and equipment are capitalised provided their acquisition or production cost can be reliably determined, they exceed the capitalisation threshold and they provide a future economic benefit.

Depreciation and amortisation are charged on a straight-line basis over the estimated useful lives:

Depreciation and amortisation	Estimated useful life
Bank premises and other real estate	25 years
Fixtures	10 to 15 years
Land	No depreciation
Furniture and equipment	5 to 9 years
IT systems	3 to 7 years

The depreciation and amortisation methods and useful lives are subject to review at each year-end.

Minor purchases are charged directly to general and administrative expenses. Maintenance and renovation expenses are generally recorded under general and administrative expenses. If the expense is substantial and results in a significant increase in value, the amounts are capitalised. These are depreciated or amortised over their useful lives. Gains on disposal of property, plant and equipment are recognised as other income. Losses on sale lead to additional write-downs on property, plant and equipment.

Goodwill

If in the case of a takeover, the acquisition costs are greater than the net assets acquired, as valued in accordance with uniform Group guidelines (including identifiable and capitalisable intangible assets), the remaining amount constitutes the acquired goodwill. Goodwill is capitalised and subject to an annual review for any required valuation adjustments. The recognition of goodwill is made in the functional currency and is translated on the balance sheet date at rates prevailing at year-end.

Intangible assets

Purchased software is capitalised and amortised over three to seven years. Minor purchases are charged directly to general and administrative expenses.

Internally generated intangible assets such as software are capitalised insofar as the prerequisites for capitalisation set forth in IAS 38 are met, that is, it is probable that the Group will derive a future economic benefit from the asset and the costs of the asset can be both identified and measured in a reliable manner. Internally produced software meeting these criteria and purchased software are recognised in the balance sheet under software. The amounts capitalised in this manner are amortised on a straight-line basis over their useful lives. The period of amortisation is three to seven years.

Other intangible assets include separately identifiable intangible assets arising from business combinations, as well as certain purchased client-related assets and the like, and are amortised on a straight-line basis over an estimated useful life of five to ten years. Other intangible assets are capitalised in the balance sheet at cost at the time of acquisition.

Leasing

VP Bank Group rents various office and warehouse buildings, as well as vehicles. Rental agreements are usually concluded for fixed periods of two to eight years, but options to extend may be included.

Leasing relationships are recognised as rights of use and corresponding lease liabilities are recognised at net current value. The discounting is carried out at the marginal debt capital interest rate, which corresponds to the interest rate that VP Bank Group would have to pay if it were to borrow the funds in order to acquire an asset with a comparable value and comparable conditions in a comparable economic environment. Each lease payment is divided into repayment and financing expenses. Finance charges are recognised in interest income over the term of the leasing relationship so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use is depreciated on a straight-line basis over the lease term or the economic useful life, whichever is shorter, through the income statement item "Depreciation of property, plant and equipment". In the balance sheet, the rights of use are capitalised under property, plant and equipment and the lease liabilities are reported under other liabilities.

Current and deferred taxes

Current income taxes are computed based on the applicable taxation laws in the individual countries and are booked as expenses in the accounting period in which the related profits arise. They are shown as tax liabilities in the balance sheet.

The taxation effects of temporary differences between the values attributed to the assets and liabilities as reported in the consolidated balance sheet and their values reported for tax reporting purposes are recorded as deferred tax assets or deferred tax liabilities. Deferred tax assets arising from temporary differences or from the utilisation of tax loss carry forwards are only recognised if it is probable that sufficient taxable profits will be available against which these temporary differences or tax loss carry forwards can be offset.

Deferred tax assets and tax liabilities are computed using the rates of taxation which are expected to apply in the accounting period in which these tax assets will be realised or tax liabilities will be settled.

Tax assets and tax liabilities are netted if they relate to the same taxable entity, concern the same taxing jurisdiction and an enforceable right of offset exists.

Deferred taxes are credited or charged to shareholders' equity if the tax relates to items which are directly credited or debited to shareholders' equity in the same or another period.

The tax savings anticipated from the utilisation of estimated future realisable loss carry forwards are capitalised. The probability of realising expected taxation benefits is considered when valuing a capitalised asset for future taxation relief. Tax assets arising from future taxation relief encompass deferred taxes on temporary differences between the carrying values of assets and liabilities in the consolidated balance sheet and those used for taxation purposes as well as tax savings from future estimated realisable loss carry forwards. Deferred taxation receivables in one sovereign taxation jurisdiction are offset against deferred taxation liabilities of the same jurisdiction if the enterprise has a right of offset of actual taxation liabilities and taxation receivables and the taxes are levied by the same taxing authorities.

Retirement pension plans

VP Bank Group maintains several retirement pension plans for employees domestically and abroad, among which there are both defined-benefit and defined-contribution plans. In addition, there are schemes for service anniversaries which qualify as other long-term employee benefits.

The computation of accrued amounts and amounts due to these pension funds is based on statistical and actuarial calculations of experts.

For defined-benefit pension plans, pension costs are determined on the basis of various economic and demographic assumptions using the projected unit credit method, which take into account the number of insurance years actually earned through the date of valuation. The insurance years completed up to the valuation date are taken into account. The computational assumptions taken into account by the Group include the expected future rate of salary increases, long-term interest earned on retirement assets, retirement patterns and life expectancy. The valuations are carried out annually by independent actuaries. Plan assets are remeasured annually at fair values.

Pension costs comprise three components:
- Service costs which are recognised in the income statement;
- Net interest expense which is also recognised in the income statement; and
- Revaluation components which are recognised in the statement of comprehensive income.

Service costs encompass current service costs, past service costs and gains and losses from non-routine plan settlements. Gains and losses from plan curtailments are deemed to equate to past service costs.

Employee contributions and contributions from third parties reduce service cost expense and are deducted therefrom provided that these derive from pension plan rules or a de facto obligation.

Net interest expense corresponds to the amount derived from multiplying the discount rate with the pension liability or plan assets at the beginning of the year. In the process, capital flows of less than one year and movements thereof are taken into account on a weighted basis.

Revaluation components encompass actuarial gains and losses from the movement in the present value of pension obligations and plan assets. Actuarial gains and losses result from changes in assumptions and experience adjustments. Gains and losses on plan assets equate to the income from plan assets minus the amounts contained in net interest expense. Revaluation components also encompass movements in unrecognised assets less the effects contained in net interest expense. Revaluation components are recognised in the statement of comprehensive income and cannot be reclassified to income in future periods (recycling). The amounts recognised in the statement of comprehensive income can be reclassified within shareholders' equity. Service costs and net interest expense are recorded in the consolidated financial statements under personnel expense. Revaluation components are recognised in the statement of comprehensive income.

The pension liabilities or plan assets recognised in the consolidated financial statements correspond to the deficit or excess of funding of defined-benefit pension plans, respectively. The recognised pension assets are limited to the present value of the economic benefit of the Group arising from the future reduction in contributions or repayments.

Liabilities arising in connection with the termination of employment are recognised at the time when the Group has no other alternative but to finance the benefits offered. In any event, the expense is to be recorded at the earliest when the other restructuring cost is also recognised.

For other long-term benefits, the present value of the acquired commitment is recorded as of the balance sheet date. Movements in present values are recorded directly in the income statement as personnel expense.

Employer contributions to defined-contribution pension plans are recognised in personnel expense on the date when the employee becomes entitled thereto.

4. Amendments in accounting principles and comparability

New and revised International Financial Reporting Standards

Since 1 January 2022, the following new and revised standards and interpretations have taken effect and have no material impact on the consolidated financial statements of VP Bank Group:
- Narrow-scope amendments to IFRS 3, IAS 16 and IAS 37 and several annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (in force from 1 January 2022)

The following future amendments do not have a material impact on the consolidated financial statements of VP Bank Group:
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities (in force from 1 January 2023)
- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (in force from 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (in force from 1 January 2023)

5. Management of equity resources

The focus of value-oriented risk management is to achieve a sustainable return on the capital invested and one which, from the shareholders' perspective, is commensurate with the risks involved. To achieve this goal, VP Bank Group supports a rigorous dovetailing of profitability and risk within the scope of the management of its own equity resources; it consciously abandons the goal of gaining short-term interest advantages at the expense of the security of capital. VP Bank Group manages all risks within the risk budget approved by the Board of Directors. In managing the equity resources, VP Bank Group measures both the equity required (minimum amount of equity to cover the Bank's risks in accordance with the requirements of applicable supervisory law) and the available eligible equity (VP Bank's equity is computed in accordance with the criteria of the supervisory authorities) and projects their future development. Equity resources which VP Bank Group does not need for its growth or business activities are returned through dividend payments according to its long-term policy. Thus, through active management, VP Bank Group is able to maintain its robust capitalisation as well as its credit rating and continues to create sustainable value for the shareholders.

Capital indicators

The determination of the required capital and tier capital pursuant to Basel III is undertaken based on the IFRS consolidated financial statements, with unrealised gains being deducted from core capital. Total capital (core capital and supplementary capital) must amount to a minimum of 12.5 per cent of the risk-weighted assets.

Risk-weighted assets as of 31 December 2022 amounted to CHF 4.8 billion as compared with CHF 4.5 billion in the previous year. Core capital as of 31 December 2022 was CHF 1,046.2 million as compared with CHF 1,014.5 million in the previous year. The overall equity ratio increased by 0.7 percentage points, from 22.4 per cent on 31 December 2021 to 21.7 per cent on 31 December 2022. As of both 31 December 2021 and 31 December 2022, VP Bank Group was adequately capitalised in accordance with the respective guidelines of the Financial Market Authority (FMA) Liechtenstein) and the Bank for International Settlements (BIS) currently in force. In 2021, VP Bank Group used no hybrid capital under eligible equity and, in accordance with International Financial Reporting Standards (IFRS), netted no assets against liabilities (balance sheet reduction).

1. Overview

Effective capital, liquidity and risk management is an elementary prerequisite for the success and stability of a bank. VP Bank understands this to mean the systematic process of identifying, evaluating, managing and monitoring relevant risks as well as the steering of capital resources and liquidity necessary to assume risks and to guarantee risk-bearing capacity. The binding framework for action in this context is provided by the relevant regulations defined by the Board of Directors of VP Bank Group, consisting of the Risk Appetite Statement, Risk Policy and Risk Strategies.

The Risk Appetite Statement defines the overall risk tolerance along the risk taxonomy, forming the basis for operationalising limits and targets in the risk policy. As an overall framework, the risk policy, together with the risk strategies per risk group (strategic and business risks, financial risks as well as operational and compliance risks), regulates the specific objectives and principles, organisational structures and processes, methods and tools of risk management.

In Liechtenstein, the regulatory requirements governing risk management are set out primarily in the Banking Act (BankA) and the Banking Ordinance (BankO). In addition, the Capital Requirements Regulation (CRR) together with the Capital Requirements Directive (CRD) apply in Liechtenstein. In Liechtenstein, the CRD was enacted in the BankA and BankO. VP Bank was classified as a locally system-relevant banking institution by the Financial Market Authority Liechtenstein and must possess in aggregate equity amounting to at least 12.5% of its risk-weighted assets. Thanks to its solid equity basis, balance sheet structure and comfortable liquidity position, VP Bank constantly outperformed the minimum regulatory requirements over the course of 2022.

In addition to quantitative measures, qualitative requirements for identification, measurement, steering and monitoring of financial and non-financial risks are imposed. These are met by VP Bank on an ongoing basis, while risk management is constantly being developed further.

Capital and balance sheet structure management

The minimum capital ratio of VP Bank of 12.5% of risk-weighted assets consists of the regulatory minimum requirement of 8%, a capital conservation buffer of 2.5% and a buffer for other system-relevant banks of 2%. Basel III also provides for an anti-cyclical capital buffer that was set at 0% for 2022 by the Financial Market Authority Liechtenstein.

VP Bank complied with the minimum capital requirements for 2022 at all times. Thanks to an exceedingly robust tier 1 ratio of 21.7% as of the end of 2022, it continues to guarantee sufficient room for manoeuvre. This enables VP Bank to continue to assume risks associated with the conduct of banking operations.

As of the end of 2022, the leverage ratio of VP Bank was 8%. VP Bank has published further information as to the leverage ratio in the Disclosure Report.

As part of the management of equity resources and the balance sheet structure, compliance with regulatory requirements and the coverage of its business needs are monitored on an ongoing basis. Using an internal process to assess the adequacy of capital and liquidity resources (the Internal Capital or Internal Liquidity Adequacy Assessment Process / ICAAP and ILAAP), possible adverse effects on the equity and liquidity position under stress situations are simulated and analysed. With the ICAAP, the Financial Market Authority Liechtenstein imposes specific requirements regarding the internal strategies and procedures for determining, managing and monitoring capital risks, which were again surveyed and assessed by the Financial Market Authority Liechtenstein in 2022 using an ICAAP questionnaire.

Liquidity risk management

In compliance with statutory liquidity requirements and provisions contained in the BankO, CRR and CRD, VP Bank monitors and manages liquidity risks using internal directives and limits regarding interbank business and credit-granting activities. Maintaining liquidity within VP Bank Group has the highest priority at all times. This is assured with large cash and cash-equivalent holdings as well as high-quality liquid assets (HQLA). VP Bank observed the minimum regulatory liquidity requirements at all times during 2022.

In this context, compliance with the Liquidity Coverage Ratio (LCR) of 100% is required by law, which was clearly exceeded with a value of 233% thanks to a comfortable liquidity situation. The Net Stable Funding Ratio (NSFR) of 100%, which has had to be met since May 2022, was also significantly exceeded at 158% at the end of 2022.

With the Internal Liquidity Adequacy Assessment Process (ILAAP), the Financial Market Authority Liechtenstein imposes specific requirements regarding the internal strategies and procedures for determining, managing and monitoring liquidity risks, which were again surveyed and assessed by the Financial Market Authority Liechtenstein in 2022 using an ILAAP questionnaire.

As part of its liquidity management process, VP Bank has drawn up an emergency liquidity plan which ensures that VP Bank possesses adequate liquidity in the event of liquidity crises. Early-warning indicators are regularly reviewed to monitor and identify, on a timely basis, any deterioration in the liquidity situation.

As part of liquidity management, compliance with regulatory requirements and the coverage of business needs is subjected to ongoing monitoring. Using stress tests, possible adverse scenarios are simulated and the impact on liquidity in stress situations is analysed.

Credit risk

The management and monitoring of credit risk plays a central role, particularly due to the importance of client loans (CHF 5.8 billion as of 31 December 2022 or 46% of total assets). In addition to the lending business, credit risks arising from the securities portfolio held for liquidity purposes in the banking book (predominantly high quality liquid assets) as well as from interbank investments at banks with good credit ratings are also of relevance to VP Bank.

Credit regulations govern credit risk management in the client loan business. In 2022, the volume of client loans decreased significantly by CHF 478 million. In particular, client loans in the Lombard loan business are lower due to geopolitical tensions and macroeconomic developments (deleveraging).

At the start of the Russian war of aggression on Ukraine in February 2022, the loan-to-value for collateral related to Russia, Belarus and Ukraine, as well as Russian rouble cash holdings, was set to 0%. Credit risk was mitigated due to this immediate measure and no credit losses have occured in this context. Only a few sanctioned client relationships have been identified among the Group-wide borrowers.

The volume of receivables from banks decreased by CHF 149 million compared to the previous year and amounted to CHF 1.5 billion at the end of 2022. In order to strengthen the interest income, free liquid assets continue to be invested with banks with good credit ratings, predominantly cantonal and regional banks in Switzerland.

The securities portfolio consists mainly of investment grade securities and had a nominal value of approximately CHF 2.4 billion as of 31 December 2022. Detailed guidelines (including volume and risk limits, duration ranges) for the management of securities have been established in the risk management process.

Market risk

Market risk is primarily made up of interest rate, currency and equity price risks to which VP Bank Group is exposed. Given the importance of the interest bearing business, management and monitoring of market risk on the balance sheet takes on particular importance. At the beginning of 2022, the international interest rate environment was still characterised by low interest rates of recent years, with negative interest rates in the two main currencies CHF and EUR. Over the year, central banks have raised interest rates in all three major currencies to a historically unprecedented extent, so that the negative interest rate environment appears to have been overcome. The speed of the interest rate rises required active market risk management. While interest rate risks increased considerably due to market conditions, net interest income benefited significantly from the rise in interest rates.

Operational risk

VP Bank defines operational risk as potential losses or loss of profit incurred as a consequence of the inappropriateness or failure of internal processes, individuals, systems or as a result of external events. Possible risk scenarios are identified, described and assessed using risk assessments. In all organisational units of VP Bank, operational risk is monitored by the managers who are responsible in each case. Thanks to a uniform Group-wide implementation, it is possible to provide the relevant target groups (Board of Directors, Executive Board and senior management executives) with a quarterly status report on operational risks within VP Bank Group.

Operational risks had increased during the COVID-19 pandemic. This had an impact on, among other things, an increased number of staff absences, ensuring data security in the home office, the new digital communication channels with clients and employees as well as the wide variety of legal requirements in the individual countries. At the beginning of the pandemic, a task force was immediately convened, followed by activation of a crisis management team. A multitude of measures ensured that operations were maintained at all times during the pandemic and that risks were adequately addressed and mitigated. With the decline in the number of infections, the measures were scaled back in the first quarter of 2022 and crisis management was deactivated.

In order to assess the potential impact of the energy shortage in Europe on VP Bank, internal consumption was analysed and savings scenarios and measures to reduce consumption were defined. An energy shortage task force has been set up so that VP Bank is well-prepared and can respond quickly and effectively when required. VP Bank assumed corporate responsibility and initiated preventative measures to save energy. In addition, the business continuity plans were revised in connection with a possible energy shortage situation and appropriate measures were prepared.

Further risks

In addition to the aforementioned risks, risk management of VP Bank Group covers business/strategy risk, compliance risk and reputational risk. Based on its business model and range of services, these risks are systematically analysed and reassessed on an ongoing basis.

The topic of sustainability is becoming increasingly important in the financial sector and finds its way into nearly every area of activity of financial institutions. By implementing the EU Action Plan on Sustainable Finance, VP Bank is making a significant contribution to promoting sustainable investments. As part of the Sustainability Plan 2026, this represents an important pillar in VP Bank's overall strategy. This means that it is now necessary to consider ESG criteria systematically in the risk management process.

ESG risks include environmental, social and governance risks that, if they materialise, could potentially have a negative impact on the earnings situation and financial stability of VP Bank. VP Bank publishes in its sustainability report how it specifically deals with climate risks in accordance with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). VP Bank has also set itself the goal of aligning its credit and investment portfolios with net-zero emissions by 2050 (Net-Zero Banking Alliance).

Conscientious handling of risks

Strategic and operational decisions are taken based on risk-return calculations and, in this way, aligned with the interests of the stakeholders.

Subject to compliance with statutory and regulatory requirements as well as corporate policy and ethical principles, VP Bank consciously assumes risks provided that the extent of these are known, the system requirements for mapping them are in place and the Bank will be adequately compensated for them. Transactions with an imbalanced risk-return ratio are avoided, as are major risks and extreme risk concentrations, which could endanger the risk-bearing capacity and therefore also the future existence of the Group.

Segregation of functions

Units that report to the Chief Risk Officer and that are independent of the bodies that actively manage the risks are responsible for monitoring and reporting risks to Group Executive Management and the Board of Directors.

Transparency

Comprehensive, objective, timely and transparent disclosure of risks to Group Executive Management (GEM) and the Board of Directors (BoD) forms the basis for risk monitoring.

2. Principles underlying the risk policy

Risk management is predicated on the following principles:

Harmonisation of risk-bearing capacity and risk tolerance

The concept of risk-bearing capacity is intended to enable a bank to continue its business operations or to fully meet the claims of depositors and creditors despite losses from risks that become effective. Risk tolerance indicates the potential loss which the Bank is prepared to bear without jeopardising its ability to continue as a going concern. As a strategic success factor, risk-bearing capacity is to be maintained and enhanced at all times by employing a suitable process to ensure an appropriate capital and liquidity base.

Clearly defined powers of authority and responsibilities

Risk tolerance is operationalised using a comprehensive limit system and implemented effectively with a clear definition of the duties, powers of authority and responsibilities of all bodies, organisational units and committees involved in the risk and capital management process.

3. Organisation of capital, liquidity and risk management

Risk taxonomy

The prerequisite for risk management and the management of equity resources of VP Bank is the identification of all significant risks and their aggregation to an overall bank risk exposure.

Significant risks are identified based on the business model and related offerings of financial products and services of VP Bank.

The following chart (→ graphic on page 141) provides an overview of the risks to which VP Bank is exposed in the context of its business activities. These are allocated to the risk groups of strategic/business risks, financial risks, operational risks, compliance risks and reputational risks.

Business and strategic risks encompass the risk of a potential decline in profitability as a result of an inadequate corporate orientation in relation to the market environment (political, economic, social, technological, ecological, legal) and can arise from unsuitable strategic positioning or absence of effective countermeasures in case of changes. This includes the risk that the attractiveness of location-related factors recedes or the significance and/or weighting of individual business areas undergo change by virtue of external framework conditions. It also includes the risk that the launch of new products, the distribution of existing products, market access or the conduct of business will be rendered difficult or impossible by regulations or will entail disproportionately high costs or be unprofitable.

Risk groups

Strategic and business risks	Financial risks	Operational risks	Compliance risks
• Locations • Business segments • Products • Target markets • Macroeconomic risk • Excessive leverage	Risk category Risk type **Liquidity risk** Market liquidity risk, Idiosyncratic liquidity risk **Market risk** Interest-rate risk, Equity risk, Currency risk, Credit Spread risk, Participation risk, Volatility risk **Credit risk** Default risk, Concentration risk, Counterparty risk, Country risk, Idiosyncratic credit risk **Non traditional assets risk**	• Legal risk & regulatory risk • Process risk • IT-/cyber risk & data security • External risk • Employee risk	• Cross Border • Financial Crime • Tax Compliance • Investment Compliance

ESG and climate-related financial risks

Reputational risks

Finally, adverse developments may arise in connection with target markets as a result of political or geopolitical influences.

Financial risks (liquidity risk, market risk, non-traditional assets and credit risk) are deliberately entered into in order to generate income or to safeguard business policy interests.

Liquidity risks comprise market liquidity risk and idiosyncratic liquidity risk. In the case of market liquidity risk, the risk lies in the fact that the Bank is unable to procure the required liquidity due to market distortions on the money or capital markets, or can do so only on inadequate terms and conditions. For example, the market for securities, which can normally be sold at market value, might not be sufficiently liquid, or the interbank market might not be available, or only to a limited extent, for short-term liquidity procurement. Idiosyncratic liquidity risk, on the other hand, represents the risk that the Bank cannot procure liquidity for VP Bank-specific reasons or can do so only on inadequate terms and conditions.

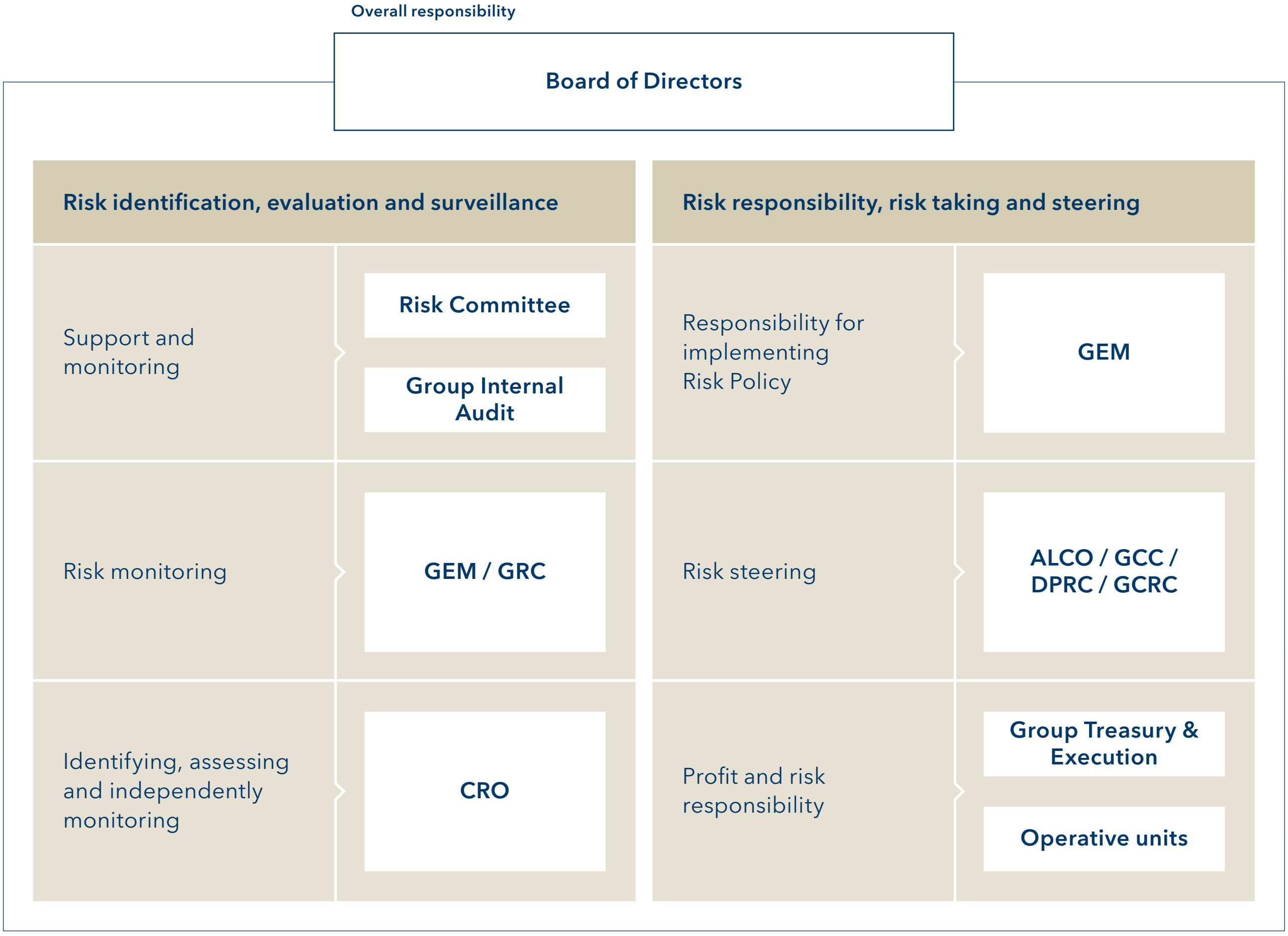
Market risk refers to the risk of potential present value losses in the banking and trading book that emerge due to unfavourable changes in market prices (interest rates, foreign exchange rates, share prices, commodities) or other price-influencing parameters such as volatility.

Non-traditional assets risks result from alternative investments that cannot be allocated to traditional asset classes, such as equities, bonds or money market products, and are subject to other risk drivers. This category includes, for example, investments in private debt, private equity, hedge funds, real estate (securitised), natural resources and other investment opportunities outside the traditional investment spectrum.

Credit risk includes default/creditworthiness, liquidation, counterparty, country and idiosyncratic risks. Default risk refers to the risk of a financial loss which may occur following the default of a debtor or loan collateral. Liquidation risks include potential losses incurred by the Bank not due to the debtors themselves, but due to a lack of opportunities to liquidate collateral.
The country risk is a result of the uncertain political, economic and social conditions as well as payment transaction restrictions in the risk domicile (so-called transfer risks). Counterparty risk refers to the risk of financial loss resulting from the default of a counterparty in a derivative transaction or from non-performance by a counterparty (settlement risk). Idiosyncratic risks include potential losses incurred by the Bank not from the debtor itself, but from a lack of diversification in the loan portfolio (concentrations in debtors and/or collateral).

Operational risk is the risk of incurring losses or loss of profit arising from the inappropriateness or failure of internal procedures, individuals or systems, or as a result of external events. These are to be avoided by appropriate controls and measures before they materialise or, if that is not possible, be reduced to a level set by the Bank. Operational risk can also arise in all organisational units, whereas financial risk can only arise in risk-taking units.

Compliance risk is understood to be breaches of statutory and regulatory provisions that can cause significant damage to VP Bank's reputation or result in sanctions, fines or even in the Bank's licence being withdrawn. The



compliance risk of VP Bank consists in particular in the fact that VP Bank does not or does not sufficiently recognise financial crime risks of its clients and counterparties – such as money laundering, financing of terrorism, violations of sanctions and embargoes, fraud and corruption activities – and has not established appropriate surveillance and monitoring processes/measures for identification, management and limitation of cross-border compliance risks as well as tax and investment compliance risks.

Reputational risk describes the risk that the confidence of employees, clients, shareholders, regulatory authorities or the public is weakened and the public image and/or reputation of the Bank is impaired as a result of other types of risk or through various events. It can exhibit itself in the Bank suffering monetary losses or a decline in earnings.

ESG and climate-related financial risks represent the risk of adverse economic impacts on VP Bank that may arise from environmental (Environment), social (Social) and corporate management (Governance) factors.

Duties, powers and responsibilities

The following chart (→ graphic on page 144) shows the key duties, powers and responsibilities of the bodies, organisational units and committees involved in the risk management process. The roles and structures of risk steering and risk monitoring are separated, which avoids conflicts of interest between the risk-taking and monitoring units. Management, monitoring and verification of risks takes place over three lines of defence:

1. First line of defence: Risk steering
2. Second line of defence: Risk monitoring
3. Third line of defence: Internal audit

The **Board of Directors** bears overall responsibility for capital, liquidity and risk management within the Group. Its remit is to establish and maintain an appropriate structure of business processes and organisation as well as an internal control system (ICS) for an effective and efficient management of capital, liquidity and risk, thereby ensuring the risk-bearing capacity of the Bank on a sustainable basis. The Board of Directors defines and approves the risk tolerance, the risk policy and the risk strategies. It monitors their implementation, sets the risk tolerance at Group level and establishes the target values and limits for the management of equity resources, liquidity and risk. In assuming these tasks, the Board of Directors is assisted by the **Risk Committee**.

In addition, the Board of Directors receives reports from the internal auditors and the external auditors on all exceptional and material incidents, including significant losses or serious disciplinary errors. In assuming this task, the Board of Directors is supported by the **Audit Committee**.

Group Internal Audit is responsible for the internal audit function within VP Bank Group. Organisationally, it forms an autonomous organisational unit which is independent of operations and is responsible for the periodic audit of structures and processes of relevance in connection with the risk policy as well as compliance with applicable requirements.

Group Executive Management (GEM) is responsible for implementation and compliance with the risk policy approved by the Board of Directors. One of its central tasks is to ensure the functional capability of the risk management process and the internal control system (ICS). Furthermore, it is responsible for the composition and assignment of duties, responsibilities and competencies of the Asset & Liability Committee, the allocation of objectives and limits set by the Board of Directors to the individual Group subsidiaries as well as the Group-wide management of strategy, business, financial, compliance, operational and reputational risk.

In its function as **Group Risk Committee (GRC)**, which is the supreme body for monitoring of the risks of VP Bank, Group Executive Management assumes responsibility for implementing the risk strategy within the limits and targets defined by the Board of Directors and Group Executive Management as well as dealing with overarching issues.

The **Asset & Liability Committee (ALCO)** is responsible for risk- and return-oriented balance sheet management as well as for the management of market and liquidity risks in compliance with the relevant statutory and regulatory provisions. It assesses the Group's situation with respect to these risks and initiates remedial steering measures whenever necessary.

The **Data and Process Risk Committee (DPRC)** ensures the completeness and effectiveness of the business process map and the corresponding internal controls. It also manages external risks as well as crisis and disaster management. In addition, the DPRC seeks to provide adequate safeguards against data security risks as well as IT and cyber risks. Furthermore, it ensures appropriate identification and mitigation of operational risks as well as process-related reputational risks.

The **Group Credit Committee (GCC)** is responsible for the management of credit risks. This includes in particular the handling of credit applications within the scope of delegated competences.

The **Group Compliance Risk Committee (GCRC)** proactively manages compliance risks, identifies primary risks, and ensures that risk-mitigating controls are implemented and adhered to. The GCRC also examines reputational risks related to specific clients.

Group Treasury & Execution (GTR) bears the responsibility for the steering and management of financial risks within the objectives and limits laid down by the Board of Directors and Group Executive Management. This is done while also taking into account the Group's risk-bearing capacity, as well as its compliance with statutory and regulatory prescriptions.

Group Credit Consulting (CRQ), as the first line of defence, is responsible for credit risk structuring and assessment of all credit applications at Group level, as well as for the monitoring process of credit exposure on the individual loan level with regard to cover and limits. CRQ is represented by units in all Group locations. For non-standard credit applications, Group Credit Risk (CCC) carries out a review of the risk analysis, which was prepared by CRQ in the first instance. In addition, CRQ approves loans on its own authority or submits them to the corresponding competence centres for assessment.

The **Chief Risk Officer (CRO)** heads the risk management function. Within Group Executive Management, the CRO is responsible for independent risk monitoring of VP Bank Group and the individual Group subsidiaries. The CRO assures compliance with the existing statutory, legal supervisory and internal bank provisions regarding risk management as well as the implementation of new risk management provisions.

Group Credit Risk (CCC) is the second line of defence, which is responsible for credit risk assessment of the largest individual credit risks of the Group. This concerns all credit exposures that go beyond Group Credit Consulting's own area of authority and trigger an additional credit assessment by the second line of defence on the basis of defined risk criteria. In addition, CCC is responsible for all material credit risk standards of VP Bank Group, including all guidelines and risk concepts as well as IT implementation. CCC also supports and initiates all development projects related to the credit business of VP Bank Group, including regulatory projects. Furthermore, Group Credit Risk regularly prepares portfolio credit risk reports in close cooperation with Group Financial Risk for the attention of Group Executive Management and of the Board of Directors.

Group Financial Risk (GFR) is responsible for the independent monitoring of financial risks (market risks, non-traditional assets risks, liquidity risks and credit risks from a portfolio perspective) as second line of defence. It is responsible for defining and assessing the risk methods and models for financial risks as well as reporting on such risks and monitoring the economic risk-bearing capacity.

Group Compliance & Operational Risk is responsible for the independent monitoring of operational and compliance risks as second line of defence. In addition, it is responsible for the risk inventory and the related risk reporting.

The responsible bodies are regularly informed by the CRO division about the risk situation, developments and compliance with limits through comprehensive risk reporting.

Process supervision / Group Internal Audit

Definition of risk strategy and determination of risk appetite • Board of Directors / Risk Committee • Group Executive Management / Group Risk Commitee	
Risk identification (risk inventory) • Group Compliance & Operational Risk • Group Financial Risk	**Risk measurement and risk-bearing capacity** • Group Financial Risk • Group Compliance & Operational Risk • Group Credit Risk • Group Financial Management & Reporting
Independent risk monitoring • Chief Risk Officer (CRO)	**Risk steering** • Group Treasury & Execution • Intermediaries & Private Banking • Asset & Liability Committee (ALCO) • Group Credit Committee (GCC) • Data & Process Risk Committee (DPRC) • Group Compliance Risk Committee (GCRC)

Process to ensure risk-bearing capacity

The primary objective of the ICAAP and ILAAP is to comply with the regulatory requirements in order to assure continuation of the Bank as a going concern. The risks of banking operations are to be borne by the available risk coverage potential. The components of the risk management process established at VP Bank for all material risks are explained below:

- **Determination of the risk strategies:** The risk strategies for each risk group (strategic/business risk, financial risk, operational and compliance risks) are derived from the business strategy of VP Bank and provide the framework conditions for risk management. The risk policy represents the basic framework for the individual risk strategies.
- **Determining the risk coverage potential and setting the risk tolerance:** In the risk-bearing capacity calculation, a distinction is made between a regulatory and a value-oriented perspective. The findings from each of the two perspectives are used in turn to validate and supplement one another. With both perspectives, the identification of the risk-bearing capacity is based on consideration of appropriate risk buffers. On the basis of the risk-bearing capacity calculation, the Board of Directors determines the limits and objectives for a rolling risk horizon of one year. All significant risks and the available risk coverage potential are juxtaposed (risk-bearing capacity calculation) in each quarter.
- **Risk identification (risk inventory):** With the annual risk inventory to be undertaken as part of the review of the framework and risk strategies, it is ensured that all significant risks for the Group (quantifiable, not quantifiable or difficult to quantify) are identified. The analysis is carried out on a top-down and/or bottom-up basis using both quantitative and qualitative criteria. Significant risks are integrated fully into the risk management process and backed by risk capital. Insignificant risks are reviewed and monitored at least annually within the scope of the risk inventory. As part of the risk inventory, potential risk concentrations in all significant risk types are evaluated.
- **Risk measurement:** Eligible equity as well as the regulatory level of committed capital are relevant for the assessment of risk-bearing capacity from a regulatory viewpoint. From a value-oriented point of view, the risk-bearing capacity results from the net economic value of equity capital after deducting operating and risk costs, a buffer for other risks and the economic capital requirement. For the purpose of determining the economic capital requirement, all risk types which are classified as material within the scope of the annual risk inventory are taken into account and possible unexpected losses are considered (confidence level: 99%, risk horizon: 1 year). The economic risk assessment also includes risk types which are not covered by the regulatory capital-adequacy requirements for the Bank. To determine the economically required capital, all significant risks are aggregated to form an overall assessment.
- **Assessment of risk-bearing capacity:** Risk-bearing capacity exists when the available risk coverage potential is greater than the risks taken at any time. In this process, early-warning stages permit a timely change of direction in order not to endanger the continuation of the Bank as a going concern.
- **Risk steering** encompasses all measures on all organisational levels to actively influence the Bank's risks identified as being significant. In this respect, the objective is the optimisation of the risk return ratio within the limits and objectives set by the Board of Directors and Group Executive Management to ensure the risk-bearing capaci-

ty of the Group while also complying with statutory and legal supervisory stipulations. Risk management is performed at strategic as well as operating levels. Based upon the juxtaposition of risks and limits on the one hand, as well as of regulatory and economically required capital and risk coverage potential on the other, countermeasures are taken in case of a negative variance.

- **Independent risk monitoring (control and reporting to GEM and BoD):** Risk steering is accompanied by comprehensive risk monitoring, which is functionally and organisationally independent of risk steering. Risk monitoring covers control and reporting. As part of the monitoring of financial risks, steering impulses are derived from a routine target-to-actual comparison. The target is constituted by the limits and objectives set, as well as from legal and supervisory-law prescriptions. For review of the extent to which limits are used (actual), early-warning stages are also deployed in order to take timely steering measures for any risks before they materialise.

As operational risks may arise as a result of internal control failures during current business activities, monitoring of operational risks in all organisational units of VP Bank is undertaken by the respective executive management.

From a risk-monitoring perspective, risk-based checks for compliance risks are carried out on an ongoing basis by Group Compliance, while the respective business units are responsible for management of compliance-related risks.

Reputational risks can result from financial, operational and compliance risks as well as from business and strategic risks. The business and strategic risks as well as any reputational risks are handled by Group Executive Management.

As part of reporting, results of monitoring are set forth in a regular, understandable and transparent manner. Reporting is made ex ante as an input for decisions and ex post for control purposes – in particular to analyse any deviation from budgeted values – as well as ad hoc in case of suddenly and unexpectedly occurring risks.

The process of ensuring the risk-bearing capacity of VP Bank Group is presented in the illustration on the previous page.

The following table shows the capital-adequacy situation of the Group as of 31.12.2022.

Capital-adequacy computation (Basel III)

in CHF 1,000	31.12.2022	31.12.2021
Core capital		
• Share capital	66,154	66,154
• Deduction for treasury shares	–53,220	–56,790
• Capital reserves	23,305	22,959
• of which premium for capital instruments	47,505	47,505
• Retained earnings	1,143,724	1,134,088
• of which group net income	40,160	50,638
• Actuarial gains/losses from defined-benefit pension plans	–25,797	–34,105
• Unrealised gains/losses on Fair Value Through OCI (FVTOCI) financial instruments	–24,757	–18,587
• Foreign-currency translation differences	–27,284	–28,152
Total shareholders' equity	**1,102,125**	**1,085,567**
• Deduction for dividends as per proposal of Board of Directors	–33,077	–33,077
• Deduction for equity instruments as per art. 28 CRR	0	–8,485
• Deduction for actuarial gains/losses from IAS19	25,797	34,105
• Deduction deferred taxes on IAS 19	–3,225	–4,263
• Deduction for goodwill and intangible assets	–42,681	–56,381
• Other regulatory adjustments (deferred tax, securisation positions, prudential filter)	–2,758	–2,978
Eligible core capital (tier 1)	**1,046,181**	**1,014,488**
Eligible core capital (adjusted)	**1,046,181**	**1,014,488**
Credit risk (in accordance with Liechtenstein standard approach)	327,306	299,406
thereof price risk regarding equity securities in the banking book	9,756	10,619
Market risk (in accordance with Liechtenstein standard approach)	8,683	14,306
Operational risk (in accordance with basic indicator approach)	48,943	48,302
Credit Value Adjustment (CVA)	1,378	851
Total required equity	**386,310**	**362,865**
Capital buffer	223,723	204,111
Total required equity including capital buffer	**610,033**	**566,976**
CET1 equity ratio	21.7%	22.4%
Tier 1 ratio	21.7%	22.4%
Overall equity ratio	21.7%	22.4%
Total risk-weighted assets	**4,828,876**	**4,535,813**
Return on investment (net income / average balance sheet total)	0.3%	0.4%

4. Own funds disclosure

The required qualitative and quantitative information on capital adequacy, on the strategies and procedures for risk management and on the risk situation of VP Bank are set forth in the Risk Report and the commentary on the consolidated financial statements. Over and above this, VP Bank Group has drawn up a Disclosure Report for the 2022 financial year. On this basis, the Bank fulfils the regulatory requirements of the Banking Ordinance (BankO) and the Banking Act (BankA) as well as the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), which represent the implementation of the Basel III Accord currently in force in the European Union.

VP Bank computes its required equity in accordance with the provisions of the CRR. In this connection, the following approaches are applied:
- 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
- Standard method for credit valuation adjustment (CVA) risks in accordance with Art. 384 CRR
- Comprehensive method for CRR risks to take account of financial collateral in accordance with Art. 223 CRR

As in regard to strategy, business and reputational risk, no explicit regulatory capital-adequacy requirements are stipulated in the CRR.

5. Financial risks

While engaged in complying with the relevant statutory and regulatory provisions, the monitoring and management of financial risks is based on internal bank objectives and limits relating to volumes, sensitivities and risk metrics. Scenario analyses and stress tests also demonstrate the effect of events which possibly were not or not sufficiently taken into consideration within the scope of ordinary risk evaluation.

In this respect, the Board of Directors sets strategic guard rails within which risk management is undertaken. Group Executive Management is responsible for the implementation and observance of the risk strategy for financial risks as approved by the Board of Directors. At operational level, the identification, assessment and monitoring of all relevant risks is carried out by the CRO functions, which are independent of the risk management units. The risk-managing units are responsible for risk management and first-instance compliance with the targets and limits relevant to them.

Market risks

Market risks arise from taking positions in financial assets (debt instruments, shares and other securities), foreign currencies, precious metals and corresponding derivatives, as well as from client business, interbank business and from consolidated subsidiaries whose functional currency is a foreign currency.

Interest rate risk is a significant component of market risk. It arises mainly due to divergent maturities between positions on the asset and liability sides of the balance sheet. The table on the maturity structure shows the assets and liabilities of VP Bank broken down into positions at sight, callable positions and positions with specific maturities (→ cf. note 35).

Asset and liability positions of VP Bank denominated in foreign currencies are of importance to determine the currency risk. An overview, analysed by currency, is to be found in note 34 (→ cf. balance sheet by currencies).

The Bank employs a comprehensive set of methods and key figures for the monitoring and management of market risks. In this respect, the value-at-risk approach has established itself as the standard method to measure general market risk. The value-at-risk for market risks quantifies the potential loss in market value of all market risk positions on the evaluation date, expressed in CHF. The value-at-risk is computed on a Group-wide basis with the aid of historic simulation. In this process, the historical movements in market data over a period of at least five years are used in order to evaluate all positions subject to market risk.

The projected loss refers to an investment horizon of 250 trading days and will not be exceeded with a probability of 99%. The calculation of interest rate risk takes into account the contractual fixing period of interest bearing positions. For non maturing positions an internal replication model is applied. The market risk value-at-risk (99%/250 days) of VP Bank Group as of 31 December 2022 amounted to CHF 184 million (previous year: CHF 129.6 million). Due to the rapid and massive increase in interest rates in 2022, the interest rate VaR has risen sharply over the year, while the VaR for currencies and equities have declined. Overall, there is a significant increase in the market VaR, essentially driven by the interest rate risk.

The following table shows the VaR analysed by types of risk and the total market VaR.

Market-Value-at-Risk (end of month values)

in CHF million	Total	Interest-rate risk	Equity and commodity risk	Currency risk
2022				
Year-end	183.6	124.2	49.6	9.8
Average	147.7	77.2	49.4	21.0
Highest value	187.3	124.4	51.8	32.9
Lowest value	124.0	39.7	45.2	9.7
2021				
Year-end	129.6	36.9	58.9	33.8
Average	128.4	37.2	56.3	34.9
Highest value	133.8	38.9	58.9	37.3
Lowest value	115.1	33.0	46.5	33.6

As the maximum losses arising from extreme market situations cannot be determined with the value-at-risk approach, the market risk analysis is supplemented by stress tests that allow an assessment of the effects of extreme market fluctuations on the current value of equity capital and on net interest income. In this manner, the fluctuations in net current value of all balance sheet items and derivatives in the area of market risks are computed with the aid of sensitivity indicators based on simulated market movements (parallel shift, rotation or inclination changes in interest-rate curves, exchange rate fluctuations by a multiple of their implicit volatility, slump in equity share prices). In addition, the development of interest income is simulated for selected market scenarios (rising interest rates, falling interest rates).

The following table exemplifies the results of the key rate duration. For this, first of all, the present values of all asset and liability items as well as derivative financial instruments are calculated. Then, the interest rates of the relevant interest-rate curves are increased by 1 basis point and the resulting change of present value is scaled to 1% (100 basis points) in each maturity band and per currency. The respective movements represent a gain or loss of the net present value resulting from the shift in the interest-rate curve. Negative values point to an excess of assets, positive values to an excess of liabilities over the relevant term.

Key rate duration profile per 100 basis points increase

in CHF 1,000	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
31.12.2022						
CHF	387	2,621	–1,184	–13,067	–3,992	–15,235
EUR	73	320	–1,270	–6,512	–7,653	–15,042
USD	245	–1,035	–929	–12,500	–5,210	–19,429
Other currencies	–77	–201	–10	103	0	–185
Total	**628**	**1,705**	**–3,393**	**–31,976**	**–16,855**	**–49,891**
31.12.2021						
CHF	897	1,133	677	1,823	–17,981	–13,451
EUR	471	–183	1,705	–2,453	–9,256	–9,716
USD	951	–2,302	1,441	–4,854	–10,056	–14,820
Other currencies	6	–336	971	3,212	0	3,853
Total	**2,325**	**–1,688**	**4,794**	**–2,272**	**–37,293**	**–34,134**

The following table sets out the effects of a negative movement in the principal foreign currencies on group net income and shareholder equity. The applied variance scenario reflects the implicit annual FX rate volatilities as of 31 December 2022 and 31 December 2021, respectively.

Movement in significant foreign currencies

Currency	Variance in %	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2022			
EUR	–6	–3,693	0
USD	–8	–7,166	–5,117
2021			
EUR	–5	–2,214	0
USD	–6	–6,574	–3,719

The following table illustrates the impact of a possible downturn in equity markets of 10, 20 and 30%, respectively, on Group net income and equity capital.

Movement in relevant equity share markets

Variance	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2022		
–10%	–4,848	–12,471
–20%	–9,697	–24,942
–30%	–14,545	–37,413
2021		
–10%	–4,147	–13,287
–20%	–8,295	–26,574
–30%	–12,442	–39,861

For risk management purposes, derivative financial instruments are entered into exclusively in the banking book and serve to hedge equity price, interest rate and currency risks as well as to manage the banking book. The risk policy defines the derivatives approved for this purpose.

VP Bank refinances its medium and long-term client loans and its nostro positions in interest-bearing debt securities primarily with short-term client deposits and is therefore subject to an interest rate risk. Rising interest rates have an adverse impact on the net present value of fixed income business activities and they also increase refinancing costs. As part of VP Bank's asset and liability management, interest rate swaps measured at fair value are deployed to hedge this risk. VP Bank applies fair-value hedge accounting under IFRS in order to record the offsetting effect of changes in the value of the hedged item on the balance sheet. For this purpose, a portion of the underlying transactions (fixed interest loans) are linked to the hedging transactions (payer swaps) through hedging relationships. In the event of fair-value changes caused by interest rate changes, the carrying value of the underlying transactions concerned are adjusted and the gains/losses taken to income.

Fixed rate positions are transformed into variable interest rate positions through the conclusion of payer swaps, thus establishing a close economic relationship between the hedge item (loan) and the hedge instrument (swap). Therefore, the hedge ratio between the designated amount of the hedge item and the designated amount of the hedge instruments is one. A hedge relationship is efficient and/or effective whenever the movements in the value of the hedge item and the hedging transactions induced by interest rate changes offset each other. Ineffectiveness mainly results from variations in duration, such as arise from different interest rates, interest payment dates or maturities of transactions.

The initial efficiency of a hedge relationship is proven by a prospective effectiveness test. For this purpose, future changes in the fair value of the hedge item and hedge instrument are simulated on the basis of scenarios and are subjected to a regression analysis. Effectiveness is assessed on the basis of the results of the analysis. Repeated reviews take place during the duration of the hedge relationship.

By entering into foreign exchange transactions, VP Bank has hedged its own financial investments against exchange rate fluctuations in the principal currencies. Currency risks from the client business generally may not arise; currency positions that remain open are closed via the foreign exchange market. Group Treasury & Execution is responsible for the management of foreign currency risks from client business.

Liquidity risks

Liquidity risks may arise through contractual mismatches between the inflows and outflows of liquidity in the individual maturity bands. Any differences arising demonstrate how much liquidity the Bank must eventually procure in each maturity band in the event of an outflow of all volumes at the earliest possible time. Furthermore, refinancing concentrations may lead to a liquidity risk if they are so significant that a massive withdrawal of the related funds could trigger liquidity problems.

Liquidity risks are monitored and managed using internal targets and limits for interbank and lending business and other balance-sheet-related key figures – while also complying with statutory liquidity norms and provisions regarding concentrations on both the asset and liability side.

VP Bank has a very comfortable liquidity situation with a liquidity coverage ratio (LCR) of 233% and a net stable funding ratio (NSFR) of 158% at the end of 2022.

The maturity structure of assets and liabilities is set out in note 35. In the short-term band range, the Bank refinances itself primarily through client deposits at sight.

VP Bank can rapidly procure liquidity on a secured basis in case of need through its access to the Eurex repo market. The risk of an extraordinary, nevertheless plausible event with low probability can be measured using stress tests. In this manner, VP Bank can take all applicable remedial action on a timely basis and set limits where necessary.

Credit risks

Credit risks arise from all transactions for which payment obligations of third parties in favour of VP Bank exist or can arise. Credit risks accrue to VP Bank from client lending activities, the money market business including bank guarantees, correspondent and metals accounts, the reverse repo business, the Bank's own portfolio of securities, securities lending and borrowing, collateral management and OTC derivative trades.

Risk concentrations can arise through large exposures or inadequate diversification of the loan portfolio. Such concentrations can constitute exposures from borrowers which are domiciled in the same countries or regions, are active in the same industry segment or possess similar collateral. Concentrations can lead to the creditworthiness of borrowers or the recoverability of collateral being impacted by the same economic, political or other factors. Risk concentrations are closely monitored by VP Bank as well as being controlled with corresponding limits and operational checks.

As of 31 December 2022, the total credit exposure excluding collateral was CHF 10 billion (as of 31 December 2021: CHF 10.4 billion). The following table shows the composition of the balance sheet and off-balance sheet items.

Credit exposures

in CHF 1,000	31.12.2022	31.12.2021
On-balance-sheet assets		
Receivables arising from money market papers	196,993	129,401
Due from banks	1,539,929	1,688,870
Due from customers	5,758,448	6,236,802
Public-law enterprises	463	455
Trading portfolios	172	10,483
Derivative financial instruments	58,540	46,875
Debt instruments at fair value	6,592	21,359
Financial instruments measured at amortised cost	2,436,650	2,263,236
Total	**9,997,786**	**10,397,481**
Off-balance-sheet transactions		
Contingent liabilities	112,901	101,978
Irrevocable facilities granted	92,768	79,086
Total	**205,669**	**181,064**

The change in client loans is mainly the result of a decline in volume in the Lombard loan business. Clients were more reserved and cautious due to the market uncertainties (deleveraging). However, mortgage loans and unsecured loans also saw a decline in volume.
The volume of receivables from banks decreased compared to the previous year and amounted to CHF 1.5 billion at the end of 2022. Excess liquidity continues to be invested with banks with good credit ratings, predominantly cantonal and regional banks in Switzerland.

Receivables from clients are granted by default on a secured basis. This area primarily includes the mortgage business in Switzerland and Liechtenstein, the Lombard loan business as well as a small number of special loans.

In the mortgage business, cover is primarily provided by residential, mixed or commercial properties in Switzerland and Liechtenstein. In Liechtenstein, the regulations of the Capital Requirements Regulation apply regarding guidelines and procedures for the valuation and management of mortgage collateral. Lombard loans are granted in exchange for the pledging of primarily liquid and diversified securities portfolios. In addition, life insurance policies can be used as collateral. Predefined minimum requirements apply to the issuers of the corresponding policies. Each issuer must be pre-approved.

The qualitative requirements for eligible collateral and permissible loan-to-value ratios are defined internally. In 2022, various methodological improvements for the quantitative derivation of loan-to-value ratios were developed and successfully introduced. Risk concentrations within the collateral are to be avoided through a prudent credit policy.

Within the scope of the client loan business, loans are granted on a regional and international basis to private and commercial clients. The focus remains on the private client business with a volume of CHF 3.2 billion of mortgage credits (31 December 2021: CHF 3.3 billion). From a regional perspective, VP Bank conducts the lion's share of this business in the Principality of Liechtenstein and in the eastern part of Switzerland.

The ten largest single exposures represent 15% of total credit exposures (31 December 2021: 12%).

The credit regulations and the credit strategy form the binding framework for credit risk management of client loans. Set out in the credit regulations are not only the general guidelines governing credit granting as well as the framework conditions for the conclusion of credit business but also the decision-makers and the corresponding ranges within the framework of which credits may be approved (rules on powers of authority).

In principle, exposures in the private client loans business and in the commercial loans business must be covered by the loan-to-value of the collateral (collateral after haircut). Counterparty risks in the loan business are governed by limits which restrict the level of exposure depending on the creditworthiness, industry segment, collateral and risk domicile of the client. VP Bank uses an internal method for risk classification to assess creditworthiness. Deviations from credit-granting principles (exceptions to policy) are dealt with as part of the credit risk management process based on an individual risk assessment.

VP Bank enters into both secured and unsecured positions in the interbank business. Unsecured positions result from money market activities (including bank guarantees, correspondent and metals accounts), secured positions arising from reverse repo transactions, securities lending and borrowing, collateral management, and OTC derivative transactions. Repo deposits are fully secured and the collateral received serves as a reliable source of liquidity in a crisis situation. Hence, counterparty risk and also liquidity risk is reduced with reverse repo transactions.

Counterparty risks in the interbank business may only be entered into in approved countries and with approved counterparties. Exposures to banks relate to institutions with a good credit rating (investment grade rating) and registered office in an OECD country. A comprehensive system of limits contains the level of exposure depending on the duration, rating, risk domicile and collateral of the counterparty. In this regard, VP Bank relies on the rating of banks by the two rating agencies Standard & Poor's and Moody's. OTC derivative transactions may be concluded exclusively with counterparties with whom a netting agreement has been agreed.

Credit risks are managed and monitored not only on an individual transaction level but also on a portfolio level. On the portfolio level, VP Bank uses expected and unexpected credit loss estimates to monitor and measure credit risk. The expected credit loss represents the average loss that can be expected within one year. Unexpected credit loss represents a scenario-based unexpected loss from a stressed loss framework that is the difference between the potential loss in a stressed scenario (stressed loss) and the loss to be expected in a normal market environment (expected loss) over one year. In particular, the stressed loss framework takes greater account of idiosyncratic credit risks. The unexpected loss is limited and monitored by a corresponding credit risk limit, both overall and per loan portfolio.

Credit derivatives (contract volume)

in CHF 1,000	Providers of collateral as of 31.12.2022	Providers of collateral as of 31.12.2021
Collateralised debt obligations	0	0
Total	**0**	**0**

No proprietary trading transactions in credit derivatives were carried out in the past financial year.

Country risk

Country risks arise whenever political or economic conditions specific to a country impinge on the value of an exposure abroad. The monitoring and management of country risk is undertaken using volume limits which restrict the respective aggregate exposures per country rating (Standard & Poor's and Moody's). All receivables, both on and off the balance sheet, are considered in this process; positions in the Principality of Liechtenstein and Switzerland do not fall under this country limit rule. The risk domicile of an exposure is the basis for recognising country risk. With secured exposures, consideration is usually given to the country in which the collateral is located.

The following table shows the distribution of credit exposures by country rating. Non-rated country exposures are mostly exposures from local business activities (receivables secured by mortgage) of VP Bank (BVI) Ltd.

Country exposures according to rating

in %	31.12.2022	31.12.2021
AAA	87.4	81.5
AA	8.9	14.8
A	1.5	1.6
BBB – B	0.7	0.6
CCC – C	0.0	0.1
Not Rated	1.5	1.4
Total	**100.0**	**100.0**

IIFRS 9 Impairment

The following pages show the additional tables from IFRS 9 Impairment to be disclosed.

Credit exposures by rating classes

in CHF 1,000		Carrying amount of the below financial positions			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2022
Cash and cash equivalents					
Investment Grade					
• Very Low credit risk	AAA	2,178,286			2,178,286
• Low credit risk	AA+, AA, AA-, A+, A, A-				0
• Moderate credit risk	BBB+, BBB, BBB-				0
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C				0
Default	D				0
Gross Carrying amount		**2,178,286**	**0**	**0**	**2,178,286**
Loss allowance		–27			–27
Carrying amount		**2,178,259**	**0**	**0**	**2,178,259**
Receivables arising from money market papers					
Investment Grade					
• Very Low credit risk	AAA	121,896			121,896
• Low credit risk	AA+, AA, AA-, A+, A, A-	75,108			75,108
• Moderate credit risk	BBB+, BBB, BBB-				0
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C				0
Default	D				0
Gross Carrying amount		**197,004**	**0**	**0**	**197,004**
Loss allowance		–11			–11
Carrying amount		**196,993**	**0**	**0**	**196,993**
Due from banks					
Investment Grade					
• Very Low credit risk	AAA	97,117			97,117
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,240,191			1,240,191
• Moderate credit risk	BBB+, BBB, BBB-	102,640			102,640
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		6,606		6,606
Default	D				0
Gross Carrying amount		**1,439,948**	**6,606**	**0**	**1,446,554**
Loss allowance		–93	–1		–94
Carrying amount		**1,439,855**	**6,605**	**0**	**1,446,460**
Due from customers					
Low credit risk		5,664,445		3,451	5,667,896
Moderate credit risk			52,397	9,473	61,871
High Credit Risk				10,064	10,064
Doubtful				34	34
Default				42,143	42,143
Gross Carrying amount		**5,664,445**	**52,397**	**65,166**	**5,782,008**
Loss allowance		–852	–30	–22,215	–23,097
Carrying amount		**5,663,592**	**52,368**	**42,951**	**5,758,911**

Credit exposures by rating classes (continued)

in CHF 1,000		Carrying amount of the below financial positions			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2022
Financial instruments measured at amortised cost					
Investment Grade					
• Very Low credit risk	AAA	625,837			625,837
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,500,910			1,500,910
• Moderate credit risk	BBB+, BBB, BBB-	290,747			290,747
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		20,449		20,449
Default	D				0
Gross Carrying amount		**2,417,494**	**20,449**	**0**	**2,437,943**
Loss allowance		–666	–628		–1,294
Carrying amount		**2,416,828**	**19,822**	**0**	**2,436,650**

in CHF 1,000	Exposure to credit risk on loan commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total 31.12.2022
Exposure to credit risk on loan commitments and financial guarantee contracts				
Low credit risk				0
Moderate credit risk				0
High Credit Risk	176,114	8,219		184,333
Doubtful				0
Default				0
Gross Carrying amount	**176,114**	**8,219**	**0**	**184,333**
Loss allowance	–301	–2		–303
Carrying amount	**175,813**	**8,217**	**0**	**184,030**

in CHF 1,000		Carrying amount of the below financial positions			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2021
Cash and cash equivalents					
Investment Grade					
• Very Low credit risk	AAA	2,367,962			2,367,962
• Low credit risk	AA+, AA, AA-, A+, A, A-				0
• Moderate credit risk	BBB+, BBB, BBB-				0
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C				0
Default	D				0
Gross Carrying amount		**2,367,962**	**0**	**0**	**2,367,962**
Loss allowance		–115			–115
Carrying amount		**2,367,847**	**0**	**0**	**2,367,847**

Credit exposures by rating classes (continued)

in CHF 1,000	Rating (Standard & Poor's or Equivalent)	Carrying amount of the below financial positions Stage 1	Stage 2	Stage 3	Total 31.12.2021
Receivables arising from money market papers					
Investment Grade					
• Very Low credit risk	AAA	101,191			101,191
• Low credit risk	AA+, AA, AA-, A+, A, A-	28,243			28,243
• Moderate credit risk	BBB+, BBB, BBB-				0
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C				0
Default	D				0
Gross Carrying amount		**129,434**	**0**	**0**	**129,434**
Loss allowance		–33			–33
Carrying amount		**129,401**	**0**	**0**	**129,401**
Due from banks					
Investment Grade					
• Very Low credit risk	AAA	226,089			226,089
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,255,440			1,255,440
• Moderate credit risk	BBB+, BBB, BBB-	170,667			170,667
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		395		395
Default	D				0
Gross Carrying amount		**1,652,196**	**395**	**0**	**1,652,591**
Loss allowance		–131			–131
Carrying amount		**1,652,065**	**395**	**0**	**1,652,460**
Due from customers					
Low credit risk		6,123,144			6,123,144
Moderate credit risk			75,468		75,468
High Credit Risk				2,320	2,320
Doubtful				3,762	3,762
Default				59,236	59,236
Gross Carrying amount		**6,123,144**	**75,468**	**65,318**	**6,263,930**
Loss allowance		–804	–695	–25,173	–26,672
Carrying amount		**6,122,340**	**74,773**	**40,145**	**6,237,258**
Financial instruments measured at amortised cost					
Investment Grade					
• Very Low credit risk	AAA	591,135			591,135
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,361,581			1,361,581
• Moderate credit risk	BBB+, BBB, BBB-	295,583			295,583
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		16,374		16,374
Default	D				0
Gross Carrying amount		**2,248,299**	**16,374**	**0**	**2,264,673**
Loss allowance		–1,261	–176		–1,437
Carrying amount		**2,247,038**	**16,198**	**0**	**2,263,236**

Credit exposures by rating classes (continued)

in CHF 1,000	Exposure to credit risk on loan commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total 31.12.2021
Exposure to credit risk on loan commitments and financial guarantee contracts				
Low credit risk				0
Moderate credit risk				0
High Credit Risk	163,890			163,890
Doubtful				0
Default				0
Gross Carrying amount	**163,890**	**0**	**0**	**163,890**
Loss allowance	–148			–148
Carrying amount	**163,742**	**0**	**0**	**163,742**

Expected credit losses according to IFRS 9 allowance for credit losses

in CHF 1,000	Expected credit loss of the below financial positions			
	Stage 1	Stage 2	Stage 3	Total 2022
Due from customers - mortgage loans[1]				
1 January 2022	**42**	**21**	**7,590**	**7,653**
New financial assets originated or purchased	12	4	1,933	1,949
Transfers				0
• to stage 1	15	–15		0
• to stage 2				0
• to stage 3				0
Net remeasurement of loss allowance	21	6		27
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–10	–2	–5,273	–5,285
Changes in models/risk parameters	32			32
Amounts written off on loans / utilisation in accordance with purpose			–1,515	–1,515
Foreign exchange and other adjustments			377	377
31 December 2022	**112**	**14**	**3,112**	**3,238**
Due from customers - lombard loans[1]				
1 January 2022	**573**	**617**	**16,435**	**17,625**
New financial assets originated or purchased	68	1	11	80
Transfers				0
• to stage 1		11	–11	0
• to stage 2				0
• to stage 3		–449	449	0
Net remeasurement of loss allowance	134	–169		–35
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–227	–1	–525	–753
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose				0
Foreign exchange and other adjustments			–467	–467
31 December 2022	**548**	**10**	**15,891**	**16,449**
Due from customers - other loans[1]				
1 January 2022	**188**	**57**	**1,149**	**1,394**
New financial assets originated or purchased	2	5	2,027	2,034
Transfers				0
• to stage 1				0
• to stage 2				0
• to stage 3		–37	36	–1
Net remeasurement of loss allowance	57			57
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–96	–20		–117
Changes in models/risk parameters	41			41
Amounts written off on loans / utilisation in accordance with purpose				0
Foreign exchange and other adjustments			1	1
31 December 2022	**192**	**5**	**3,212**	**3,410**

[1] By type of collateral.

Expected credit losses according to IFRS 9 allowance for credit losses (continued)

in CHF 1,000	Expected credit loss of the below financial positions			
	Stage 1	Stage 2	Stage 3	Total 2021
Due from customers - mortgage loans[1]				
1 January 2021	**62**	**18**	**6,489**	**6,569**
New financial assets originated or purchased	12			12
Transfers				0
• to stage 1	655	–1	–654	0
• to stage 2		6	–6	0
• to stage 3				0
Net remeasurement of loss allowance	–657	–2	2,363	1,704
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–29	–1	–349	–379
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–310	–310
Foreign exchange and other adjustments	–1	1	57	57
31 December 2021	**42**	**21**	**7,590**	**7,653**
Due from customers - lombard loans[1]				
1 January 2021	**1,261**	**301**	**16,743**	**18,305**
New financial assets originated or purchased	144			144
Transfers				0
• to stage 1	15	–15		0
• to stage 2	–745	745		0
• to stage 3				0
Net remeasurement of loss allowance	–54	–128		–182
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–49	–286		–335
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose				0
Foreign exchange and other adjustments	1		–308	–307
31 December 2021	**573**	**617**	**16,435**	**17,625**
Due from customers - other loans[1]				
1 January 2021	**258**	**57**	**4,910**	**5,225**
New financial assets originated or purchased	76			76
Transfers				0
• to stage 1				0
• to stage 2	–2	2		0
• to stage 3				0
Net remeasurement of loss allowance	–34	–1	5	–30
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–106		–22	–128
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–3,828	–3,828
Foreign exchange and other adjustments	–4	–1	84	79
31 December 2021	**188**	**57**	**1,149**	**1,394**

[1] By type of collateral.

The following table shows the effect on valuation allowances of significant changes in the gross carrying values of financial instruments

in CHF 1,000	Impact: increase/decrease			
	Stage 1	Stage 2	Stage 3	Total 2022
Model adjustments: floor PD banks, money market paper and bonds	–706			–706
Bonds: Change to stage 2 (due to Ukraine crisis)	–8	451		443
Lombard loans: change from stage 2 to stage 3 (due to forbearance)		–449	449	0
Reassessment of individual value adjustments			–1,828	–1,828
Utilisation in accordance with purpose			–1,515	–1,515
Other effects	172	–213	–65	–107
Total	**-543**	**-211**	**-2,959**	**-3,713**

in CHF 1,000	Impact: increase/decrease			
	Stage 1	Stage 2	Stage 3	Total 2021
Redemption of lombard loans		–286		–286
Duration shortening and reduction of amc bonds in stage 2		–126		–126
Lombard loans change from stage 1 to stage 2	–745	601		–144
Utilisation in accordance with purpose			–3,828	–3,828
Other effects	–124	5	858	739
Total	**-869**	**194**	**-2,970**	**-3,645**

The following table provides disclosures on assets which were modified and at the same time have a stage 2 and 3 valuation allowance.

Information about the nature and effect of modifications on the measurement of provision for doubtful debts (Stage 2 and 3) in CHF 1,000	Total 2022	Total 2021
Financial assets modified during the period		
Amortised cost before modification		
Net modificaton loss		
Financial assets modified since initial recognition		
Gross carrying amount at 31 December of financial assets for which loss allowance has changed from stage 2 or stage 3 to stage 1 during the period	11,124	1,065

6. Operational risk

Whereas financial risks are deliberately assumed in order to earn income, operational risk should be avoided by suitable controls and measures or, if this is impossible, should be reduced to a level set by the Bank.

There is a wide variety of causes for operational risks. People make mistakes, IT systems fail, external risks affect the Bank or business processes do not work. It is therefore necessary to determine the factors which trigger important risk events and their impact in order to contain them with suitable preventive measures.

The management of operational risks is understood in VP Bank to be an integral cross-divisional function which is to be implemented across all business units and processes on a uniform Group-wide basis. The following methods are used:

- The internal control system of VP Bank encompasses all process-integrated and process-independent measures, functions and controls which assure the orderly conduct of business operations.
- Early-warning indicators are used to recognise potential losses in a timely manner and to ensure that enough time still remains for the planning and realisation of counter-measures.
- Significant loss occurrences are recorded systematically and are then evaluated centrally. The findings from the collection of loss data are integrated directly into the risk management process.
- Operational risks are assessed within the framework of periodic top-down and bottom-up risk assessments. Based on these assessments, Group Executive Management decides how to deal with the identified risks and, if necessary, determines proactive risk-reducing measures.

The Group Operational Risk & Methodology unit, which is part of Group Compliance & Operational Risk, is responsible for the Group-wide implementation, monitoring and further development of the methods used to manage operational risks and bears the technical responsibility for the associated IT application.

Each person in a management position is responsible for identification and evaluation of operational risks as well as for definition and performance of key controls and measures to contain risks. This responsibility may not be delegated.

Knowledge and experience are exchanged within the Group to ensure a coordinated approach. Thanks to a uniform implementation, it is possible to provide the relevant target groups (Board of Directors, Executive Board and senior management executives) with a meaningful quarterly status report on operational risks within VP Bank Group.

Business Continuity Management (BCM), as a further important sub-area, is systematically pursued by VP Bank along the lines of ISO standard 22301:2012. The basis thereof is the BCM strategy which was implemented by Group Executive Management and is regularly reviewed for effectiveness and accuracy. Operationally critical processes are reviewed in detail, discussed and, where necessary, documented with a clear course of action whenever risks crystallise. The organisation necessary for crisis management is in place and its members are trained and instructed in an ongoing manner.

7. Strategy/business risk

Business risk on the one hand results from unexpected changes in market and underlying conditions with an adverse effect on profitability or equity. On the other hand, it indicates the danger of unexpected losses that may result from management decisions regarding the business policy orientation of the Group (strategy risk). Group Executive Management is responsible for managing business risk. Taking into account the banking environment and the internal company situation, this risk is analysed by Group Executive Management, top-risk scenarios are derived and appropriate measures are worked out, the implementation of which is entrusted to the responsible body or organisational unit (top-down process).

8. Compliance risk

Compliance risk is understood to be breaches of statutory and regulatory provisions that can cause significant damage to VP Bank's reputation or result in sanctions, fines or even in the Bank's licence being withdrawn. The compliance risk of VP Bank consists in particular in the fact that VP Bank does not or does not sufficiently recognise financial crime compliance risks of its clients and counterparties – such as money laundering, financing of terrorism, violations of sanctions and embargoes, and fraud and corruption activities – and has not established appropriate surveillance and monitoring processes/measures for identification, management and limitation of cross-border compliance risks as well as tax and investment compliance risks.

All relevant compliance risks which are of significance for the business and service activities of VP Bank Group are recorded and assessed within the scope of a Group-wide, annual compliance risk assessment. In this regard, all relevant, risk-based compliance controls as well as processes and systems within the overall organisation of VP Bank Group are assessed in order to determine whether they are up to date, appropriate and effective. In this context, the risk-based compliance controls must be proportionate to the respective risk, the management effort and the intended control objectives. VP Bank Group also ensures through regular compliance training that all employees of VP Bank Group are familiar with and adhere to the relevant compliance regulations.

9. ESG risks and climate-related financial risks

ESG and climate-related financial risks (hereinafter "ESG risks") represent the risk of adverse economic impacts on VP Bank that may arise from environmental (Environment), social (Social) and corporate management (Governance) factors. ESG risks can manifest themselves in the other risk groups or risk categories. The expansion of the risk taxonomy to include ESG risks takes into account the increasing importance of the topic of sustainability in the financial sector and represents the starting point for their integration into and further development of the risk management process. VP Bank records, evaluates and takes into account ESG risks in its business activities as well as in the assessment of its counterparties and client relationships. VP Bank has set itself the goal of aligning its material loan portfolios and investment portfolios on the balance sheet with net zero emissions by 2050. In addition, VP Bank expects business partners to comply with at least three internationally recognised standards, namely the "UN Global Compact", the "United Nations Guiding Principles for Business and Human Rights" and the "International Labour Organisation (ILO) Standards".

10. Reputational risk

Reputational risk represents the risk of negative economic effects that could arise as a result of damage to the public image or reputation of VP Bank. Strategy and business risks, operational and compliance risks, financial risks as well as ESG risks can lead to reputational risks and weaken the confidence of employees, clients, shareholders, regulators or the public in general in the Bank.

This may result in asset losses or a decline in earnings, for instance due to deteriorating or terminated client relationships, rating downgrades, higher refinancing costs or more difficult access to the interbank market.

Reputational risks are monitored by Group Executive Management.

Segment reporting

External segment reporting reflects the organisational structure of VP Bank Group as of 31 December 2022 and as well as internal reporting to management. These form the basis for assessing the financial performance of the segments and the allocation of resources to them.

Business segment reporting 2022

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	119,485	2,453	–445	121,493
Total net income from commission business and services	117,770	28,921	–7,110	139,581
Income from trading activities	31,436	2,728	31,343	65,507
Income from financial instruments	0	2,742	6,620	9,362
Other income	–318	32	704	418
Total operating income	**268,374**	**36,876**	**31,111**	**336,361**
Personnel expenses	70,669	13,328	89,647	173,644
General and administrative expenses	11,057	6,551	59,023	76,631
Depreciation of property, equipment and intangible assets	7,342	568	33,059	40,969
Credit loss expenses	–2,400	–16	–6	–2,421
Provisions and losses	2,036	338	–26	2,348
Services to/from other segments	60,128	3,467	–63,595	0
Operating expenses	**148,832**	**24,236**	**118,103**	**291,171**
Earnings before income tax	**119,542**	**12,640**	**–86,992**	**45,190**
Taxes on income				5,030
Group net income				**40,160**
Segment assets (in CHF million)	5,722	37	6,872	12,631
Segment liabilities (in CHF million)	9,941	660	928	11,529
Client assets under management (in CHF billion)[1]	34.8	11.7	0.0	46.4
Net new money (in CHF billion)	–0.5	1.5	0.0	1.1
Headcount (number of employees)	377	84	550	1,011
Headcount (expressed as full-time equivalents)	349.9	78.8	506.3	935.0

The netting of costs and earnings between the business units takes place on the basis of specific transfer prices. The transfer prices between the segments are reviewed annually and adjusted to reflect economic conditions.

[1] Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).

Business segment reporting 2021

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	96,461	516	13,012	109,989
Total net income from commission business and services	133,653	32,132	–9,310	156,475
Income from trading activities	31,721	2,401	15,884	50,006
Income from financial instruments[1]	0	330	11,122	11,452
Other income	779	137	1,028	1,944
Total operating income	**262,614**	**35,515**	**31,736**	**329,866**
Personnel expenses	68,801	13,709	91,492	174,001
General and administrative expenses	8,003	6,155	48,204	62,362
Depreciation of property, equipment and intangible assets	6,255	588	29,540	36,383
Credit loss expenses	–1,637	–4	–8	–1,649
Provisions and losses	1,001	4	8	1,014
Services to/from other segments	58,398	2,952	–61,350	0
Operating expenses	**140,820**	**23,404**	**107,887**	**272,111**
Earnings before income tax	**121,794**	**12,112**	**–76,151**	**57,755**
Taxes on income				7,117
Group net income				**50,638**
Segment assets (in CHF million)[1]	6,202	15	6,980	13,196
Segment liabilities (in CHF million)	10,809	832	469	12,111
Client assets under management (in CHF billion)[2]	39.6	11.6	0.0	51.3
Net new money (in CHF billion)	0.8	–0.5	0.0	0.3
Headcount (number of employees)	384	90	538	1,012
Headcount (expressed as full-time equivalents)	360.0	85.9	492.6	938.5

The netting of costs and earnings between the business units takes place on the basis of specific transfer prices. The transfer prices between the segments are reviewed annually and adjusted to reflect economic conditions.

1 Due to internal reorganisation, defined financial instruments with the associated income from financial investments are transferred from Corporate Center to Client Solutions.
2 Calculation in accordance with Table P of the Guidelines to the Liechtenstein Banking Ordinance issued by the Government of Liechtenstein (FL-BankO).

Geographic segment reporting

in CHF 1,000	Liechtenstein	Rest of Europe	Other countries	Total Group
2022				
Total operating income	230,644	81,851	23,866	336,361
Total assets (in CHF million)	9,899	1,819	913	12,631
2021				
Total operating income	204,195	96,458	29,213	329,866
Total assets (in CHF million)	10,247	1,959	990	13,196

The reporting follows the principle of branch accounting.

1 Interest income

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Discount income	2,269	258	2,011	n.a.
Loan commissions with the character of interest	614	417	197	47.2
Interest income from banks	5,831	21	5,810	n.a.
Interest income from customers	91,080	76,846	14,234	18.5
Interest income from financial instruments measured at amortised cost	29,457	26,379	3,078	11.7
Interest income from financial liabilities	3,647	7,062	–3,415	–48.4
Total interest income from financial instruments at amortised cost	**132,898**	**110,983**	**21,915**	**19.7**
Interest-rate instruments	–48	–670	622	92.8
Trading derivatives (forward points)	30,462	13,511	16,951	125.5
Hedge accounting	–98	–26	–72	–276.9
Total other interest income	**30,316**	**12,815**	**17,501**	**136.6**
Total interest income	**163,214**	**123,798**	**39,416**	**31.8**
Interest expenses on amounts due to banks	108	22	86	390.9
Interest expenses on amounts due to customers	35,822	2,977	32,845	n.a.
Interest expenses on medium-term notes	210	258	–48	–18.6
Interest expenses on debentures issued	1,777	1,914	–137	–7.2
Interest expenses from financial assets	3,578	8,373	–4,795	–57.3
Interest expenses on right-of-use assets	226	265	–39	–14.7
Total interest expenses using the effective interest method	**41,721**	**13,809**	**27,912**	**202.1**
Total net interest income	**121,493**	**109,989**	**11,504**	**10.5**
Fair-value hedges				
Movements arising from hedges	2,022	1,000	1,022	102.2
• Micro fair-value hedges	2,022	1,000	1,022	102.2
Movements in underlying transactions	–2,120	–1,026	–1,094	–106.6
• Micro fair-value hedges	–2,120	–1,026	–1,094	–106.6
Total hedge accounting[1]	**–98**	**–26**	**–72**	**–276.9**

[1] Hedge ineffectiveness, disclosed in the income statement: further details in note 37.

2 Income from commission business and services

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Commission income from credit business	699	700	–1	–0.1
Asset management and investment business	64,803	66,119	–1,316	–2.0
Brokerage fees	25,434	36,532	–11,098	–30.4
Securities account fees	20,549	24,120	–3,571	–14.8
Fund management fees	53,568	58,912	–5,344	–9.1
Fiduciary commissions	839	274	565	206.2
Other commission and service income	19,115	18,902	213	1.1
Total income from commission business and services	**185,007**	**205,559**	**–20,552**	**–10.0**
Brokerage expenses	1,203	1,546	–343	–22.2
Other commission and services-related expenses	44,223	47,538	–3,315	–7.0
Total expenses from commission business and services	**45,426**	**49,084**	**–3,658**	**–7.5**
Total net income from commission business and services	**139,581**	**156,475**	**–16,894**	**–10.8**

The following table shows which components are included within the earnings position «asset management and investment business».

2 Income from commission business and services (continued)

in CHF 1,000	2022	2021	Variance absolutet	Variance in %
Fees for securities settlement	8,392	8,587	–195	–2.3
Administration commissions	36,377	38,232	–1,855	–4.9
Management fees	10,914	10,892	22	0.2
Brokerage fees	16,426	17,895	–1,469	–8.2
Securities account fees	4,406	4,769	–363	–7.6
Administration fees	4,631	4,676	–45	–1.0
All-in fees	16,597	16,617	–20	–0.1
Miscellaneous fees	3,437	2,683	754	28.1
Asset management and investment business	**64,803**	**66,119**	**–1,316**	**–2.0**

3 Income from trading activities

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Securities trading[1]	–3,239	–3,399	160	4.7
Interest income from trading portfolios	143	183	–40	–21.9
Foreign currency	67,697	51,972	15,725	30.3
Banknotes, precious metals and other	906	1,250	–344	–27.5
Total income from trading activities	**65,507**	**50,006**	**15,501**	**31.0**

[1] The income from derivatives for risk minimisation (except for interest rate derivatives) is included in this position.

4 Income from financial instruments

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Income from financial instruments at fair value	8,980	10,488	–1,508	–14.4
Income from financial instruments at amortised cost (foreign exchange)	382	964	–582	–60.4
Total income from financial instruments	**9,362**	**11,452**	**–2,090**	**–18.3**
Income from financial instruments at fair value				
Income from FVTPL assets	813	2,499	–1,686	–67.5
Interest income from FVTPL financial instruments	818	629	189	30.0
Dividend income from FVTPL financial instruments	1,298	1,250	48	3.8
Dividend income from FVTOCI financial instruments	6,051	6,110	–59	–1.0
thereof from FVTOCI financial instruments sold	71	1	70	n.a.
Total	**8,980**	**10,488**	**–1,508**	**–14.4**
Income from financial instruments at amortised cost (foreign exchange)				
Revaluation gains/losses on financial instruments at amortised cost	382	85	297	349.4
Realised gains/losses on financial instruments at amortised cost	0	879	–879	–100.0
Total	**382**	**964**	**–582**	**–60.4**

5 Other income

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Income from real estate	104	158	–54	–34.2
Income from joint venture companies	0	–1	1	100.0
Miscellaneous other income	314	1,787	–1,473	–82.4
Total other income	**418**	**1,944**	**–1,526**	**–78.5**

6 Personnel expenses

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Salaries and wages	144,403	139,987	4,416	3.2
Social contributions required by law	12,392	12,339	53	0.4
Contributions to pension plans / defined-benefit plans	11,962	12,551	–589	–4.7
Contributions to pension plans / defined-contribution plans	2,994	3,221	–227	–7.0
Other personnel expenses	5,894	5,903	–9	–0.2
Capitalised personnel expenses[1]	–4,001	0	–4,001	0.0
Total personnel expenses	**173,644**	**174,001**	**–357**	**–0.2**

[1] In accordance with IAS 38, a portion of internally generated intangible assets such as software is capitalised. The amount that can be capitalised is reduced accordingly in personnel expenses.

7 General and administrative expenses

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Occupancy expenses	2,950	3,269	–319	–9.8
Insurance	945	927	18	1.9
Professional fees	18,835	14,949	3,886	26.0
Financial information procurement	9,241	8,737	504	5.8
Telecommunication and postage	1,466	1,406	60	4.3
IT systems	29,624	19,162	10,462	54.6
Marketing and public relations	4,120	4,505	–385	–8.5
Capital taxes	751	871	–120	–13.8
Other general and administrative expenses	8,699	8,536	163	1.9
Total general and administrative expenses	**76,631**	**62,362**	**14,269**	**22.9**
Fees invoiced by the audit firm	1,596	1,506	90	6.0
thereof the audit of the annual financial statements	607	565	42	7.4
thereof other audit or assurance services	810	662	148	22.4
thereof tax advisory services	156	273	–117	–42.9
thereof other services	23	6	17	283.3

8 Depreciation of property, equipment and intangible assets

in CHF 1,000	Note	2022	2021	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	22	15,728	19,328	–3,600	–18.6
Depreciation and amortisation of intangible assets	23	25,241	17,055	8,186	48.0
Total depreciation and amortisation		**40,969**	**36,383**	**4,586**	**12.6**

9 Valuation allowances, provisions and losses

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Decrease/increase credit allowances[1]	–2,421	–1,649	–772	–46.8
Legal and litigation risks	1,000	0	1,000	0.0
Other provisions and losses	1,348	1,014	334	32.9
Total valuation allowances, provisions and losses	**–73**	**–635**	**562**	**88.5**

[1] Including currency effects.

10a Taxes on income

in CHF 1,000	2022	2021
Domestic		
Current taxes	5,956	6,540
Deferred taxes	–1,544	594
Foreign		
Current taxes	457	864
Deferred taxes	161	–881
Total current taxes	6,413	7,404
Total deferred taxes	–1,383	–287
Total taxes on income	**5,030**	**7,117**

The Group's effective payments for domestic and foreign income taxes amounted to CHF 11.6 million in 2022 (previous year: CHF 8.7 million).

Statement of taxes on income

All expected obligations from taxes on income for the reporting period are recognised in the financial statements. They are calculated in accordance with the tax laws applicable in the respective countries. The deferred tax liabilities arising from the different valuations between the financial statements prepared for tax purposes and the values used for consolidation purposes are recognised at the following tax rates:

	2022	2021
Liechtenstein	12.5%	12.5%
Switzerland	19.7%	19.7%
Luxembourg	24.9%	24.9%
British Virgin Islands	0.0%	0.0%
Singapore	17.0%	17.0%
Hong Kong	16.5%	16.5%

The pre-tax net income and the differences between the tax expense in accordance with the income statement and the tax expense based on an assumed average tax rate of 15 per cent (previous year: 15 per cent) are composed as follows:

in CHF 1,000	2022	2021
Income before income tax		
Domestic	33,214	47,978
Foreign	11,976	9,777
Taxes on income using an assumed average charge	**6,779**	**8,663**
Reasons for increased/decreased taxable income		
Effect on tax free income / effect on non taxable expenses	–2,667	–1,665
Difference between actual and assumed tax rates	1,158	–474
Lower tax charges as a result of changes in laws or taxation agreements	–2	0
Use of non-capitalised losses carried forward	0	0
Tax income unrelated to accounting period	57	35
Use/formation of tax loss carry-forwards	–295	558
Total income tax	**5,030**	**7,117**

10b Deferred tax assets and liabilities

in CHF 1,000	Balance at the beginning of the financial year	Changes affecting the income statement	Changes affecting the other comprehensive income	Changes in scope of consolidation/ acquisitions	Total 2022
Deferred tax assets					
Property, equipment and intangible assets	6,171	370	0	0	6,541
Valuation allowances for credit risks	860	–156	0	0	704
Tax loss carry-forwards[1]	2,642	–212	0	0	2,430
Defined-benefit pension plans	2,253	179	–1,215	0	1,217
Financial instruments	51	18	98	0	167
Other	1,046	–376	0	0	670
Total deferred tax assets	**13,023**	**–177**	**–1,117**	**0**	**11,729**
Offsetting	–5,431	1,941	63	0	–3,427
Total deferred tax assets after offsetting	**7,592**	**1,764**	**–1,054**	**0**	**8,302**
Deferred tax liabilities					
Property, equipment and intangible assets	2,434	–787	0	0	1,647
Financial instruments	782	–723	0	0	59
Financial instruments directly offset within shareholders' equity	24	0	0	0	24
Valuation allowances for credit risks	36	–13	0	0	23
Other	3,014	–39	0	0	2,975
Total deferred tax liabilities	**6,290**	**–1,562**	**0**	**0**	**4,728**
Offsetting	–5,431	1,941	63	0	–3,427
Total deferred tax liabilities after offsetting	**859**	**379**	**63**	**0**	**1,301**

[1] Where the realisation of tax benefits is considered probable, there is an obligation to capitalise. Offsetting only applies if the deferred tax assets and liabilities relate to the same tax authority.

in CHF 1,000	Balance at the beginning of the financial year	Changes affecting the income statement	Changes affecting the other comprehensive income	Changes in scope of consolidation/ other	Total 2021
Deferred tax assets					
Property, equipment and intangible assets	5,834	337	0	0	6,171
Valuation allowances for credit risks	873	–13	0	0	860
Tax loss carry-forwards[1]	2,331	311	0	0	2,642
Defined-benefit pension plans	5,515	312	–3,574	0	2,253
Financial instruments	387	–318	–18	0	51
Other	1,162	–116	0	0	1,046
Total deferred tax assets	**16,102**	**513**	**–3,592**	**0**	**13,023**
Offsetting	–5,929	58	440	0	–5,431
Total deferred tax assets after offsetting	**10,173**	**571**	**–3,152**	**0**	**7,592**
Deferred tax liabilities					
Property, equipment and intangible assets	3,057	–623	0	0	2,434
Financial instruments	416	366	0	0	782
Financial instruments directly offset within shareholders' equity	33	0	–9	0	24
Valuation allowances for credit risks	39	–3	0	0	36
Other	2,525	489	0	0	3,014
Total deferred tax liabilities	**6,070**	**229**	**–9**	**0**	**6,290**
Offsetting	–5,929	58	440	0	–5,431
Total deferred tax liabilities after offsetting	**141**	**287**	**431**	**0**	**859**

[1] Where the realisation of tax benefits is considered probable, there is an obligation to capitalise. Offsetting only applies if the deferred tax assets and liabilities relate to the same tax authority.

The deferred taxes are due to temporary differences resulting from different valuations between the IFRS and statutory financial statements.

in CHF 1,000	2022	2021
Loss carry-forwards not reflected in the balance sheet expire as follows:		
Within 1 year	0	0
Within 1 to 5 years	0	0
Within 5 to 10 years	0	0
No expiration	220	1,719
Total	**220**	**1,719**

10c Tax assets and liabilities

in CHF 1,000	Note	31.12.2022	31.12.2021
Tax assets			
Amounts receivable arising on current taxes on income		230	297
Deferred tax assets	10b	8,302	7,592
Total tax assets		**8,532**	**7,889**
Tax liabilities			
Liabilities arising on current taxes on income		5,783	10,970
Deferred tax liabilities	10b	1,301	859
Total tax liabilities		**7,084**	**11,829**

10d Tax effects on other comprehensive income

in CHF 1,000	Amount before tax	Tax yield / tax expenses	31.12.2022 Amount net of tax
Changes in foreign-currency translation differences	868	0	868
Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0
Changes in value of FVTOCI financial instruments	–6,268	98	–6,170
Actuarial gains/losses from defined-benefit pension plans	9,523	–1,215	8,308
Total comprehensive income in shareholders' equity	**4,123**	**–1,117**	**3,006**

			31.12.2021
Changes in foreign-currency translation differences	1,799	0	1,799
Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0
Changes in value of FVTOCI financial instruments	4,754	–9	4,745
Actuarial gains/losses from defined-benefit pension plans	27,328	–3,574	23,754
Total comprehensive income in shareholders' equity	**33,881**	**–3,583**	**30,298**

11 Earnings per share

	31.12.2022	31.12.2021
Consolidated earnings per share of VP Bank Ltd, Vaduz		
Group net income (in CHF 1,000)[1]	40,160	50,638
Weighted average of registered shares A issued	6,015,000	6,015,000
Weighted average of registered shares B issued	6,004,167	6,004,167
Less weighted average number of treasury shares A	467,581	503,102
Less weighted average number of treasury shares B	349,461	347,138
Weighted average number of registered shares A (undiluted)	5,547,419	5,511,898
Weighted average number of registered shares B (undiluted)	5,654,706	5,657,029
Total weighted average number of shares (registered shares A)	6,112,889	6,077,601
Undiluted consolidated earnings per registered share A	6.57	8.33
Undiluted consolidated earnings per registered share B	0.66	0.83
Diluted consolidated earnings per share of VP Bank Ltd, Vaduz		
Group net income (in CHF 1,000)[1]	40,160	50,638
Dilution effect number of registered shares A[2]	26,549	22,774
Number of shares used to compute the fully diluted consolidated net income	6,139,438	6,100,375
Diluted consolidated earnings per registered share A	6.54	8.30
Diluted consolidated earnings per registered share B	0.65	0.83

[1] Based on the Group net income attributable to shareholders of VP Bank Ltd, Vaduz.
[2] The dilution effect results from outstanding management stock-ownership plans (note 43).

12 Dividend

	2022	2021
Approved and paid dividend of VP Bank Ltd, Vaduz		
Dividend (in CHF 1,000) for the financial year 2021 (2020)	33,077	26,462
Dividend per registered share A	5.00	4.00
Dividend per registered share B	0.50	0.40
Payout ratio (in %)	60.0	58.0
Proposed dividend to be approved by the annual general meeting of VP Bank Ltd, Vaduz (not reflected as a liability as of 31 December)		
Dividend (in CHF 1,000) for the financial year 2022	33,077	
Dividend per registered share A	5.00	
Dividend per registered share B	0.50	
Payout ratio (in %)[1]	76.1	

[1] Dividend per registered share A / Group net income per registered share A.

13 Cash and cash equivalents

in CHF 1,000	31.12.2022	31.12.2021
Cash on hand	30,474	16,290
At-sight balances with national and central banks	2,178,286	2,367,962
Expected credit loss	–27	–115
Total cash and cash equivalents	**2,208,733**	**2,384,137**

14 Receivables arising from money market papers

in CHF 1,000	31.12.2022	31.12.2021
Money market paper (qualifying for refinancing purposes)	197,004	129,434
Other money market papers	0	0
Expected credit loss	–11	–33
Total receivables arising from money market papers	**196,993**	**129,401**

15 Due from banks and customers

in CHF 1,000	Note	31.12.2022	31.12.2021
By type of exposure			
Due from banks – at-sight balances		465,812	491,589
Due from banks – term balances		1,074,211	1,197,412
Valuation allowances for credit risks	16	–94	–131
Due from banks		**1,539,929**	**1,688,870**
Mortgage receivables		3,199,908	3,264,824
Other receivables		2,582,100	2,999,106
Valuation allowances for credit risks	16	–23,097	–26,672
Due from customers		**5,758,911**	**6,237,258**
Total due from banks and customers		**7,298,840**	**7,926,128**
Due from customers by type of collateral			
Mortgage collateral		3,193,705	3,243,759
Other collateral		2,146,092	2,692,852
Without collateral		442,211	327,319
Subtotal		**5,782,008**	**6,263,930**
Valuation allowances for credit risks		–23,097	–26,672
Total due from customers		**5,758,911**	**6,237,258**

16 Allowances for credit risk

The detailed information on credit risk is disclosed in the Risk Management section of VP Bank Group (→ pages 138 et seqq.).

17 Trading portfolios

in CHF 1,000	31.12.2022	31.12.2021
Debt securities valued at fair value		
• Exchange-listed	0	10,207
Total	**0**	**10,207**
Equity securities / investment-fund units valued at fair value		
Total	**0**	**0**
Other	**172**	**276**
Total trading portfolios	**172**	**10,483**

18 Derivative financial instruments

31.12.2022 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Swaps	241	639	46,000
Total interest-rate instruments 31.12.2022	**241**	**639**	**46,000**
Foreign currencies			
Forward contracts	23,193	27,177	2,805,648
Combined interest-rate/currency swaps	16,556	43,056	4,246,778
Options (OTC)	14,810	14,809	985,828
Total foreign currencies 31.12.2022	**54,559**	**85,042**	**8,038,254**
Equity securities/indices			
Options (OTC)	1,042	1,042	68,968
Options (exchange-traded)		157	3,215
Total equity securities/indices 31.12.2022	**1,042**	**1,199**	**72,183**
Precious metals			
Forward contracts	34	2	2,520
Options (OTC)	2,664	2,664	112,456
Total precious metals 31.12.2022	**2,698**	**2,666**	**114,976**
Total derivative financial instruments 31.12.2022	**58,540**	**89,546**	**8,271,413**

The fair value for derivative financial instruments without market value is determined using recognised models. These valuation models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

18 Derivative financial instruments (continued)

31.12.2021 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Swaps	0	3,634	108,500
Total interest-rate instruments 31.12.2021	**0**	**3,634**	**108,500**
Foreign currencies			
Forward contracts	32,326	32,094	5,058,969
Combined interest-rate/currency swaps	10,247	41,993	4,844,384
Options (OTC)	2,964	2,966	971,887
Total foreign currencies 31.12.2021	**45,537**	**77,053**	**10,875,240**
Equity securities/indices			
Options (OTC)	807	808	24,726
Options (exchange-traded)		237	3,253
Total equity securities/indices 31.12.2021	**807**	**1,045**	**27,979**
Precious metals			
Forward contracts	10	56	5,397
Options (OTC)	521	521	43,418
Total precious metals 31.12.2021	**531**	**577**	**48,815**
Total derivative financial instruments 31.12.2021	**46,875**	**82,309**	**11,060,534**

19 Financial instruments at fair value

in CHF 1,000	31.12.2022	31.12.2021
Debt instruments		
Exchange-listed	6,591	21,359
Non-exchange-listed	1	0
Total	**6,592**	**21,359**
Equity shares / investment fund units		
Exchange-listed	13,115	12,220
Non-exchange-listed	35,124	29,123
Total	**48,239**	**41,343**
Equity shares, through other comprehensive income (FVTOCI)		
Exchange-listed	121,587	128,374
Non-exchange-listed	3,122	4,496
Total	**124,709**	**132,870**
Structured products		
Exchange-listed	473	355
Non-exchange-listed	0	0
Total	**473**	**355**
Total financial instruments at fair value	**180,013**	**195,927**

The fair value of non-exchange-listed financial instruments is determined only on the basis of external traders' quotes or pricing models which are based on prices and interest rates in an observable, active and liquid market. Management is satisfied that the prices determined on the basis of these techniques represent the best value calculated at the date of the financial statements for the balance sheet as well as the valuation entries in the income statement that depend on them.

20 Financial instruments at amortised cost

in CHF 1,000	31.12.2022	31.12.2021
Debt instruments		
Exchange-listed	2,437,944	2,225,983
Non-exchange-listed	0	38,690
Expected credit loss	–1,294	–1,437
Total financial instruments at amortised cost	**2,436,650**	**2,263,236**

21 Joint venture

in CHF 1,000	2022	2021
Balance at the beginning of the financial year	**24**	**25**
Additions	0	–1
Value impairments	0	0
Balance as of balance sheet date	**24**	**24**

Details of companies reflected in the consolidation using the equity method

Name	Registered office	Activity	Share capital	Capital held in % 31.12.2022	Capital held in % 31.12.2021
Data Info Services AG	Vaduz	Procurement, trade and exchange of goods and services	CHF 50,000	50	50

22 Property and equipment

in CHF 1,000	Right of use assets[1]	Bank buildings	Other real estate	Furniture and equipment	IT systems	Total 2022
Acquisition cost						
Balance on 01.01.2022	38,205	196,559	2,899	22,568	26,349	286,579
Additions	470	1,058	278	145	3,037	4,988
Disposals/derecognitions[2]	–145			–440	–6,489	–7,074
Foreign-currency translation	77			41	8	126
Other adjustments	–232					–232
Balance on 31.12.2022	**38,375**	**197,617**	**3,177**	**22,314**	**22,905**	**284,387**
Accumulated depreciation and amortisation						
Balance on 01.01.2022	–16,820	–137,652	–16	–15,151	–21,749	–191,387
Depreciation and amortisation	–5,507	–5,131	–9	–1,561	–3,520	–15,728
Valuation allowances	0					0
Disposals/derecognitions[2]	145			440	6,489	7,074
Foreign-currency translation	23			–43	–8	–28
Balance on 31.12.2022	**–22,159**	**–142,783**	**–25**	**–16,315**	**–18,788**	**–200,069**
Net book values on 31.12.2022	**16,216**	**54,834**	**3,152**	**5,999**	**4,117**	**84,318**

[1] Total in accordance with the table below.
[2] Includes derecognitions of fully depreciated property, plant and equipment.

Right of use assets

in CHF 1,000	Buildings and premises	Motor vehicles	Total 2022
Acquisition cost			
Balance on 01.01.2022	36,504	1,701	38,205
Additions	112	358	470
Disposals/derecognitions	0	–145	–145
Foreign-currency translation	77	0	77
Other adjustments	–232	0	–232
Balance on 31.12.2022	**36,461**	**1,914**	**38,375**
Accumulated depreciation and amortisation			
Balance on 01.01.2022	–15,781	–1,039	–16,820
Depreciation and amortisation	–5,155	–352	–5,507
Valuation allowances	0	0	0
Disposals/derecognitions	0	145	145
Foreign-currency translation	23	0	23
Balance on 31.12.2022	**–20,913**	**–1,246**	**–22,159**
Net book values on 31.12.2022	**15,548**	**668**	**16,216**

22 Property and equipment (continued)

in CHF 1,000	Right of use assets[1]	Bank buildings	Other real estate	Furniture and equipment	IT systems	Total 2021
Acquisition cost						
Balance on 01.01.2021	37,076	195,728	2,793	21,467	25,951	283,014
Additions	2,042	831	106	1,280	2,117	6,376
Disposals/derecognitions[2]	–1,043			–226	–1,737	–3,006
Foreign-currency translation	130			47	18	195
Balance on 31.12.2021	**38,205**	**196,559**	**2,899**	**22,568**	**26,349**	**286,579**
Accumulated depreciation and amortisation						
Balance on 01.01.2021	–8,396	–132,567	–8	–13,776	–20,112	–174,858
Depreciation and amortisation	–6,072	–5,085	–8	–1,486	–3,357	–16,008
Valuation allowances	–3,320					–3,320
Disposals/derecognitions[2]	988			227	1,737	2,952
Foreign-currency translation	–20			–116	–17	–153
Balance on 31.12.2021	**–16,820**	**–137,652**	**–16**	**–15,151**	**–21,749**	**–191,387**
Net book values on 31.12.2021	**21,385**	**58,907**	**2,883**	**7,417**	**4,600**	**95,192**

[1] Total in accordance with the table below.
[2] Includes derecognitions of fully depreciated property, plant and equipment.

Right of use assets

in CHF 1,000	Buildings and premises	Motor vehicles	Total 2021
Acquisition cost			
Balance on 01.01.2021	35,528	1,548	37,076
Additions	1,726	316	2,042
Disposals/derecognitions	–880	–163	–1,043
Foreign-currency translation	130	0	130
Balance on 31.12.2021	**36,504**	**1,701**	**38,205**
Accumulated depreciation and amortisation			
Balance on 01.01.2021	–7,688	–708	–8,396
Depreciation and amortisation	–5,633	–439	–6,072
Valuation allowances[1]	–3,320	0	–3,320
Disposals/derecognitions	880	108	988
Foreign-currency translation	–20	0	–20
Balance on 31.12.2021	**–15,781**	**–1,039**	**–16,820**
Net book values on 31.12.2021	**20,723**	**662**	**21,385**

[1] A space rented on a long-term basis will no longer be used as of autumn 2022, which is why an impairment loss was recognised on this rented space.

Additional information regarding property and equipment

in CHF 1,000	2022	2021
Fire insurance value of real estate	157,075	155,376
Fire insurance value of other property and equipment	43,747	43,706
Fair value of other real estate	3,152	2,883

There is no property, plant and equipment from financial leasing.

23 Goodwill and other intangible assets

in CHF 1,000	Software	Customer relationships	Goodwill	Total 2022
Acquisition cost				
Balance on 01.01.2022	228,687	56,720	53,670	339,077
Additions	31,780			31,780
Disposals/derecognitions	–24,729			–24,729
Foreign-currency translation	65			65
Balance on 31.12.2022	**235,803**	**56,720**	**53,670**	**346,193**
Accumulated amortisation				
Balance on 01.01.2022	–183,523	–36,144	–35,302	–254,969
Depreciation and amortisation	–19,480	–4,753		–24,233
Impairment[1]		–1,008		–1,008
Disposals/derecognitions	24,729			24,729
Foreign-currency translation	–60			–60
Balance on 31.12.2022	**–178,334**	**–41,905**	**–35,302**	**–255,541**
Net book values on 31.12.2022	**57,469**	**14,815**	**18,368**	**90,652**

[1] See note 46.

in CHF 1,000	Software	Customer relationships	Goodwill	Total 2021
Acquisition cost				
Balance on 01.01.2021	203,142	48,748	52,895	304,785
Additions	25,726	7,788	775	34,289
Disposals/derecognitions	–302			–302
Foreign-currency translation	121	184		305
Balance on 31.12.2021	**228,687**	**56,720**	**53,670**	**339,077**
Accumulated amortisation				
Balance on 01.01.2021	–171,411	–31,393	–35,302	–238,106
Depreciation and amortisation	–12,304	–4,751		–17,055
Disposals/derecognitions	302			302
Foreign-currency translation	–110			–110
Balance on 31.12.2021	**–183,523**	**–36,144**	**–35,302**	**–254,969**
Net book values on 31.12.2021	**45,164**	**20,576**	**18,368**	**84,108**

No other intangible assets with an indefinite useful life are capitalised in the consolidated balance sheet of VP Bank Group.

Goodwill impairment test

The goodwill of CHF 18.4 million results from the existing goodwill of CHF 10.8 million from the acquisition of VP Bank (Luxembourg) SA in 2001, which is allocated to the cash-generating unit (CGU) VP Bank (Luxembourg) SA. This goodwill has not been amortised since 1 January 2005, but is subject to an annual impairment test. Since 2019, there has been further goodwill of CHF 6.8 million from the acquisition of the Luxembourg private banking activities of Catella Bank by VP Bank (Luxembourg) SA. Further goodwill of CHF 0.8 million was added in the 2021 financial year from the acquisition of the client business of Öhman Bank S.A., which has its registered office in Luxembourg (note 46). Both instances of goodwill are also allocated to the CGU VP Bank (Luxembourg) SA.

The determination of the realisable amount in connection with the impairment test in the 2022 financial year was based on the fair value (level 3) less costs to sell. The carrying value of existing goodwill as well as intangible assets is tested using the market multiples method from comparable listed enterprises or from comparable transactions. The multiple used is the so-called goodwill multiple, which is defined as the ratio of the difference between the market capitalisation and the carrying value of equity capital to the existing assets under management and is used for the valuation of companies in the wealth management sector. The realisable amount exceeded the carrying value (posted equity capital plus carrying value of acquired intangible assets after deferred taxes plus carrying value of goodwill) of the CGU to such an extent that an impairment of goodwill could be considered unlikely. An additional calculation of the realisable amount, based on the value in use, as well as a sensitivity analysis was therefore waived.

24 Other assets

in CHF 1,000	31.12.2022	31.12.2021
Value-added taxes and other tax receivables	9,371	7,627
Prepaid retirement pension contributions	240	0
Settlement accounts	9,867	9,585
Miscellaneous other assets[1]	2,791	1,039
Total other assets	**22,269**	**18,251**

[1] Adjustment accounts, other miscellaneous assets.

25 Medium-term notes

in CHF 1,000 Maturity	0–0.9999% Interest rate	1–1.9999% Interest rate	2–2.9999% Interest rate	3–3.9999% Interest rate	Total
2023	7,856	684	2,776	0	11,316
2024	3,592	426	919	0	4,938
2025	3,049	1,136	227	0	4,412
2026	12,554	404	49	0	13,007
2027	4,952	239	49	0	5,240
2028	938	518	0	0	1,456
2029	96	20	0	0	116
2030	142	30	0	0	172
2031	76	40	0	0	116
2032	117	290	0	0	407
Total 31.12.2022	**33,372**	**3,787**	**4,021**	**0**	**41,180**
Total 31.12.2021	**48,124**	**1,921**	**3,952**	**0**	**53,997**

The average payment of interest as at 31 December 2022 was 0.5 per cent (previous year: 0.39 per cent).

26 Debentures, VP Bank Ltd, Vaduz

Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	in CHF 1,000 Total 31.12.2022	Total 31.12.2021
2015	CH0262888941	0.875	CHF	07.10.2024	100,000	100,098	100,154
2019	CH0461238880	0.600	CHF	29.11.2029	155,000	154,983	154,980
Total					**255,000**	**255,081**	**255,134**

Issued debt instruments are recorded at fair value plus transaction costs upon initial recognition. Fair value corresponds to the consideration received. They are subsequently accounted for at amortised cost. In this connection, the market yield method (0.82 per cent bond 2024; 0.60 per cent bond 2029) is employed in order to amortise the difference between the issue price and redemption amount over the term of the debt instrument.

27 Other liabilities

in CHF 1,000	31.12.2022	31.12.2021
Value-added taxes and other tax receivables	15,197	15,122
Accrued retirement pension contributions	7,062	15,097
Other long-term employee benefits[1]	3,201	3,444
Settlement accounts	26,908	78,596
Miscellaneous other liabilities[2]	23,339	27,522
Total other liabilities	**75,707**	**139,781**

[1] Note 40.
[2] Adjustment accounts, other miscellaneous liabilities.

28 Provisions

in CHF 1,000	Default risk	Legal and litigation risks	Other provisions	Restructuring provisions	Total 2022
Carrying value at the beginning of the financial year	148	0	977	0	1,125
Utilisation in accordance with purpose			–229		–229
New provisions charged to income statement	547	1,000	4		1,551
Provisions releases to income statement	–390		–27		–417
Foreign-currency translation differences and other adjustments	–2		–6		–8
Carrying value at the end of the financial year	**303**	**1,000**	**719**	**0**	**2,022**
Maturity of provisions					
• within one year					1,781
• over one year					241

in CHF 1,000	Default risk	Legal and litigation risks	Other provisions	Restructuring provisions	Total 2021
Carrying value at the beginning of the financial year	201	0	611	0	812
Utilisation in accordance with purpose			–208		–208
New provisions charged to income statement	152		446		598
Provisions releases to income statement	–211				–211
Foreign-currency translation differences and other adjustments	6		128		134
Carrying value at the end of the financial year	**148**	**0**	**977**	**0**	**1,125**
Maturity of provisions					
• within one year					1,125
• over one year					0

29 Share capital

	31.12.2022 No. of shares	Nominal CHF	31.12.2021 No. of shares	Nominal CHF
Registered shares A of CHF 10.00 nominal value	6,015,000	60,150,000	6,015,000	60,150,000
Registered shares B of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Total share capital		**66,154,167**		**66,154,167**

All shares are fully paid up.

30 Treasury shares

	31.12.2022 No. of shares	in CHF 1,000	31.12.2021 No. of shares	in CHF 1,000
Registered shares A at the beginning of the financial year	**488,934**	**51,350**	**530,171**	**55,681**
Purchases	0	0	0	0
Sales	–34,150	–3,587	–41,237	–4,331
Balance of registered shares A as of balance sheet date	**454,784**	**47,763**	**488,934**	**51,350**
Registered shares B at the beginning of the financial year	**348,869**	**5,440**	**344,369**	**5,390**
Purchases	1,900	17	4,500	50
Sales	0	0	0	0
Balance of registered shares B as of balance sheet date	**350,769**	**5,457**	**348,869**	**5,440**

31 Assets pledged or assigned to secure own liabilities and assets subject to reservation of title

in CHF 1,000	31.12.2022		31.12.2021	
	Market value	Actual liability	Market value	Actual liability
Securities	633,802	0	692,214	0
Money market papers	0	0	0	0
Other	1,778	0	1,443	0
Total pledged assets	**635,580**	**0**	**693,657**	**0**

The assets are pledged for repo limits with national and central banks, for stock exchange deposits and to secure the business activities of the foreign organisations in accordance with local legal requirements. Assets pledged or assigned as part of lending or repo transactions are not included in the above list. They are shown in the table "Lending transactions and repurchase agreements with securities" (Note 44).

32 Leasing

The Group rents various office and warehouse buildings, as well as vehicles. Rental agreements are usually concluded for fixed periods of two to eight years, but options to extend may be included.

Leases in the balance sheet

in CHF 1,000	31.12.2022	31.12.2021	Variance absolute	Variance in %
Property and equipment				
Right of use – buildings and premises	15,548	20,723	–5,175	–25.0
Right of use – motor vehicles	668	662	6	0.9
Total assets	**16,216**	**21,385**	**–5,169**	**–24.2**
Remaining duration of up to 1 year	5,544	5,741	–197	–3.4
Remaining duration of 1 to 5 years	15,125	16,772	–1,647	–9.8
Remaining duration of over 5 years	0	3,063	–3,063	–100.0
Total lease liabilities	**20,669**	**25,576**	**–4,907**	**–19.2**

Leases in the profit and loss statement

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Net interest income				
Interest expenses on right-of-use assets	226	265	–39	–14.7
Expenses relating to short-term leases and leases with low-value assets	317	0	317	0.0
Depreciation of property and equipment				
Depreciation and impairment on right-of-use assets	5,507	9,392	–3,885	–41.4

33 Litigation

As part of its ordinary banking activities, VP Bank Group is involved in various legal proceedings. The legal and regulatory environment in which VP Bank Group operates involves significant litigation, compliance, reputational and other risks in connection with legal disputes and regulatory proceedings. The impact of these proceedings on the financial strength and/or profitability of VP Bank Group is dependent on the status of the proceedings and their outcome. VP Bank Group employs the relevant processes, reports and committees to monitor and manage these risks. It also establishes provisions for ongoing and threatened proceedings if the probability that such proceedings will entail a financial loss is judged to be greater than the probability of this not being the case. In isolated cases in which the amount cannot be reliably estimated, for instance because of the early stage or the complexity of the proceedings or other factors, no provision is established but contingent liabilities may be created. The risks described below are not necessarily the only ones to which VP Bank Group is exposed. Additional risks which are presently unknown or risks and proceedings which are currently considered insignificant may equally impact the future course of business, operating results and the outlook of VP Bank Group.

The Deposit Insurance Agency of Russia (DIA), as part of the bankruptcy proceedings of two Russian banks, asserts that third-party pledges created in connection with the granting of loans to foreign legal entities shortly prior to the revocation of the banking licence and commencement of bankruptcy proceedings should not have been realised on the open market by VP Bank Group. In both proceedings, VP Bank Group was ordered to pay a total of approximately USD 13 million by Russian courts in 2017 and 2022, respectively, following lengthy proceedings. The appropriateness of the Russian decisions has been disputed for some time.

In another case, the High Court of Justice in London served a civil suit on VP Bank (Switzerland) Ltd at the beginning of 2020. VP Bank Ltd is also named as a defendant and was notified of the action in March 2020. The main defendant is a former governing body of a foreign pension fund. The latter is said to have acted unlawfully in its role by accepting distribution remunerations for investment funds. The action names more than 40 defendants, among them various other banks and individuals that processed payments or paid distribution remunerations. VP Bank Ltd and VP Bank (Switzerland) Ltd are accused of a violation of due diligence obligations. They are also accused of involvement in the processing of questionable third-party fees and commissions of at least USD 46 million, meaning they would have to assume non-contractual collective liability for the damages incurred. VP Bank Group is disputing the accusations and the place of jurisdiction. Two defendant banks in Switzerland successfully challenged the UK jurisdiction.

VP Bank Group considers the risk of outflow of funds to be small in the above cases, which is why no provision has been formed.

34 Balance sheet per currency

in CHF 1,000	CHF	USD	EUR	Other	Total 2022
Assets					
Cash and cash equivalents	1,885,292	794	318,350	4,297	2,208,733
Receivables arising from money market papers	24,968	65,165	4,938	101,922	196,993
Due from banks	844,043	284,309	184,053	227,524	1,539,929
Due from customers	3,875,908	876,970	689,574	316,459	5,758,911
Trading portfolios				172	172
Derivative financial instruments	37,918	3,987	7,741	8,894	58,540
Financial instruments at fair value	69,178	14,737	90,352	5,746	180,013
Financial instruments at amortised cost	662,912	920,092	810,658	42,988	2,436,650
Joint venture companies	24				24
Property and equipment	81,599	1,001		1,718	84,318
Intangible assets	90,580	72			90,652
Tax receivables			230		230
Deferred tax assets	8,220			82	8,302
Accrued liabilities and deferred items	28,006	10,134	6,013	1,172	45,325
Assets held for sale					0
Other assets	11,813	1,286	7,028	2,142	22,269
Total assets 31.12.2022	**7,620,461**	**2,178,547**	**2,118,937**	**713,116**	**12,631,061**

34 Balance sheet per currency (continued)

Liabilities and shareholders' equity					
Due to banks	90,536	49,398	22,987	15,855	178,776
Due to customers – savings and deposits	502,492		830		503,322
Due to customers – other liabilities	2,699,348	3,848,793	2,554,681	1,227,518	10,330,340
Derivative financial instruments	70,315	2,513	8,326	8,392	89,546
Medium-term notes	36,355	2,950	1,875		41,180
Debenture issues	255,081				255,081
Tax liabilities	5,739			44	5,783
Deferred tax liabilities	1,301				1,301
Accrued liabilities and deferred items	33,910	5,938	1,890	4,140	45,878
Other liabilities	39,852	20,461	12,217	3,177	75,707
Provisions	1,298	288	195	241	2,022
Total liabilities	**3,736,227**	**3,930,341**	**2,603,001**	**1,259,367**	**11,528,936**
Total shareholders' equity	**1,028,633**	**63,957**	**0**	**9,535**	**1,102,125**
Total liabilities and shareholders' equity 31.12.2022	**4,764,860**	**3,994,298**	**2,603,001**	**1,268,902**	**12,631,061**

in CHF 1,000	CHF	USD	EUR	Other	Total 2021
Assets					
Cash and cash equivalents	2,128,173	494	252,794	2,676	2,384,137
Receivables arising from money market papers		28,238		101,163	129,401
Due from banks	1,207,791	81,370	109,367	290,342	1,688,870
Due from customers	3,660,949	1,255,934	923,764	396,611	6,237,258
Trading portfolios			10,207	276	10,483
Derivative financial instruments	41,776	2,144	123	2,832	46,875
Financial instruments at fair value	75,856	18,064	96,627	5,380	195,927
Financial instruments at amortised cost	516,454	918,111	786,097	42,574	2,263,236
Joint venture companies	24				24
Property and equipment	90,668	2,225		2,299	95,192
Intangible assets	83,918	190			84,108
Tax receivables			249	48	297
Deferred tax assets	7,432			160	7,592
Accrued liabilities and deferred items	22,465	7,436	4,167	711	34,779
Assets held for sale					0
Other assets	6,646	1,195	9,322	1,088	18,251
Total assets 31.12.2021	**7,842,152**	**2,315,401**	**2,192,717**	**846,160**	**13,196,430**
Liabilities and shareholders' equity					
Due to banks	26,140	13,825	20,292	10,629	70,886
Due to customers – savings and deposits	574,559		645		575,204
Due to customers – other liabilities	2,546,131	3,807,621	2,909,631	1,620,150	10,883,533
Derivative financial instruments	77,107	2,290	238	2,674	82,309
Medium-term notes	47,423	3,750	2,824		53,997
Debenture issues	255,134				255,134
Tax liabilities	10,713			257	10,970
Deferred tax liabilities	859				859
Accrued liabilities and deferred items	30,154	889	2,595	3,427	37,065
Other liabilities	79,271	26,956	31,236	2,318	139,781
Provisions	518	134	238	235	1,125
Total liabilities	**3,648,009**	**3,855,465**	**2,967,699**	**1,639,690**	**12,110,863**
Total shareholders' equity	**1,021,260**	**61,981**	**0**	**2,326**	**1,085,567**
Total liabilities and shareholders' equity 31.12.2021	**4,669,269**	**3,917,446**	**2,967,699**	**1,642,016**	**13,196,430**

35 Maturity structure of assets and liabilities

in CHF 1,000	At sight	Callable	1 year	Due within 1 to 5 years	Over 5 years	Total 2022
Assets						
Cash and cash equivalents	2,208,733					2,208,733
Receivables arising from money market papers			196,993			196,993
Due from banks	465,812		1,074,117			1,539,929
Due from customers	225,202	110,932	4,239,659	782,029	401,089	5,758,911
Trading portfolios	172					172
Derivative financial instruments	58,540					58,540
Financial instruments at fair value	55,074				124,939	180,013
Financial instruments at amortised cost			304,976	1,485,466	646,208	2,436,650
Joint venture companies	24					24
Property and equipment[1]					84,318	84,318
Intangible assets					90,652	90,652
Tax receivables	230					230
Deferred tax assets				8,302		8,302
Accrued liabilities and deferred items	45,325					45,325
Assets held for sale						0
Other assets	21,037	1,232				22,269
Total assets 31.12.2022	**3,080,149**	**112,164**	**5,815,745**	**2,275,797**	**1,347,206**	**12,631,061**
Liabilities						
Due to banks	178,776					178,776
Due to customers – savings and deposits		503,322				503,322
Due to customers – other liabilities	6,716,741	1,816,444	1,468,621	328,534		10,330,340
Derivative financial instruments	89,546					89,546
Medium-term notes			11,315	27,597	2,268	41,180
Debenture issues				100,098	154,983	255,081
Tax liabilities	5,783					5,783
Deferred tax liabilities				1,301		1,301
Accrued liabilities and deferred items	45,878					45,878
Other liabilities	74,819		888			75,707
Provisions	1,781			241		2,022
Total liabilities 31.12.2022	**7,113,324**	**2,319,766**	**1,480,824**	**457,771**	**157,251**	**11,528,936**

[1] Immobilised.

in CHF 1,000	At sight	Callable	1 year	Due within 1 to 5 years	Over 5 years	Total 2021
Assets						
Cash and cash equivalents	2,384,137					2,384,137
Receivables arising from money market papers			129,401			129,401
Due from banks	491,589		1,197,281			1,688,870
Due from customers	288,582	188,744	4,605,670	795,232	359,030	6,237,258
Trading portfolios	10,483					10,483
Derivative financial instruments	46,875					46,875
Financial instruments at fair value	62,833				133,094	195,927
Financial instruments at amortised cost			350,466	1,343,929	568,841	2,263,236
Joint venture companies	24					24
Property and equipment[1]					95,192	95,192
Intangible assets					84,108	84,108
Tax receivables	297					297
Deferred tax assets				7,592		7,592
Accrued liabilities and deferred items	34,779					34,779
Assets held for sale						0
Other assets	17,954	297				18,251
Total assets 31.12.2021	**3,337,553**	**189,041**	**6,282,818**	**2,146,753**	**1,240,265**	**13,196,430**

35 Maturity structure of assets and liabilities (continued)

Liabilities						
Due to banks	70,886					70,886
Due to customers – savings and deposits		575,204				575,204
Due to customers – other liabilities	8,956,997	1,027,888	898,648			10,883,533
Derivative financial instruments	82,309					82,309
Medium-term notes			20,828	27,704	5,465	53,997
Debenture issues				100,154	154,980	255,134
Tax liabilities	10,970					10,970
Deferred tax liabilities				859		859
Accrued liabilities and deferred items	37,065					37,065
Other liabilities	138,385		1,396			139,781
Provisions	1,125					1,125
Total liabilities 31.12.2021	**9,297,737**	**1,603,092**	**920,872**	**128,717**	**160,445**	**12,110,863**

[1] Immobilised.

36 Classification of assets by country or groups of countries

	31.12.2022 in CHF 1,000	Proportion in %	31.12.2021 in CHF 1,000	Proportion in %
Liechtenstein and Switzerland	7,846,051	62.1	8,276,629	62.7
Rest of Europe	2,283,388	18.1	2,238,186	17.0
North America	753,538	6.0	830,471	6.3
Other countries	1,748,084	13.8	1,851,144	14.0
Total assets	**12,631,061**	**100.0**	**13,196,430**	**100.0**

The breakdown is based on the domicile principle of the counterparties. The diversified collateral mainly in connection with Lombard loans is not taken into account.

37 Financial instruments

Fair value of financial instruments

The following table shows the fair values of financial instruments based on the valuation methods and assumptions set out below. This table is presented because not all financial instruments are disclosed at their fair values in the consolidated financial statements. The fair value equates to the price at the date of measurement which could be realised from the sale of the asset, or which must be settled for the transfer of the liability, in an orderly transaction between market participants.

in CHF million	Carrying value 31.12.2022	Fair value 31.12.2022	Variance	Carrying value 31.12.2021	Fair value 31.12.2021	Variance
Assets						
Cash and cash equivalents	2,209	2,209	0	2,384	2,384	0
Receivables arising from money market papers	197	197	0	129	129	0
Due from banks	1,540	1,540	0	1,689	1,689	0
Due from customers	5,759	5,744	–15	6,237	6,328	91
Trading portfolios	0	0	0	10	10	0
Derivative financial instruments	59	59	0	47	47	0
Financial instruments at fair value	180	180	0	196	196	0
of which designated on initial recognition	0	0	0	0	0	0
of which mandatory under IFRS 9	55	55	0	63	63	0
of which recognised in other comprehensive income with no effect on net income	125	125	0	133	133	0
Financial instruments at amortised cost	2,437	2,270	–167	2,263	2,295	32
Subtotal			**–182**			**123**
Liabilities						
Due to banks	179	179	0	71	71	0
Due to customers	10,834	10,677	157	11,459	11,458	1
Derivative financial instruments	90	90	0	82	82	0
Medium-term notes	41	40	1	54	55	–1
Debentures issued	255	230	25	255	259	–4
Subtotal			**183**			**–4**
Total variance			**1**			**119**

The following valuation methods are used to determine the fair value of on-balance-sheet financial instruments:

Cash and cash equivalents, money-market papers

For the balance-sheet items “Cash and cash equivalents” and “Receivables arising from money-market papers”, which do not have a published market value on a recognised stock exchange or on a representative market, the fair value corresponds to the amount payable at the balance-sheet date.

Due from/to banks and clients, medium-term notes, bonds

In determining the fair value of amounts due from/to banks, due from/to customers (including mortgage receivables and due to customers in the form of savings and deposits), as well as of medium-term notes and bonds with a fixed maturity or a refinancing profile, the net present value method is applied (discounting of cash flows with swap rates corresponding to the respective term). For products whose interest or payment flows cannot be determined in advance, replicating portfolios are used.

Trading portfolios, trading portfolios pledged as security, financial instruments at fair value

Fair value corresponds to market value for the majority of these financial instruments. The fair value of non-exchange-listed financial instruments (in particular for structured credit notes) is determined only on the basis of external traders’ quotes or pricing models which are based on prices and interest rates in an observable, active and liquid market.

Derivative financial instruments

For the majority of the positive and negative replacement values (see note 18), the fair value equates to the market value. The fair value for derivative instruments without market value is determined using uniform models. These valuation models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

37 Financial instruments (continued)

Fair value hedges (hedging of interest-rate risk)

in CHF 1,000 31.12.2022	Nominal value of hedging instruments	Book value of hedging instruments		Balance sheet position under which hedging instruments are disclosed
		Assets	Liabilities	
Interest-rate swaps	32,000	207	348	Derivative financial instruments

Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period[1]	2,022

[1] Ineffectiveness mainly results from variations in duration, such as due to different interest rates, interest payment dates or due dates of transactions.

in CHF 1,000 31.12.2021	Nominal value of hedging instruments	Book value of hedging instruments		Balance sheet position under which hedging instruments are disclosed
		Assets	Liabilities	
Interest-rate swaps	72,228	0	2,798	Derivative financial instruments

Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period[1]	1,000

[1] Ineffectiveness mainly results from variations in duration, such as due to different interest rates, interest payment dates or due dates of transactions.

in CHF 1,000 31.12.2022	Book value of underlying transactions		Accumulated valuation adjustments, included in the book value of the underlying transactions		Balance sheet position under which underlying transactions are disclosed
	Assets	Liabilities	Assets	Liabilities	
Client receivables	34,378	0	–995	0	Due from customers
of which active hedge relationships	30,991	0	–1,009	0	Due from customers
of which closed hedge relationships (client receivables)	3,388	0	15	0	Due from customers

in CHF 1,000 31.12.2021	Book value of underlying transactions		Accumulated valuation adjustments, included in the book value of the underlying transactions		Balance sheet position under which underlying transactions are disclosed
	Assets	Liabilities	Assets	Liabilities	
Client receivables	75,642	0	1,134	0	Due from customers
of which active hedge relationships	73,340	0	1,112	0	Due from customers
of which closed hedge relationships (client receivables)	2,302	0	22	0	Due from customers

Maturity of interest-rate swaps

in CHF million	1 year	Due within 1 to 5 years	Over 5 years	Total 2022
Fair value hedges				
Hedging of interest-rate risk				
Interest-rate swaps	0	32	0	32

in CHF million	1 year	Due within 1 to 5 years	Over 5 years	Total 2021
Fair value hedges				
Hedging of interest-rate risk				
Interest-rate swaps	26	39	7	72

Valuation methods for financial instruments

The fair value of listed securities held in trading portfolios or as financial instruments, as well as that of listed derivatives and other financial instruments with quotes established in an active market, is determined on the basis of current market value (Level 1). Valuation methods or pricing models are used to determine the fair value of financial instruments if no direct market prices are available. If possible, the underlying assumptions are based on observed market prices or other market indicators as at the balance-sheet date (Level 2). For most of the derivatives traded over the counter, as well as for other financial instruments that are not traded in an active market, fair value is determined by means of valuation methods or pricing models. Among the most frequently applied of those methods and models are discounted-cash-flow-based forward pricing and swap models, as well as options pricing models such as the Black-Scholes model or derivations thereof. The fair values arrived at on the basis of these methods and models are influenced to a significant degree by the choice of the specific valuation model and the underlying assumptions applied, for example the amounts and time sequence of future cash flows, discount rates, volatilities and/or credit risks.

If neither current market prices nor valuation methods/models based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods or pricing models supported by realistic assumptions derived from actual market data are used (Level 3). Level 3 principally includes investment funds, for which a reliable net asset value is not published at least on a quarterly basis. The fair value of these positions is, as a rule, computed on the basis of external estimates by experts in relation to the level of the future payout of the fund units, or equates to the acquisition cost of the securities less any applicable valuation haircuts.

Valuation methods for financial instruments

in CHF million at fair value	Quoted market prices, Level 1	Valuation methods based on market data, Level 2	Valuation methods with assumptions based on market data, Level 3	Total 31.12.2022
Assets				
Cash and cash equivalents	2,209			2,209
Receivables arising from money market papers	197			197
Due from banks		1,540		1,540
Due from customers		5,744		5,744
Trading portfolios	0			0
Derivative financial instruments		59		59
Financial instruments at fair value	130	43	7	180
Financial instruments at amortised cost	2,270	0	0	2,270
Liabilities				
Due to banks		179		179
Due to customers		10,677		10,677
Derivative financial instruments		90		90
Medium-term notes		40		40
Debentures issued	230			230

There were no reclassifications in the 2022 financial year. Level 3 decreased significantly due to the sale or redemption of positions. A non-significant position in liquidation was reclassified from level 2 to level 3.

in CHF million at fair value	Quoted market prices, Level 1	Valuation methods based on market data, Level 2	Valuation methods with assumptions based on market data, Level 3	Total 31.12.2021
Assets				
Cash and cash equivalents	2,384			2,384
Receivables arising from money market papers	129			129
Due from banks		1,689		1,689
Due from customers		6,328		6,328
Trading portfolios			10	10
Derivative financial instruments		47		47
Financial instruments at fair value	133	44	19	196
Financial instruments at amortised cost	2,295			2,295
Liabilities				
Due to banks		71		71
Due to customers		11,458		11,458
Derivative financial instruments		82		82
Medium-term notes		55		55
Debentures issued	259			259

Level 3 financial instruments in CHF million	2022	2021
Balance sheet		
Holdings at the beginning of the year	28.7	8.3
Investments	0.0	28.4
Disposals	–21.8	–8.4
Losses recognised in the income statement	0.0	0.0
Gains recognised in the income statement	0.0	0.4
Reclassification to Level 3	0.0	0.0
Total book value at balance sheet date	**6.9**	**28.7**
Income on holdings at balance sheet date		
Unrealised losses recognised in income from financial instruments	0.0	0.0
Unrealised losses recognised as other comprehensive income	0.0	0.0
Unrealised gains recognised in income from financial instruments	0.0	0.0
Unrealised gains recognised as other comprehensive income	0.0	0.0

No deferred day 1 profit or loss (difference between the transaction price and the fair value calculated on the transaction day) was reported for Level 3 positions as of 31 December 2022 or 31 December 2021.

Sensitivity of fair values of Level 3 financial instruments

Changes in the net asset values of investment funds lead to corresponding changes in the fair values of these financial instruments. A realistic change in the basic assumptions or estimated values has no material impact on the statement of income, other comprehensive income or the shareholders' equity of VP Bank Group.

Netting agreements

In order to reduce the credit risks in connection with financial derivatives, repurchase and reverse agreements as well as securities-lending and -borrowing transactions, VP Bank Group enters into global offset agreements or similar arrangements (netting agreements) with its counterparties. These include ISDA Master Netting Agreements, Global Master Securities Lending Agreements and Global Master Repurchasing Agreements. Using netting agreements, VP Bank Group can protect itself against losses arising from possible insolvency proceedings or other circumstances in which the counterparty is unable to meet its obligations. In such cases, netting agreements stipulate the immediate offset and/or settlement of all financial instruments falling under the related agreement. A right of offset, in principle, exists only whenever a default in payment or other circumstances occur which are not expected in the ordinary course of business. Financial instruments falling under a netting agreement do not meet the set-off requirements for balance-sheet purposes, which is why the related financial instruments are not netted in the balance sheet.

Netting agreements

31.12.2022 in CHF 1,000	Balance sheet netting Amount prior to balance sheet netting	Balance sheet netting	Carrying value	Netting potential Financial liabilities	Collateral received	Assets after taking account of netting potential
Financial assets						
Reverse repurchase transactions			0			0
Positive replacement values	58,540		58,540	39,594	150	18,796
Collateral deposited for transactions with derivatives	52,552		52,552	47,757		4,795
Total assets	**111,092**	**0**	**111,092**	**87,351**	**150**	**23,590**

31.12.2022 in CHF 1,000	Balance sheet netting Amount prior to balance sheet netting	Balance sheet netting	Carrying value	Netting potential Financial assets	Collateral provided	Liabilities after taking account of netting potential
Financial liabilities						
Repurchase transactions			0			0
Negative replacement values	89,546		89,546	39,594	41,659	8,292
Collateral received from transactions with derivatives	250		250	227		23
Total liabilities	**89,796**	**0**	**89,796**	**39,821**	**41,659**	**8,315**

31.12.2021 in CHF 1,000	Balance sheet netting Amount prior to balance sheet netting	Balance sheet netting	Carrying value	Netting potential Financial assets	Collateral provided	Assets after taking account of netting potential
Financial assets						
Reverse repurchase transactions			0			0
Positive replacement values	46,875		46,875	34,057	1,500	11,318
Collateral deposited for transactions with derivatives	58,222		58,222	25,254		32,968
Total assets	**105,096**	**0**	**105,096**	**59,311**	**1,500**	**44,285**

31.12.2021 in CHF 1,000	Balance sheet netting Amount prior to balance sheet netting	Balance sheet netting	Carrying value	Netting potential Financial assets	Collateral provided	Liabilities after taking account of netting potential
Financial liabilities						
Repurchase transactions			0			0
Negative replacement values	82,309		82,309	34,057	19,811	28,442
Collateral received from transactions with derivatives	1,500		1,500	1,895		0
Total liabilities	**83,809**	**0**	**83,809**	**35,952**	**19,811**	**28,442**

38 Scope of consolidation

Company	Registered office	Base currency	Capital	Group share of equity
VP Bank Ltd	Vaduz	CHF	66,154,167	100%
VP Fund Solutions (Liechtenstein) AG	Vaduz	CHF	1,000,000	100%
VP Wealth Management (Hong Kong) Ltd	Hong Kong	HKD	43,000,000	100%
VP Bank (Luxembourg) SA	Luxembourg	CHF	20,000,000	100%
• which holds the following sub-participation:				
• VP Fund Solutions (Luxembourg) SA	Luxembourg	CHF	5,000,000	100%
VP Bank (Switzerland) Ltd	Zurich	CHF	20,000,000	100%
VP Bank (BVI) Ltd	Tortola	USD	10,000,000	100%

Shareholdings excluded from the scope of consolidation	none
Joint venture companies excluded from the scope of consolidation	none
Joint venture companies	Data Info Services AG, Vaduz
Companies integrated during the financial year	none
Shareholdings accounted for the first time in accordance with the equity method	none
Asset transfer during the financial year	none

39 Business transactions with related companies and persons

Related companies and persons include the members of the Board of Directors and Group Executive Management as well as their close relatives and companies in which these persons either hold a majority interest or have a significant influence as a result of their role as a member of the Board of Directors and/or Executive Board.

in CHF 1,000	2022	2021
Remuneration of the members of the Board of Directors[1, 2]		
Remuneration due in the short term	1,083	1,159
Share-based payment[3]	362	387
Remuneration of the members of Group Executive Management[2]		
Remuneration due in the short term	4,113	3,441
Post-employment benefits	448	414
Other long-term remuneration due	513	
Share-based payments[4]	1,282	1,136

1 Social security contributions on the remuneration of the members of the Board of Directors are not included.
2 Expense allowances are not included.
3 The shares are not subject to a holding period (notes 42 and 43).
4 Performance and restricted shares with conditional rights to subscribe to VP Bank registered shares A.

VP Bank Group also remunerates related parties within the scope of customary intermediary services and purchased advisory services. Such compensation is in line with standard market conditions. The total amount of these remunerations and professional fees was CHF 0.7 million in 2022 (previous year: CHF 0.7 million). As at 31 December 2022, the Board of Directors, Group Executive Management, persons closely associated with them (excluding qualifying parties) as well as the pension funds held 43,161 registered shares A of VP Bank Ltd, Vaduz (previous year: 47,152 registered shares A).

Loans to related companies and persons developed as follows (from an effective date perspective):

in CHF 1,000	2022	2021
Mortgages and loans at the beginning of the financial year	0	0
Additions	0	0
Repayments	0	0
Mortgages and loans at the end of the financial year	**0**	**0**

Loans to members of the Board of Directors and of Group Executive Management developed as follows (from an effective date perspective):

in CHF 1,000	2022	2021
Mortgages and loans at the beginning of the financial year	4,365	2,167
Additions	1,154	2,198
Repayments	0	0
Mortgages and loans at the end of the financial year	**5,519**	**4,365**

In principle, the same conditions apply to the members of the Board of Directors and Group Executive Management as to all other employees. They correspond to the market conditions excluding a credit margin. Loans to related companies and persons are transacted at customary market conditions. A guarantee in the amount of CHF 57.269 million (previous year: CHF 60.099 million) was issued for a related person. The securing of the guarantee is significantly above the usual market requirements.

40 Retirement pension plans

Benefits after termination of employment

The Group maintains a number of pension plans in the Principality of Liechtenstein and abroad for employees meeting the criteria for admission to the pension plans. Amongst these are both defined-benefit and defined-contribution plans which insure most employees against the effects of death, invalidity and retirement. In addition, there are schemes for service anniversaries which qualify as other long-term employee benefits.

Defined-contribution pension plans

The Group offers defined-contribution pension plans to those employees who meet the appropriate admission criteria. The company is obligated to transfer a predetermined percentage of the annual salary to the pension plans. For certain plans, the employees are also obligated to make contributions. These contributions are typically deducted by the employer from the salary each month and also passed on to the pension plans. Apart from the payment of contributions and the transfer of employee contributions, there are presently no further obligations incumbent on the employer.

The employer contributions to contribution-defined pension plans for the 2022 financial year amounted to CHF 3.0 million (previous year: CHF 3.2 million).

Defined-benefit pension plans

The Group finances defined-benefit pension plans for employees who meet the admission criteria. The most significant of such plans are located in the Principality of Liechtenstein and in Switzerland.

For employees in the Principality of Liechtenstein and Switzerland, the Group operates several pension plans with fixed, predefined admission criteria. The largest of the plans is operated using an autonomous foundation, the remaining plans are handled using collective foundations of insurance companies. In these foundations, the assets available to meet the pension obligations are segregated out.

For the pension plans which are operated using collective foundations, there are pension commissions which comprise an equal number of representatives. The Foundation Board of the autonomous pension plan is also made up of an equal number of employer and employee representatives. On the basis of the law and the rules of the pension fund, the Foundation Board is obligated to act solely in the interests of the Foundation and of the beneficiaries (current actively insured employees and pensioners). Thus, in this plan, the employer cannot himself determine pension benefits and their financing, but resolutions are taken on an equal representation basis. The Foundation Board is responsible for setting the investment strategy, for changes to the rules of the pension fund and, in particular, also for determining how pension benefits are to be financed.

Retirement benefits in this plan are based upon the balance of accumulated capital savings. Annual savings credits and interest (no negative interest is possible) are added to the employee's capital savings account. Upon retirement, the insured person has the option between a lifetime pension which includes a reversionary spouse's pension, or the payment of a capital sum.

In addition to retirement benefits, employee benefits also include an invalidity pension and a partner pension. These are computed as a percentage of the insured annual salary. An insured person can also purchase additional benefits to improve his/her pension situation up to a maximum allowed under the pension rules. Upon termination of employment, the accumulated savings capital is transferred to the pension plan of the new employer or to a vested benefits scheme. This form of employment benefit can lead to a situation where pension payments may vary significantly between the various years.

The minimum provisions of the Law on Occupational Pension Plans (BPVG) or the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and their implementing provisions are to be observed in determining employee benefits. The minimum insurable salary and the minimum savings credits are laid down in the BPVG. The OPA includes more extensive stipulations.

As a result of the form of the pension plan and the legal provisions of the BPVG and OPA respectively, the employer is exposed to actuarial risks, the most significant of which are investment risk, interest rate risk, invalidity risk and longezvity risk. The employee and employer contributions are laid down by the Foundation Boards. In this regard, the employer must bear, at a minimum, half of all contributions. In the event of a funding deficit, restructuring contributions to eliminate the funding deficit may be demanded both from the employer and employees.

The latest actuarial valuation of the current value of the defined-benefit obligations and service costs was carried out as of 31 December 2022 by independent actuaries using the projected unit credit method. The fair value of plan assets as of 31 December 2022 was determined based upon information available at the time of preparation of the annual financial statements.

The most significant assumptions underlying the actuarial computations may be summarised as follows:

	31.12.2022	31.12.2021
Discount rate	2.25%	0.30%
Rate of future salary increases	1.75%	1.00%
Rate of future pension increases	0.00%	0.00%
Lump sum payments at retirement	37.50%	37.50%
Actuarial fundamentals	BVG 2020 generation-tables	BVG 2020 generation-tables
Life expectancy at the age of 65, in years		
Year of birth	**1957**	**1956**
men	22.70	22.57
women	24.48	24.37
Year of birth	**1977**	**1976**
men	24.97	24.86
women	26.49	26.40

40 Retirement pension plans (continued)

The amounts recognised in the income statement and in equity capital can be summarised as follows:

Pension costs

in CHF 1,000	2022	2021
Pension expenses recognised in income statement		
Service cost		
• current service cost	11,708	12,275
• past service cost incl. effects from curtailments	0	0
• plan settlements	0	0
Net interest expenses	20	53
Administrative costs	234	223
Total pension cost expenses of the period	**11,962**	**12,551**
Revaluation components recognised in comprehensive income		
Actuarial gains/losses		
Result of changes to demographic assumptions	0	–13,788
Result of changes to financial assumptions	–69,182	6,960
Experience adjustments	7,526	3,618
Return on plan assets (excluding amounts in net interest expenses)	49,816	–24,118
Changes in asset ceiling	2,317	0
Total expenses recognised in comprehensive income	**–9,523**	**–27,328**
Total pension cost	**2,439**	**–14,777**

The development of the pension liabilities and pension assets can be summarised as follows:

Movement in present value of defined-benefit obligations

in CHF 1,000	2022	2021
Present value of defined-benefit obligations at the beginning of the financial year	375,873	378,287
Current service cost	11,708	12,275
Employee contributions	6,908	6,589
Interest expenses on present value of pension obligations	1,110	626
Actuarial gains/losses	–61,656	–3,210
(Gains)/losses from curtailment	0	0
Transfer of assets through compensation	0	0
Transition pension plan	18	0
Plan settlement	0	0
Pension payments financed by plan assets	–12,151	–18,694
Balance at the end of the financial year	**321,810**	**375,873**

Movement in plan assets

in CHF 1,000	2022	2021
Plan assets at the beginning of the financial year	360,775	338,079
Employee contributions	6,908	6,589
Employer contributions	10,733	10,333
Interest income on plan assets	1,090	573
Return on plan assets (excluding amounts under interest income)	–49,816	24,118
Acquisitions	0	0
Transfer of assets through compensation	0	0
Pension payments financed by plan assets	–12,151	–18,694
Administrative costs	–234	–223
Balance at the end of the financial year	**317,305**	**360,775**

The employer contributions for 2022 include an extraordinary employer contribution of CHF 0.404 million.

The net position from pension liabilities recognised in the balance sheet can be summarised as follows:

Net position of pension obligations recognised in balance sheet

in CHF 1,000	31.12.2022	31.12.2021
Present value of pension obligations financed through a fund	321,810	375,873
Market value of plan assets	–317,305	–360,775
Lack / excess of funding	**4,505**	**15,098**
Present value of pension obligations not financed through a fund	0	0
Unrecognised assets	2,317	0
Active deferral of pension costs	**240**	**0**
Recognised pension obligations	**7,062**	**15,098**

In the case of the autonomous pension plan, the Foundation Council issues investment guidelines for the investment of the plan's assets which contain the tactical asset allocation and the benchmarks for comparing the results with those of the general investment universe. The plan assets are well diversified and, in addition, the legal provisions of the BPVG are to be observed. In the case of collective foundations, the Foundation's Board of Trustees of the collective foundation issues the investment guidelines. The Foundation's Board of Trustees reviews on an ongoing basis whether the investment strategy chosen is appropriate to cover the pension benefits and whether the risk budget corresponds to the demographic structure. Compliance with investment guidelines and the investment performance of investment advisors are also subject to ongoing review.

Plan assets primarily consist of the following categories of securities:

in CHF 1,000	31.12.2022	31.12.2021
Equity shares	114,814	133,866
thereof quoted market prices (Level 1)	114,814	133,866
Bonds	115,562	124,633
thereof quoted market prices (Level 1)	115,562	124,633
Alternative financial investments	34,961	37,549
thereof quoted market prices (Level 1)	8,287	0
Real estate	25,021	24,212
thereof quoted market prices (Level 1)	13,561	12,788
Qualifying insurance papers	9,242	11,978
Cash equivalents	18,063	26,013
Other financial investments	–358	2,524
Total	**317,305**	**360,775**
• thereof quoted market prices (Level 1)	252,224	271,287

The pension funds hold shares in VP Bank Ltd, Vaduz, with a market value of CHF 1.4 million (previous year: CHF 1.6 million). In 2022, a loss of CHF –48.7 million was recorded on the assets (previous year: a gain of CHF 24.7 million.). The expected employer contribution for 2023 amounts to CHF 10.6 million.

The defined benefit obligations are divided between active insured, vested leavers and pensioners as follows, resulting in the following term of the obligations:

in CHF 1,000	31.12.2022	31.12.2021
Current actively insured employees	236,002	268,849
Pensioners	85,808	107,024
Total	**321,810**	**375,873**

The term of obligations amount to approximately 12.6 years (previous year: 15.2 years).

Presented in the following table are the sensitivities for the most important factors in the computation of the current value of pension obligations. Due to the expected interest volatility in CHF, sensitivities are stated as 25 basis points. For the first time, sensitivities are shown for changes in life expectancy with +/– 1 year. In each case, only the assumption stated is changed, all other assumptions remaining unchanged.

Changes in present value of defined-benefit obligations

in CHF 1,000		31.12.2022		31.12.2021	
	Variance	0.25%	–0.25%	0.25%	–0.25%
Discount rate		–8,663	9,433	–12,795	13,728
Interest on pension capital accounts		2,337	–2,276	3,223	–3,324
Rate of future salary increases		1,098	–1,107	1,643	–1,678
Variance		+1 year	–1 year	+1 year	–1 year
Life expectancy		5,424	–5,447	8,770	–8,762

40 Retirement pension plans (continued)

Other employee benefits payable in the long term

in CHF 1,000	2022	2021
Balance at the beginning of the financial year	3,444	3,531
Expenses financial year	119	330
Acquisitions	0	0
Employee payments	–364	–419
Exchange differences	2	2
Balance at the end of the financial year	**3,201**	**3,444**

Other employee benefits payable in the long term exist in the form of long service awards. Analogously to the defined-benefit pension plans, actuarial calculations have been performed and accrued expenses have been recognised for these benefits. In 2015, the Group introduced a uniform regulation for the calculation of benefits from long service awards for most Group employees. For some employees abroad, separate regulations apply. These regulations qualify as plans for other employee benefits payable in the long term.

41 Significant foreign exchange rates

The following exchange rates were used for the most important currencies:

	Year-end rates 31.12.2022	31.12.2021	Annual average rates 2022	2021
USD/CHF	0.9252	0.9112	0.95513	0.91428
EUR/CHF	0.9874	1.0362	1.00462	1.08097
SGD/CHF	0.6898	0.6759	0.69242	0.68024
HKD/CHF	0.1185	0.1169	0.12197	0.11762
GBP/CHF	1.1129	1.2343	1.17895	1.25747

42 Employee stock-ownership plan

The stock-ownership plan enables employees to subscribe annually to a defined number of bearer shares of VP Bank Ltd, Vaduz, at a preferential price subject to a three-year restriction on selling these shares. Upon expiration of the sales restriction period, or at the time of resignation from VP Bank Group, the related shares become freely available. As the employees are therefore ultimately able to take up the shares at any time and in full, the expense arising from the employee stock-ownership plans is recorded in full at the time of their respective allocation. Half of the number of registered shares A to be subscribed is based on length of service and is proportional to the amount of the annual fixed salary, whereby fixed salary components in excess of CHF 120,000 and variable salary components are not taken into account. The purchase price is determined annually in relation to the market value of the bearer shares on SIX Swiss Exchange (ex-dividend). The shares issued in this manner derive either from share holdings of VP Bank Group or must be purchased for this purpose over the exchange. The expense thereby incurred is charged directly to personnel costs. A total of 16,827 shares (previous year: 16,041 shares) were subscribed at a preferential price in 2022. Share issue expenses in 2022 were CHF 0.8 million (previous year: CHF 0.9 million). There is no stock-ownership plan for the Board of Directors. Its members, however, receive a part of their compensation in the form of equity shares which are not subject to any lock-up period (Note 39). A management stock-ownership plan exists for Group Executive Management and other key managers (Note 43). VP Bank Ltd has defined lock-up periods for the Board of Directors, Group Executive Management and selected key managers and employees, during which it is prohibited to trade in the shares of VP Bank.

43 Management stock-ownership plan

A long-term and value-oriented compensation model is in place for Group Executive Management, the Executive Board and selected key managers. Details thereof can be found in the "Compensation report" (→ page 96 et seqq.).

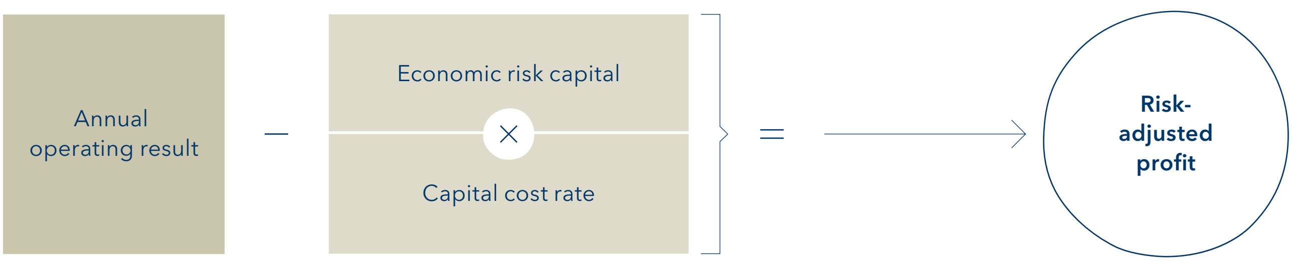
Regardless of the actual cash flow, management stock-ownership plans are recognised in the financial year to which they economically belong. For deferred share and cash plans, the expense for the entire vesting period is estimated, updated and recognised pro rata temporis over this period in personnel expenses. 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 (see chart below), the sustainable level of profitability, capital costs and thus takes account of current and future risks.

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

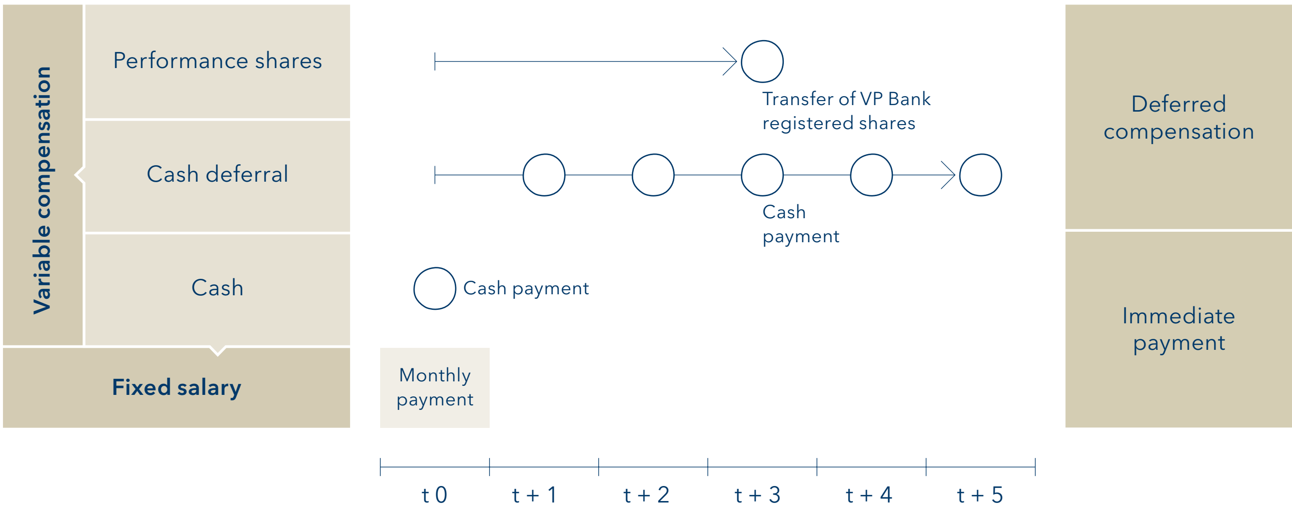
In accordance with the model approved by the Board of Directors on 11 November 2021, the compensation payable to the Executive Board consists of the following components:

1. A fixed base salary that 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.

Calculation of the risk-adjusted profit



Instruments of variable compensation



2. The Performance Share Plan (PSP) 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 shares. This vesting multiple is determined from the weighting of an average Group net income and the average net inflow of net new money 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 makes up 50 per cent of total variable performance-related compensation.

3. A Cash Deferral Plan (CDP) is a long-term management participation in the form of cash distributions. The payout is distributed pro rata over five years. Until the relevant time of transfer of payout, the Board of Directors reserves the right to reduce or suspend the allocated vested cash benefits 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. As part of the introduction of the new model, the CDP accounted for 20 per cent of the total variable performance-related compensation in the first year.

4. An immediate cash compensation (STI), the share of which generally amounts to 25 per cent of total variable performance-related compensation. As part of the introduction of the new model, the STI accounted for 30 per cent of the total variable performance-related compensation in the first year.

The chart **above** gives an overview over the various instruments of compensation for the Executive Board using a time axis.

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.

In addition to the Executive Board, there is also a Performance Share Plan and a Cash Deferral Plan for selected key managers. The Restricted Share Plan (RSP) may also be used, in justified cases, to compensate for any postponed variable salary components, to implement special retention measures or to compensate for loss of benefits at previous employers. The RSP will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A.

In the following table (management stock-ownership plan), in harmony with the compensation principles described above, all share plans operated at VP Bank are shown, and not just the share plans that affect management.

Management equity-sharing plan (LTI)

Number	2022	2021	Variance in %
Balance of entitlements at the beginning of the year	22,774	30,970	–26.5
New entitlements	21,656	19,131	13.2
Changes in entitlements as a result of allocation	–12,505	–21,526	–41.9
Changes in entitlements as a result of expiration	–3,019	–3,425	–11.9
Changes in entitlements as a result of changes in factors	–2,357	–2,376	–0.8
Balance of calculated entitlements at the end of the year	26,549	22,774	16.6

in CHF 1,000	2022	2021	Variance in %
Personnel expenses recorded over vesting period for allocated management sharing plan	1,867	2,892	–35.4
Fair value of management sharing plan at date of allocation	1,182	2,575	–54.1
Personnel expenses for management sharing plan expenses for reporting period	1,897	1,698	11.7
Accrual for management sharing plan in equity at the end of the year	3,180	3,150	1.0

44 Consolidated off-balance-sheet transactions

in CHF 1,000	31.12.2022	31.12.2021
Contingent liabilities		
Credit guarantees and similar	21,953	7,730
Performance guarantees and similar	90,948	94,248
Irrevocable commitments	0	0
Other contingent liabilities	0	0
Total contingent liabilities	**112,901**	**101,978**
Credit risks		
Irrevocable facilities granted	92,768	79,086
Total credit risks	**92,768**	**79,086**
Fiduciary transactions		
Fiduciary deposits[1]	653,665	593,950
Total fiduciary transactions	**653,665**	**593,950**
Exposure to credit risk on loan commitments and financial guarantee contracts	–303	–148

[1] Investments made by Group companies in their own name, but for the account and at the risk of clients, with banks outside the reporting entity.

Maturity structure

in CHF 1,000	At sight	Maturing within 1 year	Maturing within 1 to 5 years	Over 5 years	Total
31.12.2022					
Contingent liabilities	21,328	27,329	3,399	60,845	112,901
Credit risks	35,147	25,772	6,816	25,033	92,768
31.12.2021					
Contingent liabilities	9,172	26,002	2,775	64,029	101,978
Credit risks	15,986	31,056	13,274	18,770	79,086

Securities lending and repurchase and reverse-repurchase transactions

in CHF 1,000	31.12.2022	31.12.2021
Accounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Accounts payable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities, as well as securities in own portfolio transferred within the framework of repurchase transactions	413,416	239,999
of which securities where the unlimited right to sell on or pledge has been granted	318,509	163,695
Securities received as collateral within the scope of securities lending or borrowed within the scope of securities borrowing activities, as well as received under reverse repurchase transactions, where the unlimited right to resell or repledge has been granted	426,289	241,231
of which securities which have been resold or repledged	94,907	76,304

These transactions are carried out at conditions that are customary for securities lending and borrowing activities as well as for transactions in which the Bank acts as an intermediary.

45 Client assets

in CHF million	31.12.2022	31.12.2021	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	9,987.0	9,702.6	284.5	2.9
Assets in discretionary asset management accounts	4,560.1	5,293.0	–732.9	–13.8
Other client assets under management	31,898.8	36,281.1	–4,382.2	–12.1
Total client assets under management (including amounts counted twice)	**46,445.9**	**51,276.6**	**–4,830.7**	**–9.4**
of which amounts counted twice	1,958.3	2,235.7	–277.4	–12.4
Change of assets under management				
Total client assets under management (including amounts counted twice) at the beginning of the financial year	51,276.6	47,437.1	3,839.5	8.1
of which net new money	1,050.4	276.9	773.5	279.3
of which change in market value	–5,630.7	2,608.2	–8,238.9	–315.9
of which other effects[1, 2]	–250.3	954.4	–1,204.8	–126.2
Total client assets under management (including amounts counted twice) as of balance sheet date	**46,445.9**	**51,276.6**	**–4,830.7**	**–9.4**
Custody assets[2]	**5,837.2**	**7,495.3**	**–1,658.1**	**–22.1**
Total client assets				
Total client assets under management (including amounts counted twice)	46,445.9	51,276.6	–4,830.7	–9.4
Custody assets	5,837.2	7,495.3	–1,658.1	–22.1
Total client assets	**52,283.2**	**58,771.9**	**–6,488.7**	**–11.0**
Net new money	**1,050.4**	**276.9**	**773.5**	**279.3**

[1] Includes assets of sanctioned Russian clients reclassified as custody assets in 2022.
[2] Acquisition of the private banking business of Öhman Bank S.A. in Luxembourg in 2021 (note 46).

Calculation method

Client assets under management are all client assets managed or held for investment purposes for which investment consulting and wealth management services are provided. This generally includes all liabilities to clients, fiduciary time deposits and all valued portfolio holdings. The calculation is based on the provisions of the Liechtenstein Banking Ordinance (Annex 3, Section 88a, FL-BankO) and the internal guidelines of VP Bank Group.

Assets in own-managed funds

This item includes the assets of all managed and administered investment funds of VP Bank Group.

Assets with discretionary mandate

The calculation of assets with discretionary mandate includes securities, book-entry securities, precious metals, fiduciary investments placed with third parties at market value as well as client deposits. The information includes assets deposited with Group companies as well as assets deposited with third parties for which Group companies have a management mandate.

Other client assets under management

The calculation of other client assets under management includes securities, book-entry securities, precious metals, fiduciary investments placed with third parties at market value as well as client deposits. The information relates to assets for which an administrative or advisory mandate is exercised.

Double counting

This position includes fund units from self-managed funds held in client securities accounts with a wealth management mandate and the other client securities accounts.

Net new money inflow/outflow

This item consists of the acquisition of new clients, client departures and the inflow or outflow of client funds. Performance-related changes in assets such as price changes, interest and dividend payments as well as interest charged to clients are not considered inflows or outflows. Acquisitions and disposals are reported separately and do not represent an inflow or outflow in net new money. If the service provided changes and assets under management are therefore reclassified as custody assets or vice versa, this is recognised as an outflow or inflow in net new money. Excluded from this practice are, for example, regulatory blocking by the supervisory authorities. Such reclassifications are not recognised in net new money but in other effects.

Custody assets

Assets held exclusively for transaction and safekeeping purposes for which VP Bank Group limits itself to safekeeping and encashment.

46 Acquisitions in 2021

On 8 July 2020, VP Bank (Luxembourg) SA signed and announced an agreement to acquire the private banking division of Öhman Bank S.A. in Luxembourg. The transaction was successfully completed as planned on 1 January 2021 and closed in spring 2021. It includes the acquisition of a client advisor team of nine employees and client assets of approximately EUR 852 million. The purchase price amounted to CHF 8.5 million. Excluded from the acquisition are the other business activities and business units of Öhman Bank S.A.

The following assets and liabilities were acquired as part of the acquisition on 1 January 2021:

in CHF million	Fair value
Cash and cash equivalents	60.1
Amounts due from banks and clients	54.7
Derivative financial instruments	70.6
Other intangible assets	7.8
Total assets	**193.2**
Amounts due to banks and clients	–111.6
Derivative financial instruments	–73.8
Total liabilities	**–185.4**
Total net assets	**7.8**
Net assets acquired	**7.8**
Purchase price to be settled in cash and cash equivalents[1]	8.5
Purchase consideration	**8.5**
Goodwill arising from acquisition	**0.8**
Purchase consideration settled in cash and cash equivalents	6.7
Cash inflow arising from the transaction	53.4

As a result of the acquisition, client assets under management in the amount of EUR 852 million were taken over. The transaction results in intangible assets (client relationships) of CHF 7.8 million. The client relationships are amortised over nine years. Transaction costs (advisory, legal, audit and valuation costs, etc.) in the reporting period amount to CHF 0.3 million and are included in general and administrative expenses (Note 7) (financial year 2020: CHF 1.2 million).

The individual factors that make up the recognised goodwill consist in particular of the employees taken over, the existing know-how and the strategic market expansion in the Nordics.

The purchase price as of January 2021 amounted to CHF 8.5 million. This includes a deferred purchase price payment of CHF 1.8 million with a due date on 14 January 2022 and an earn-out component of CHF 0. The final payment comprises the deferred purchase price payment resulting from the development of the assets under management until 3 January 2022 as well as an earn-out component. The earn-out component depends on the development of the assets under management until the earn-out date on 1 January 2023.

An impairment of CHF 1.0 million was recognised in 2022 due to the market situation (Note 23). The earn-out component for the effective date 1 January 2023 is CHF 0.

[1] The final purchase price depends on the actual client assets transferred or the client assets under management after one year from the transfer.

Report of the statutory auditor

to the General Meeting of VP Bank Ltd., Vaduz

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of VP Bank Ltd and its subsidiaries ('VP Bank Group'), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2022, the consolidated balance sheet as at 31 December 2022, consolidated changes in shareholders' equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 123 – 192) give a true and fair view of the consolidated financial position of VP Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the VP Bank Group in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 2,540,000

Our audit ("full scope") included three Group companies and covered 92 % of earnings before income tax. In addition, specific audit procedures were performed for one other Group company which covers additional 5 % of earnings before income tax.

As key audit matters, the following areas of focus were identified:

- Impairment testing of due from customers
- Completeness and valuation of provisions for legal and litigation risks

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	CHF 2,540,000
Benchmark applied	Earnings before income tax (average of the last three years)
Rationale for the materiality benchmark applied	We chose earnings before income tax (average of the last three years) as the benchmark because, in our view, it is the benchmark against which the performance of the VP Bank Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee of VP Bank Ltd that we would report to them misstatements above CHF 127,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the VP Bank Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement.

Reporting on key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of due from customers

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, the VP Bank Group reported due from customers in the amount of CHF 5.759 billion, of which 0.40 % were assessed as impaired. Due from customers is the Group's largest asset and about 55.5 % are backed by mortgages and 44.5 % by other collateral provided by customers (i.e., mainly in the form of Lombard loans).	Our audit procedures were primarily tests of the proper functioning of the internal controls performed by the VP Bank Group. We tested compliance with the rules and processes as well as the effectiveness of these controls through risk-based sample testing. In doing so, we assessed the design of the key controls and, on a sample basis, tested compliance with them.

Key audit matter	How our audit addressed the key audit matter
Due from customers are valued by using the effective interest rate method and by calculating the expected credit loss. Determining the factors and calculating the expected credit loss and the resulting valuation allowances requires judgement. We consider the impairment testing of due from customers a key audit matter because of the amount they represent on the balance sheet and the significant scope for judgement inherent in their valuation. The accounting principles applied to due from customers and the methods used to identify default risk, to determine the need for impairment and to evaluate collateral are described in the annual report. Please refer to pages 131 and 132 (Principles underlying financial-statement reporting), page 167 (Notes to the consolidated financial statements: 15 Due from banks and customers) and pages 146 to 156 (Risk management: 5 Financial risks).	Where significant scope for judgement exists (e.g., in the valuation of collateral or the estimation of property values), we also challenged VP Bank Group's decisions with our own critical opinion as part of our substantive audit procedures. Our substantive tests included sample-based testing of loans at risk in the loan portfolio to assess whether an additional valuation allowance was needed. We also assessed the method and accuracy of the calculation of the expected credit losses. Overall, on the basis of our audit procedures, we consider the principles and assumptions applied by the VP Bank Group to test for the impairment of due from customers to be reasonable.

Completeness and valuation of provisions for legal and litigation risks

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, VP Bank Group has recorded provisions for legal and litigation risks of CHF 1 million. The VP Bank Group is exposed to legal and litigation risks as it operates in a regulatory and legal environment. The completeness and valuation of provisions for legal and litigation risks involves significant scope for judgement. We therefore consider the audit of the accounting for provisions for legal and litigation risks to be a key audit matter. The VP Bank Group assesses legal and litigation risks through internal analyses conducted by the department responsible and in cooperation with external legal counsel. The annual report provides details on the accounting and valuation principles for the provisions for risks. Please refer to page 134 (Principles underlying financial statement reporting) and page 174 (Notes to the consolidated financial statements: 28 Provisions) and page 176 (Notes: 33 Litigation).	We assessed the accounting principles for the provisions for the settlement of litigation and regulatory proceedings. In doing so, we used a risk-based approach to test the VP Bank Group's estimates of the amounts for potential claims for damages and the provisions required for such. The evidence we examined included, among others, correspondence with third parties, confirmations from external legal counsel on selected litigation and claims, and the VP Bank Group's internal analyses. Regarding as yet unidentified risks, we reviewed a sample of customer complaints. In this way, we assessed whether systematic weaknesses existed for which provisions might have to be made. Further, on the basis of our understanding of the Company's business and our inspection of business correspondence, we assessed the completeness of the provisions. Additionally, the completeness of the provisions was evaluated on the basis of selected assessments by external legal counsel. Overall, we consider the basis and assumptions used by the Company to assess the completeness and valuation of the provisions for legal and litigation risks in the course of our own audit procedures as reasonable.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with the requirements of Liechtenstein law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further information pursuant to Article 10 of Regulation (EU) No 537/2014

We were elected as statutory auditor by the General Meeting on 29 April 2022. We have been the statutory auditor of the Company without interruption since the financial year ending as of 31 December 2020.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

Further, we declare that no prohibited non-audit services pursuant to Article 5 in accordance with Article 10 para. 2 lit. f Regulation (EU) No. 537/2014 Article 5 para. 1 Regulation (EU) No. 537/2014 were provided.

Other confirmations persuant to Article 196 PGR

The annual report (page 205) as at 31 December 2022 complies with Liechtenstein law and the articles of incorporation. The annual report accords with the financial statements and, in our opinion, does not contain any material inaccurate information.

We further confirm that the financial statements and the proposed appropriation of profit comply with Liechtenstein law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Birrer
Liechtenstein Certified Public Accountant
Auditor in charge

Tobias Scheiwiller

Zurich, 3 March 2023

Partnership research

Financial market analyses easily and digitally accessible.

With the Research Portal, VP Bank prepares market commentaries and financial analyses for its clients. To this end, it works with the Zurich-based software developer Adviscent.

Interview with Thomas Bosshard, Chief Executive Officer Adviscent and Clifford Padevit, Head of Investment Communication VP Bank.

The solution provided by Adviscent is the basis for the VP Bank Research Portal. What is the objective of the portal?

Clifford Padevit: Our primary goal is to make VP Bank's financial analyses more easily accessible. Thanks to the new solution, our clients can now access investment ideas and information on market developments directly via e-banking. We provide the same content for client advisors via the Employee Portal. While our analyses and assessments used to be played out on different channels, with the new portal we serve all target groups digitally and in a recipient-friendly way on the device they prefer.

What are the benefits of the Adviscent solution for VP Bank and its stakeholders?

Clifford Padevit: We can now create the content in one tool and enrich it with market data. It allows us to be faster and to have the content updated automatically, which is of great benefit to our most important stakeholders, clients and advisors. Unlike before, we now have a platform where research is centrally available and can be accessed at any time. The Research Portal was an important piece of the puzzle in professionalising the communication of investment content.

What did you find special about the project with VP Bank?

Thomas Bosshard: I already liked the official call for tenders very much, because it required knowledge about the financial sector as well as knowledge in the field of content preparation. This is exactly what our product offers. The challenge of how we can make the information from the CIO Office of VP Bank attractively available to all stakeholders was very exciting. At VP Bank, research content plays an important role in the advisory process, so in addition to creating the content, it was also important to take the user's requirements into account right from the start, which was an optimal starting point. As a specialist technology provider, we try to optimally serve the needs of both producers and users and thus support an integrated process.

What makes the partnership with VP Bank work?

Thomas Bosshard: We knew that we were embarking on a medium- to long-term relationship. I find the collaboration very partnership-oriented. There are naturally ups and downs in such projects, but both sides are open to criticism. Our goal is to solve the problems of our partners. We are most successful in doing this when we receive honest feedback and input from them on our solution. VP Bank helps us to further develop our software. Clifford and his team give us important feedback that we can incorporate into the development of our technology. It also validates our work and shows what is already working well.

What makes Adviscent the right partner for VP Bank?

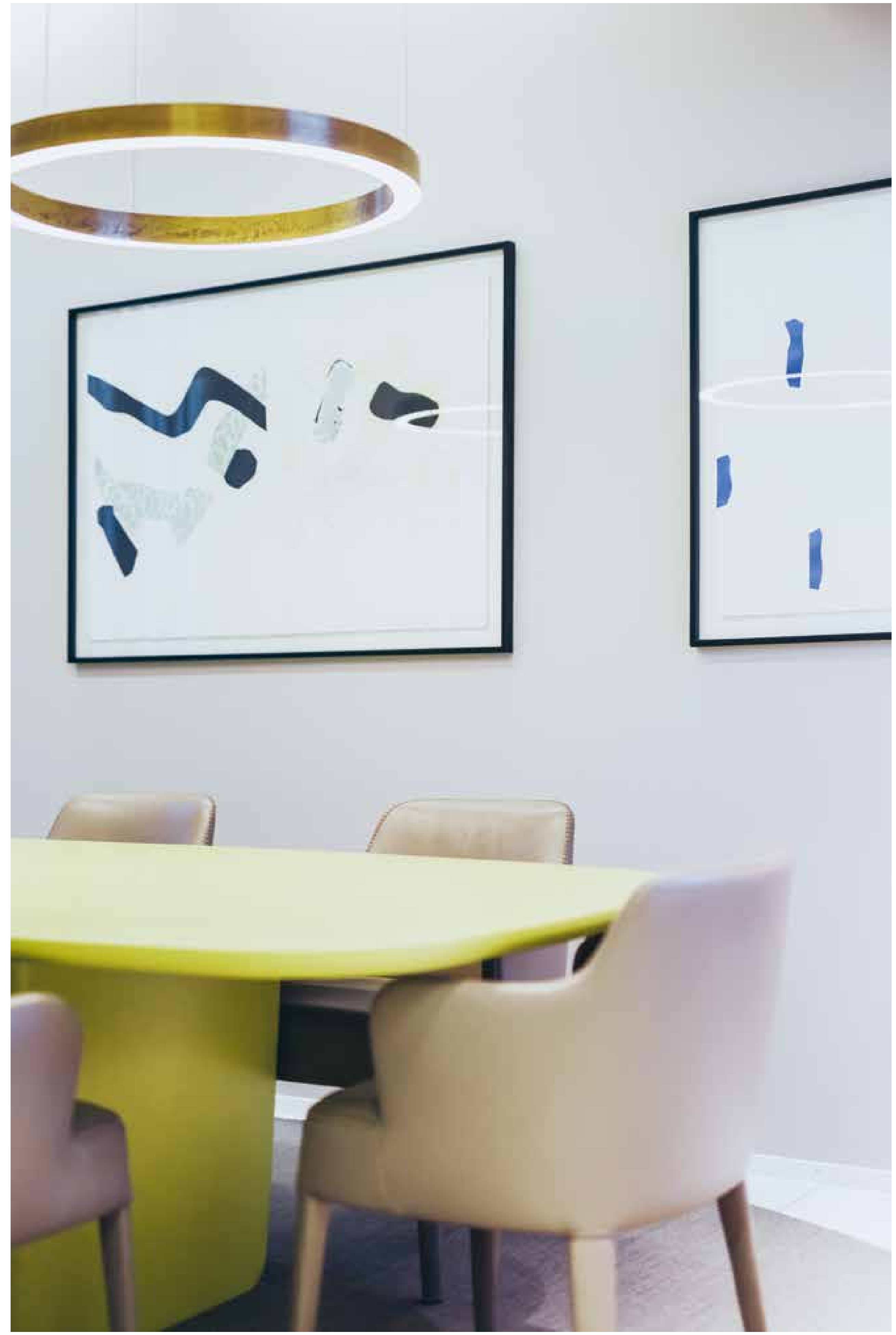
Clifford Padevit: We looked for expertise on both sides – regarding the financial market and content preparation. There were various candidates who only understood content management systems, while others came from the financial market. But Thomas and Adviscent understand both. That was the best match for what we had in mind. We formed this partnership, which we intend to pursue for a longer period of time, hoping that the technology can be steadily developed. That is why we also had talks that went beyond the basic requirements. We have not yet exhausted all the possibilities. We are not standing still with this solution, but developing it further. This is possible only with a long-term partnership.

More information about the partnership with Adviscent
vpbank.com/adviscent

We have not yet exhausted all the possibilities. We are not standing still with this solution, but developing it further.

Thomas Bosshard and Clifford Padevit (right) discuss the presentation and technical implementation of investment ideas and information on market events in the Research Portal.

Clifford Padevit specialises in the professional communication of investment content.



Financial Report 2022 of VP Bank Ltd, Vaduz

07

Annual Report of VP Bank Ltd, Vaduz

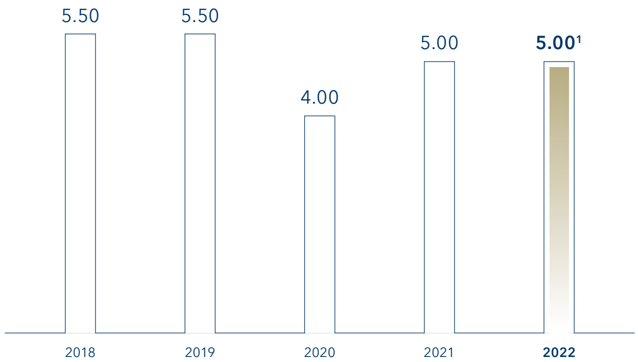
The annual report of VP Bank Ltd is largely evident from the consolidated annual report of VP Bank Group.

As of the balance sheet date, VP Bank Ltd, Vaduz, and its subsidiaries held in total 454,784 registered A shares and 350,769 registered B shares (previous year: 488,934 registered A shares and 348,869 registered B shares). This equates to a capital share of approximately 7.4 per cent (previous year: 7.9 per cent). In addition, reference is made to the notes to the relevant annual report regarding the number of and changes in treasury shares in the head office.

The Board of Directors proposes that the annual general meeting of 28 April 2023 approve a dividend payout of CHF 5.00 per registered A share and CHF 0.50 per registered B share (previous year: CHF 5.00 per registered A share and CHF 0.50 per registered B share).

Dividend

in CHF



[1] Proposal to the annual general meeting

Balance sheet

Assets

in CHF 1,000	31.12.2022	31.12.2021[1]	Variance absolute	Variance in %
Cash and cash equivalents	1,632,057	1,901,448	–269,391	–14.2
Due from banks	1,481,799	1,741,735	–259,936	–14.9
• maturing daily	495,082	534,461	–39,379	–7.4
• other receivables	986,717	1,207,274	–220,557	–18.3
Due from customers	4,809,857	4,980,022	–170,165	–3.4
of which mortgage receivables	2,947,305	2,943,733	3,572	0.1
Debentures and other interest-bearing securities	2,366,458	2,141,568	224,890	10.5
• money-market papers	196,994	129,402	67,592	52.2
from public-sector issuers	168,193	129,402	38,791	30.0
from other issuers	28,801	0	28,801	0.0
• debt securities	2,169,464	2,012,166	157,298	7.8
from public-sector issuers	486,821	453,222	33,599	7.7
from other issuers	1,682,643	1,558,944	123,699	7.9
Equity shares and other non-interest-bearing securities	153,368	153,169	199	0.1
Participations	56	56	0	0.0
Shares in affiliated companies	172,013	169,414	2,599	1.5
Intangible assets	56,715	43,107	13,608	31.6
Property and equipment	62,068	65,716	–3,648	–5.6
Treasury shares	41,854	46,989	–5,135	–10.9
Other assets	69,795	61,281	8,514	13.9
Accrued receivables and prepaid expenses	29,219	22,636	6,583	29.1
Total assets	**10,875,259**	**11,327,141**	**–451,882**	**–4.0**

[1] The valuation of fixed-interest financial assets was changed from the lower of cost or market principle to the accrual method during the reporting period. The positive valuation effect on the financial assets as at 31 December 2021 amounts to CHF 5.9 million. The net annual profit for 2021 increases by CHF 5.2 million. The affected items of the previous year's balance sheet and income statement were adjusted accordingly.

Liabilities and shareholders' equity

in CHF 1,000	31.12.2022	31.12.2021[1]	Variance absolute	Variance in %
Due to banks	2,620,537	2,507,141	113,396	4.5
• maturing daily	1,410,690	1,919,268	–508,578	–26.5
• with agreed duration or term of notice	1,209,847	587,873	621,974	105.8
Due to customers	6,880,234	7,379,796	–499,562	–6.8
• savings deposits	502,403	573,299	–70,896	–12.4
• other liabilities	6,377,831	6,806,497	–428,666	–6.3
maturing daily	5,387,475	6,279,452	–891,977	–14.2
with agreed duration or term of notice	990,356	527,045	463,311	87.9
Securitised liabilities	299,180	311,997	–12,817	–4.1
• debentures issued	299,180	311,997	–12,817	–4.1
of which medium-term notes	44,180	56,997	–12,817	–22.5
Other liabilities	107,493	152,925	–45,432	–29.7
Accrued liabilities and deferred items	32,707	22,011	10,696	48.6
Provisions	5,842	12,170	–6,328	–52.0
• tax provisions	2,259	10,169	–7,910	–77.8
• other provisions	3,583	2,001	1,582	79.0
Provisions for general banking risks	63,150	63,150	0	0.0
Share capital	66,154	66,154	0	0.0
Capital reserves	47,049	47,049	0	0.0
Income reserves	603,415	600,862	2,553	0.4
• legal reserves	239,800	239,800	0	0.0
• reserves for treasury shares	41,854	46,989	–5,135	–10.9
• other reserves	321,761	314,073	7,688	2.4
Balance brought forward	130,809	133,467	–2,658	–2.0
Net income for the year	18,689	30,419	–11,730	–38.6
Total liabilities and shareholders' equity	**10,875,259**	**11,327,141**	**–451,882**	**–4.0**

[1] The valuation of fixed-interest financial assets was changed from the lower of cost or market principle to the accrual method during the reporting period. The positive valuation effect on the financial assets as at 31 December 2021 amounts to CHF 5.9 million. The net annual profit for 2021 increases by CHF 5.2 million. The affected items of the previous year's balance sheet and income statement were adjusted accordingly.

Off-balance-sheet transactions

in CHF 1,000	31.12.2022	31.12.2021	Variance absolute	Variance in %
Contingent liabilities	**83,913**	**73,435**	**10,478**	**14.3**
Credit risks	**79,394**	**60,407**	**18,987**	**31.4**
• irrevocable facilities granted	79,394	60,407	18,987	31.4
Derivative financial instruments				
• positive replacement values	57,691	46,686	11,005	23.6
• negative replacement values	89,137	82,525	6,612	8.0
• contract volumes	8,252,816	11,061,402	–2,808,586	–25.4
Fiduciary transactions	**524,521**	**311,466**	**213,055**	**68.4**

Income statement

in CHF 1,000	2022	2021[1]	Variance absolute	Variance in %
Interest income	97,830	73,217	24,613	33.6
of which from interest-bearing securities	27,523	25,251	2,272	9.0
of which from trading transactions	143	183	–40	–21.8
Interest expense	50,092	6,121	43,971	n.a.
Net interest income	**47,738**	**67,096**	**–19,358**	**–28.9**
Current income from securities	**23,264**	**14,721**	**8,543**	**58.0**
• shares and other non-interest-bearing securities	7,349	7,360	–11	–0.1
of which from trading transactions	0	0	0	0.0
• participations	2	1	1	69.9
• shares in affiliated companies	15,913	7,360	8,553	116.2
Income from commission business and services	85,764	98,220	–12,456	–12.7
• commission income from credit business	634	710	–76	–10.7
• commission income from securities and investment business	72,694	84,684	–11,990	–14.2
• commission income from other services	12,436	12,826	–390	–3.0
Commission expenses	14,484	16,227	–1,743	–10.7
Net income from commission business and services	**71,280**	**81,993**	**–10,713**	**–13.1**
Income from financial transactions	**78,430**	**46,950**	**31,480**	**67.0**
of which from trading transactions	81,753	48,935	32,818	67.1
Other ordinary income	**13,099**	**12,006**	**1,093**	**9.1**
• income from real estate	167	180	–13	–7.1
• other ordinary income	12,932	11,826	1,106	9.4
Total net operating income	**233,811**	**222,766**	**11,045**	**5.0**
Operating expenses	179,462	163,203	16,259	10.0
• personnel expenses	116,891	115,035	1,856	1.6
• general and administrative expenses	62,571	48,168	14,403	29.9
Gross income	**54,349**	**59,563**	**–5,214**	**–8.8**
Depreciation and amortisation of intangible assets and property and equipment	26,075	20,004	6,071	30.3
Other ordinary expenses	7,150	4,110	3,040	74.0
Valuation allowances on receivables and increases in provisions for contingent liabilities and credit risks	7,770	1,560	6,210	397.9
Income from release of valuation allowances on receivables and from the release of provisions for contingent liabilities and credit risks	7,027	1,783	5,244	294.1
Write-offs on participations, shares in affiliated companies and securities dealt with as non-current assets	0	0	0	0.0
Gains from appreciations on participations, shares in affiliated companies and securities dealt with as non-current assets	0	0	0	0.0
Income from normal business operations	**20,381**	**35,672**	**–15,291**	**–42.9**
Extraordinary income	0	0	0	0.0
Extraordinary expenses	0	0	0	0.0
Taxes on income	766	4,368	–3,602	–82.5
Other taxes if not included in above items	927	885	42	4.8
Net income for the year	**18,689**	**30,419**	**–11,730**	**–38.6**

[1] The valuation of fixed-interest financial assets was changed from the lower of cost or market principle to the accrual method during the reporting period. The positive valuation effect on the financial assets as at 31 December 2021 amounts to CHF 5.9 million. The net annual profit for 2021 increases by CHF 5.2 million. The affected items of the previous year's balance sheet and income statement were adjusted accordingly.

Appropriation of profit

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Net income for the year	18,689	30,419	–11,730	–38.6
Retained earnings brought forward	130,809	133,467	–2,658	–2.0
Retained earnings	**149,498**	**163,886**	**–14,388**	**–8.8**
Appropriation of profit				
Appropriation to other reserves	0	0	0	0.0
Distribution on the basis of company capital	33,077	33,077	0	0.0
Other appropriation of profit	0	0	0	0.0
Retained earnings to be carried forward	**116,421**	**130,809**	**–14,388**	**–11.0**

The Board of Directors proposes that the profit be distributed as follows (in CHF):	
At the disposal of the annual general meeting	149,497,731.29
Distribution of a dividend of CHF 5.00 per registered share A CHF 0.50 per registered share B	33,077,083.50
Other appropriation of profit	0.00
Retained earnings to be carried forward	**116,420,647.79**

Information regarding business activities and number of employees

VP Bank Ltd, which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. Today, VP Bank Group owns subsidiary companies in Zurich, Luxembourg, the British Virgin Islands and Hong Kong, a branch in Singapore and a representative office in Hong Kong. Adjusted to reflect full-time equivalents, at year-end 2022 VP Bank Ltd had 645.3 individuals under its employment (previous year: 631.1).

Wealth management and investment consulting services of VP Bank Ltd for private and institutional investors, as well as lending, constitute its core activities.

Commission business and services

In addition to general banking operations, commission and service-related business encompasses wealth management services for private clients, financial intermediaries and institutional clients, as well as investment consulting, safekeeping and fiduciary transactions. VP Bank Ltd earns a significant portion of its total commission income from transactions in securities on behalf of clients.

Lending business

The lending business of VP Bank Ltd is primarily geared to providing financing of residential properties for private clients, as well as wealth management and investment advisory services for private clients. The Bank also grants commercial loans to commercial clients.

Money market and interbank activities

To the extent that they are not used for the Bank's lending operations, client funds are invested with first-rate banks.

Trading activities

Clients are afforded a full range of execution and settlement services for all customary types of trading activities. A significant portion of the trading activities is related to foreign exchange dealings on behalf of private clients.

For liquidity-management and investment purposes, VP Bank Ltd maintains a portfolio of fixed-interest security and equity positions.

Principles of accounting and valuation

Basis

Accounting and valuation follow the prescriptions of the Liechtenstein Persons and Companies Act, as well as the Liechtenstein Banking Act and its related Ordinance.

Recording of transactions

In accordance with the valuation policies laid down, all business transactions are recorded in the Bank's accounts as of their trading date. Forward transactions are recorded under off-balance-sheet transactions as of their settlement or value date.

Corporate earnings and expenditure in foreign currencies are translated into Swiss francs at their respective daily rates; assets and liabilities are translated at the rates prevailing at year-end. Capital gains and losses resulting from revaluation are recorded on the income statement.

Financial statements of foreign branches expressed in a foreign currency are translated at the exchange rate prevailing on the balance sheet date (balance sheet items) or at an annual average exchange rate (income statement items). The foreign currency translation differences are recorded on the income statement.

Cash and cash equivalents, public-sector debt securities and bills of exchange which are eligible for refinancing with central banks, amounts due from banks, liabilities

Recording is made at nominal values less any applicable unearned discount in the case of money market papers. Valuation adjustments are established to cover identifiable risks while taking the principle of prudence into account. Individual and lump-sum valuation adjustments are deducted directly from the related balance sheet items.

Interest overdue for more than 90 days is provided for and recorded on the income statement as and when received.

Amounts due from clients

Amounts due from clients are recorded on the balance sheet at their nominal values less any applicable valuation adjustments. An amount due is considered to be value-impaired when there is a probability that the total contractually owed amount is no longer recoverable.

A valuation adjustment is recorded on the balance sheet as a downgrade of the carrying value of the amount due to its probable realisable value. In contrast, provisions for credit risks are created for off-balance-sheet items. In addition to individual valuation adjustments, VP Bank Ltd creates lump-sum individual valuation adjustments as well as lump-sum valuation adjustments to cover latent credit risks.

A review of collectability is undertaken at least once a year for all doubtful receivables.

Debentures and other interest-bearing securities, equity shares and other non-interest-bearing securities

Trading portfolios of securities and precious metals are valued at the quoted market price as of the balance sheet date.

The majority of fixed-interest securities held as current assets are valued according to the accrual method, in some cases also according to the lower of cost or market principle. In accordance with the accrual method, the agio or disagio on acquisition is deferred and accreted or amortised, respectively, over the term of the security until maturity. The interest portion of realised gains or losses from premature disposal or redemptions is deferred and released to income over the residual term (i.e. until the original maturity). The remaining securities and precious metals held as current assets are valued according to the lower of cost or market principle. Interest income arising on fixed-interest securities is reflected in the item "Interest income", and dividend income in the item "Current income from securities". Price gains are reported under the item "Income from financial transactions".

Participations

Equity shareholdings in companies owned by the Bank representing a non-controlling interest held on a long-term basis are recorded as investments. Investments are valued at acquisition value less economically required valuation adjustments.

Shares in affiliated companies

The existing majority shareholdings of VP Bank Ltd are recorded as shares in affiliated companies. Shares in affiliated companies are valued at acquisition value less economically required valuation adjustments.

These affiliated companies are fully consolidated for the purposes of the published consolidated financial statements.

Intangible assets

Development costs for software are capitalised if they meet certain criteria regarding identifiability, if it is probable that future corporate earnings will flow to the enterprise and if the costs can be measured reliably. Internally developed software that meets these criteria, as well as purchased software and its installation costs, are capitalised and amortised over 3 to 7 years. Minor purchases are charged directly to general and administrative expenses.

Property, plant and equipment

Property, plant and equipment encompasses buildings used by the Bank, other real estate, furniture and equipment as well as IT installations. Investments in new and existing property, plant and equipment are capitalised and valued at acquisition cost. Minor purchases are charged directly to general and administrative expenses.

In subsequent valuations, property, plant and equipment is recorded at acquisition value, less accumulated depreciation and amortisation. Depreciation and amortisation are charged on a systematic basis over the estimated useful life (bank buildings and other real estate: 25 years; fixtures: 10 to 15 years; furniture and equipment: 8 years; IT installations: 3 years; software: 3 to 7 years). The property, plant and equipment is reviewed annually for impairment in value.

Other assets, other liabilities

Other assets and other liabilities include the positive and negative replacement values of all financial derivative instruments open on the balance sheet date arising from nostro transactions as well as over-the-counter contracts (OTC) arising from transactions on behalf of clients. In addition, these items include balances of various settlement and clearing accounts.

Valuation adjustments and provisions

Valuation adjustments and provisions are established to reflect identifiable risks, as dictated by the principle of prudence. Individual and lump-sum valuation adjustments for receivables from banks and clients as well as on mortgage receivables are deducted directly from the corresponding asset item. Provisions can be raised for receivables subject to a country risk as dictated by the principle of prudence.

Provisions for general banking risks

Provisions for general banking risks are prudently established reserves to cover latent risks arising from the normal course of business of the Bank. As required by the prescriptions governing financial statement reporting, they are shown as a separate item on the balance sheet. Changes thereto are disclosed separately on the income statement.

Contingent liabilities, irrevocable facilities granted, capital subscription and margin obligations

Amounts disclosed as off-balance-sheet items are stated at nominal values. Lump-sum provisions exist on the balance sheet for latent default risks.

Statement of cash flow

VP Bank Ltd is exempted from drawing up a statement of cash flow as a result of the obligation to prepare consolidated financial statements (Art. 24l BankO). The consolidated statement of cash flow of VP Bank Group is a part of the consolidated financial statements.

Post-balance-sheet-date events

There were no significant events after the balance sheet date for the 2022 financial year.

Amendments to the principles of accounting and valuation

The Bank made the following changes to its accounting and valuation principles in the reporting year.

The valuation of fixed-interest financial assets was changed from the lower of cost or market principle to the accrual method during the reporting period. The positive valuation effect on the financial assets as at 31 December 2021 amounts to CHF 5.9 million. The net annual profit for 2021 increases by CHF 5.2 million. The affected items of the previous year's balance sheet and income statement (including tables in the notes) were adjusted accordingly.

Commentaries on risk management

Appropriate risk management is the basic prerequisite for the sustainable development and continuing success of VP Bank Ltd, Vaduz. "Appropriate" is understood to mean that VP Bank Ltd, as a value-oriented enterprise, although it takes on financial, operational and business risks in a deliberate manner, does not hinder growth through innovation and initiatives but realistically evaluates and realises profit opportunities.

The principles for identifying, evaluating, controlling and monitoring financial, operational and business risks apply to VP Bank Ltd to the same extent as to the subsidiary companies and exactly mirror the risk management and control framework of VP Bank Group, for which reason reference is made at this point to the commentaries on risk management of VP Bank Group set out on (→ page 138 et seqq.).

Analysis of collateral

in CHF 1,000	Mortgage collateral	Other collateral	Without collateral	Total
Loans				
Due from customers	18,322	1,444,786	399,444	1,862,552
Mortgage receivables	2,919,310	13,010	14,986	2,947,305
• Residential property	2,095,383	12,048	5,818	2,113,249
• Office and business premises	74,992	0	0	74,992
• Commercial and industrial premises	678,066	860	8,810	687,735
• Other	70,869	102	358	71,329
Total loans, 31.12.2022	**2,937,632**	**1,457,796**	**414,429**	**4,809,857**
Total loans, 31.12.2021	2,925,892	1,777,207	276,923	4,980,022
Off-balance-sheet transactions				
Contingent liabilities	4	22,254	61,655	83,913
Irrevocable facilities granted	4,593	38,053	36,748	79,394
Total off-balance-sheet transactions, 31.12.2022	**4,597**	**60,307**	**98,403**	**163,307**
Total off-balance-sheet transactions, 31.12.2021	10,892	25,838	97,111	133,842

Value-impaired loans

in CHF 1,000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total value-impaired loans, 31.12.2022	**47,768**	**30,961**	**16,807**	**16,807**
Total value-impaired loans, 31.12.2021	54,115	35,006	19,109	19,109

Trading portfolios of securities and precious metals

in CHF 1,000	Carrying value 31.12.2022	Carrying value 31.12.2021	Acquisition cost 31.12.2022	Acquisition cost 31.12.2021	Market value 31.12.2022	Market value 31.12.2021
Trading portfolios of securities and precious metals						
Debt securities	0	10,207	0	10,266	0	10,207
• listed on a stock exchange (traded on a recognised market)	0	10,207	0	10,266	0	10,207
• not listed	0	0	0	0	0	0
of which own bonds and medium-term notes	0	0	0	0	0	0
Equity shares	27	29	26	26	27	29
of which equity shares in the treasury	27	29	26	26	27	29
Precious metals	172	276	172	275	172	276
Total	**199**	**10,512**	**198**	**10,567**	**199**	**10,512**
Material receivables and liabilities included in other balance sheet positions which are marked to market value and whose revaluation is recorded in the item "income from trading transactions"						
Positive replacement values of derivative financial instruments in trading portfolios (other assets)	57,450	46,686			57,450	46,686
Negative replacement values of derivative financial instruments in trading portfolios (other liabilities)	88,498	78,891			88,498	78,891
Total	**145,948**	**125,577**			**145,948**	**125,577**
Portfolios of securities and precious metals in current assets (excluding trading portfolios)						
Debt securities	2,366,458	2,131,361	2,395,102	2,227,352	2,218,877	2,160,258
Equity shares	195,195	200,129	249,612	247,107	216,253	224,874
of which equity shares in the treasury	41,827	46,960	57,577	60,365	42,990	50,586
Total	**2,561,653**	**2,331,490**	**2,644,714**	**2,474,459**	**2,435,130**	**2,385,132**
of which repo-eligible securities	648,111	610,472	652,153	634,118	604,117	618,625
of which exchange-listed securities	2,527,849	2,261,363	2,588,705	2,385,274	2,393,863	2,309,560

Disclosures on treasury shares included in current assets (excluding trading portfolios)

in numbers / in CHF 1,000	Number 2022	Number 2021	Carrying value 2022	Carrying value 2021
Registered shares A				
Balance at the beginning of the year	488,934	530,171	43,767	50,098
Purchase				
Disposals	–34,150	–41,237	–3,220	–4,780
Valuation allowances			–1,730	–1,550
Appreciation				
Balance at the end of the year	**454,784**	**488,934**	**38,817**	**43,767**
Registered shares B				
Balance at the beginning of the year	345,837	341,337	3,192	3,473
Purchase	1,900	4,500	17	50
Disposals				
Valuation allowances			–199	–331
Appreciation				
Balance at the end of the year	**347,737**	**345,837**	**3,010**	**3,192**

Participations and shares in affiliated companies

in CHF 1,000	Carrying value 31.12.2022	Carrying value 31.12.2021
Participations		
without quoted market value	56	56
Total participations	**56**	**56**
Shares in affiliated companies		
without quoted market value[1]	172,013	169,414
Total shares in affiliated companies	**172,013**	**169,414**

[1] In the 2022 financial year, recovery in value of CHF 0.0 million was recognised in accordance with Art. 1090 PGR (previous year: CHF 0.0 million).

in CHF 1,000	31.12.2022 Currency	31.12.2022 Corporate capital	31.12.2022 Percentage ownership	31.12.2021 Currency	31.12.2021 Corporate capital	31.12.2021 Percentage ownership
Participations						
Data Info Services AG, Vaduz (procurement, trade and exchange of goods and services)	CHF	50	50%	CHF	50	50%
Shares in affiliated companies						
VP Fund Solutions (Liechtenstein) AG (fund management company)	CHF	1,000	100%	CHF	1,000	100%
VP Bank (Luxembourg) SA, Luxembourg (bank)	CHF	20,000	100%	CHF	20,000	100%
VP Bank (Switzerland) Ltd, Zurich (bank)	CHF	20,000	100%	CHF	20,000	100%
VP Wealth Management (Hong Kong) Ltd, Hong Kong (wealth management company)	HKD	43,000	100%	HKD	21,000	100%
VP Bank (BVI) Ltd, Tortola (bank)	USD	10,000	100%	USD	10,000	100%

Under shares in affiliated companies, the carrying value of the affiliated banks is CHF 165.8 million (previous year: CHF 165.8 million).

Overview of investments

in CHF 1,000	Acquisition cost	Cumulative depreciation to date	Carrying value 31.12.2021	Financial year 2022 Investments/ additions	Divestments	Depr. and amortisation	Foreign-currency translation	Carrying value 31.12.2022
Total participations (minority participations)	105	–49	56	0	0	0	0	56
Total shares in affiliated companies	176,006	–6,592	169,414	2,599	0	0	0	172,013
Total intangible assets (excluding goodwill)	223,668	–180,561	43,107	31,780	0	–18,179	7	56,715
Real estate								
• bank premises	196,558	–138,376	58,182	1,058	0	–5,142	0	54,098
• other real estate	3,453	–481	2,972	278	0	–55	3	3,198
Other property and equipment	35,974	–31,412	4,562	2,912	–6	–2,699	3	4,772
Total property and equipment	235,985	–170,269	65,716	4,248	–6	–7,896	6	62,068
Fire-insurance values of real estate			153,750					155,500
Fire-insurance values of other property and equipment			33,308					33,349

Future obligations from operating leasing

At year end, there were various operating leasing agreements for real estate and other property, plant and equipment, the majority of which are used for the conduct of VP Bank's business activities. The main leasing agreements include renewal options and exit clauses.

in CHF 1,000	31.12.2022	31.12.2021
Total minimum commitments arising from operating leases	**6,292**	**6,993**

Operating expenses include CHF 2.600 million from operating leasing as at 31 December 2022 (previous year: CHF 2.563 million).

Assets pledged or assigned to secure own or third-party liabilities and assets subject to reservation of title

in CHF 1,000	31.12.2022	31.12.2021
Assets pledged or assigned to secure own or third-party liabilities and assets subject to reservation of title excluding securities lending/borrowing and repo transactions		
Carrying value of assets pledged or assigned as security	683,088	684,276
Effective liabilities	0	0
Securities lending/borrowing and repurchase transactions		
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities owned by the Bank lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing or transferred within the scope of repurchase transactions	413,416	240,607
of which securities for which an unconditional right has been granted to sell on or repledge	318,509	164,110
Securities received as collateral within the scope of securities lending or borrowed within the scope of securities borrowing or received within the scope of reverse repurchase transactions in the case of which the unconditional right to sell on or repledge was granted	426,289	241,231
of which securities repledged or sold on	94,907	76,304

Liabilities to own retirement pension plans

in CHF 1,000	31.12.2022	31.12.2021
Due to customers	21,870	31,298
Securitised liabilities	200	200
Other liabilities	115	3,161
Total liabilities to own retirement pension plans	**22,185**	**34,659**

Outstanding debenture issues

in CHF 1,000	Interest rate in %	Year of issue	Maturity	Nominal amount 31.12.2022	Nominal amount 31.12.2021
VP Bank Ltd, Vaduz	0.875	2015	07.10.2024	100,000	100,000
VP Bank Ltd, Vaduz	0.600	2019	29.11.2029	155,000	155,000

Valuation allowances / provisions for general banking risks

in CHF 1,000	Balance on 01.01.2022	Utilisation in accordance with purpose	Recoveries, overdue interest, forex diff.	Provisions charged to income statement	Provisions released to income statement	Balance on 31.12.2022
Valuation allowances for default risks						
• Individual valuation allowances	19,109	965	138	3,574	5,049	16,807
• Lump-sum valuation allowances	1,028		–3	2,819	1,763	2,081
Provisions for contingent liabilities and credit risks	145		–2	376	220	299
Provisions for taxes and deferred taxes	10,169	8,680	5	1,149	383	2,259
Other provisions	1,857	877	–10	2,313		3,284
Total valuation allowances and provisions	**32,308**	**10,522**	**127**	**10,230**	**7,415**	**24,729**
minus: valuation allowances	20,137					18,887
Total provisions as per balance sheet	**12,170**					**5,842**
Provisions for general banking risks	**63,150**					**63,150**

Company capital

in CHF 1,000	31.12.2022 Total par value	Number	Capital entitled to dividends	31.12.2021 Total par value	Number	Capital entitled to dividends
Registered shares A	60,150	6,015,000	60,150	60,150	6,015,000	60,150
Registered shares B	6,004	6,004,167	6,004	6,004	6,004,167	6,004
Total company capital	**66,154**	**12,019,167**	**66,154**	**66,154**	**12,019,167**	**66,154**

Significant shareholders and groups of shareholders with interlinking voting rights

in CHF 1,000	31.12.2022 Par value	Share in % of par value	Share of voting rights in %	31.12.2021 Par value	Share in % of par value	Share of voting rights in %
With voting rights						
Stiftung Fürstl. Kommerzienrat Guido Feger, Vaduz	15,194	23.0	46.6	15,194	23.0	46.6
U.M.M. Hilti-Stiftung, Schaan	6,441	9.7	10.3	6,440	9.7	10.3
Marxer Stiftung für Bank- und Unternehmenswerte, Vaduz	7,569	11.4	6.3	7,569	11.4	6.3

Statement of changes in shareholders' equity

in CHF 1,000	2022
Shareholders' equity at the beginning of the financial year	
Subscribed and paid-up capital	66,154
Capital reserves	47,049
Legal reserves	239,800
Reserve for treasury shares	46,989
Other reserves	314,073
Provisions for general banking risks	63,150
Retained earnings	163,886
Total shareholders' equity at the beginning of the financial year	**941,101**

Statement of changes in shareholders' equity (continued)

in CHF 1'000	2022
Other appropriations / releases from reserves (–)	2,553
Dividends and other distributions from net income of the previous year[1]	-33,077
Net income/loss (–) for the financial year	18,689
Total shareholders' equity at the end of the financial year	**929,266**
of which	
Subscribed and paid-up capital	66,154
Capital reserves	47,049
Legal reserves	239,800
Reserve for treasury shares	41,854
Other reserves	321,761
Provisions for general banking risks	63,150
Retained earnings	149,498

[1] Effective payouts have only been made to third parties.

Maturity structure of assets as well as liabilities and provisions

in CHF 1,000	Sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 year to 5 years	Due after 5 years	Without maturity	Total
Assets								
Cash and cash equivalents	1,632,057							1,632,057
Due from banks	495,079		788,755	197,572	393			1,481,799
Due from customers	13,515	86,308	2,916,152	740,150	716,271	337,461		4,809,857
of which mortgage receivables	362	13,801	1,356,694	550,348	689,380	336,720		2,947,305
Trading portfolios of securities and precious metals	199							199
Portfolios of securities and precious metals in current assets (excluding trading portfolios)	2,561,653							2,561,653
Other assets	331,439		959				57,295	389,694
Total assets, 31.12.2022	**5,033,942**	**86,308**	**3,705,866**	**937,722**	**716,664**	**337,461**	**57,295**	**10,875,259**
Total assets, 31.12.2021	5,081,137	154,952	4,075,924	905,995	749,263	298,716	61,154	11,327,141
Liabilities and provisions								
Due to banks	1,410,689	364,686	614,422	205,000	25,740			2,620,537
Due to customers	3,953,578	1,936,299	786,390	198,769	5,198			6,880,234
• savings deposits		502,403						502,403
• other liabilities	3,953,578	1,433,896	786,390	198,769	5,198			6,377,831
Securitised liabilities	0		7,365	6,950	127,597	157,267		299,180
• debentures issued	0		7,365	6,950	127,597	157,267		299,180
of which medium-term notes	0		7,365	6,950	27,597	2,267		44,180
Provisions (excluding provisions for general banking risks)	5,842							5,842
Other liabilities	138,531		1,669					140,200
Total liabilities, 31.12.2022	**5,508,640**	**2,300,985**	**1,409,846**	**410,719**	**158,535**	**157,267**		**9,945,993**
Total liabilities, 31.12.2021	7,264,817	1,741,197	862,218	190,191	167,152	160,465		10,386,040

Debentures and other interest-bearing securities which mature in the following financial year	467,240
Issued debentures which mature in the following financial year	14,315

Receivables from and payables to participations, affiliated companies and qualifying participants, as well as loans to governing bodies and material transactions with related persons

in CHF 1,000	31.12.2022	31.12.2021
Receivables from and payables to participations, affiliated companies and qualifying participants		
Receivables from participations	0	0
Payables to participations	51	53
Receivables from affiliated companies	45,833	60,704
Payables to affiliated companies	2,455,417	2,448,264
Receivables from qualifying participants	1,011	0
Payables to qualifying participants	115,763	99,363
Loans to governing bodies		
Members of Group Executive Management and parties related thereto	4,249	3,355
Members of the Board of Directors and parties related thereto[1]	1,270	1,010

[1] Excluding receivables from related qualifying parties.

VP Bank also remunerates related parties within the scope of customary intermediary services and purchased advisory services. Such compensation is in line with standard market conditions. The total amount of these remunerations and professional fees was CHF 0.683 million in 2022 (previous year: CHF 0.667 million).

Compensation paid to members of governing bodies

in CHF 1,000		Remuneration[1, 2]						Total remuneration	
		Fixed		thereof in registered shares A (market value)		Retirement benefit plans			
		2022	2021	2022	2021	2022	2021	2022	2021
Board of Directors									
Dr Thomas R. Meier	Chairman[B, G]	490	490	123	123			490	490
Ursula Lang	Vice Chairwoman[D, E, M]	173	160	43	40			173	160
Markus Thomas Hilti	Vice Chairman[N]	43	130	11	32			43	130
Philipp Elkuch	BoD[A, H, J]	153	93	38	23			153	93
Dr Beat Graf	BoD[B, D]	145	145	36	36			145	145
Dr Gabriela Payer	BoD[K]	47	140	12	35			47	140
Dr Mauro Pedrazzini	BoD[F, H, L]	93		23				93	0
Michael Riesen	BoD[C, F]	160	160	40	40			160	160
Katja Rosenplänter-Marxer	BoD[D, F]	140	140	35	35			140	140
Fredy Vogt	BoD[I]		88		22			0	88
Total Board of Directors		**1,445**	**1,546**	**362**	**387**			**1,445**	**1,546**

[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 30 April 2021.
[J] Member of the Board of Directors from 30 April 2021.
[K] Member of the Board of Directors until 29 April 2022.
[L] Member of the Board of Directors from 29 April 2022.
[M] Vice Chairwoman of the Board of Directors from 29 April 2022.
[N] Vice Chairman and Member of the Board of Directors until 29 April 2022.
[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.

Compensation paid to members of governing bodies (continued)

in CHF 1,000	Remuneration[1, 2]										Total remuneration	
	Fixed basic salary		Short Term Incentive (STI)		Cash Deferral Plan (CDP)		Performance Share Plan (PSP)		Retirement benefit plans			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Group Executive Management	**3,220**	**3,158**	**893**	**284**	**513**		**1,282**	**1,136**	**448**	**414**	**6,357**	**4,991**
Highest remuneration												
Paul H. Arni	700	700	255	120	170		425	480	112	107	1,662	1,407

[1] These amounts do not include fees or lump-sum allowances.
[2] Length of service awards and severance pay are included.

The remuneration model, which is described in the Compensation Report (→ pages 96 et seqq.), provides for a fixed basic salary, a cash compensation (STI), a cash deferral plan and performance share entitlements. The cash deferral is paid out over the next five years. The number of registered A shares (entitlement under the Performance Share Plan) and the corresponding monetary benefit are definitively determined only at the end of the respective plan (or upon transfer of the registered A shares). Under the 2022–2024 plan, a total of 12,847 performance shares (previous year: 10,451) were allocated to the Executive Board. 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). The monetary benefit from the respective PSP programme is naturally determined by the share price at the time of the transfer of ownership. In the 2022 financial year, a total of 1,813 performance shares were transferred under the 2019–2021 Performance Share Plan (previous year: 3,327) with a market value on the allocation date of CHF 171,329 (previous year: CHF 397,909) to the Executive Board.

Shareholdings and loans to governing bodies and related parties

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			
	2022	2021	2022	2021	2022	2021
Board of Directors						
Dr Thomas R. Meier	3,854	2,483				
Ursula Lang	2,209	1,724				
Markus Thomas Hilti[A]		7,286				
Philipp Elkuch	652	223			1,270	1,010
Dr Beat Graf	2,519	2,113				
Dr Gabriela Payer[A]		2,310				
Dr Mauro Pedrazzini[B]	261					
Michael Riesen	3,134	2,686				
Katja Rosenplänter-Marxer	942	550				
Total Board of Directors	**13,571**	**19,375**	**0**	**0**	**1,270**	**1,010**
Group Executive Management						
Paul H. Arni, CEO						
Roger Barmettler, CFO						
Tobias Wehrli	6,762	5,826			2,135	2,135
Dr Urs Monstein, COO	6,328	5,451			2,114	1,220
Thomas von Hohenhau						
Patrick Bont, CRO						
Total Group Executive Management	**13,090**	**11,277**	**0**	**0**	**4,249**	**3,355**

Remuneration, loans and credits to related parties (Art. 16 ERCO): Pursuant to Art. 16 of ERCO, VP Bank Ltd and the VP Bank Group have paid to related persons and companies remuneration or a guarantee on customary conditions as applicable to third parties.

[A] Member of the Board of Directors until 29 April 2022.
[B] Member of the Board of Directors from 29 April 2022.

Assets and liabilities by domestic and foreign origin

in CHF 1,000	31.12.2022 Domestic	Foreign	31.12.2021 Domestic	Foreign
Assets				
Cash and cash equivalents	1,628,119	3,938	1,899,205	2,243
Due from banks	1,217,140	264,659	1,615,115	126,620
Due from customers	3,661,483	1,148,374	3,523,916	1,456,106
of which mortgage receivables	2,865,448	81,857	2,857,712	86,021
Debentures and other interest-bearing securities	394,429	1,972,029	313,820	1,827,748
Equity shares and other non-interest-bearing securities	66,909	86,459	69,220	83,949
Participations	35	21	35	21
Shares in affiliated companies	96,000	76,013	96,000	73,414
Intangible assets	56,643	72	42,916	191
Property and equipment	61,936	132	65,505	211
Treasury shares	41,854		46,989	
Other assets	34,026	35,769	35,794	25,487
Accrued receivables and prepaid expenses	15,588	13,631	12,704	9,932
Total assets	**7,274,162**	**3,601,097**	**7,721,219**	**3,605,922**
Liabilities and shareholders' equity				
Due to banks	1,066,305	1,554,232	1,542,033	965,108
Due to customers	4,496,304	2,383,930	4,877,927	2,501,869
• savings deposits	420,282	82,121	484,634	88,665
• other liabilities	4,076,022	2,301,809	4,393,293	2,413,204
Securitised liabilities	299,180		311,997	
Other liabilities	67,095	40,398	110,893	42,032
Accrued liabilities and deferred items	22,301	10,406	18,650	3,361
Provisions	5,174	668	11,610	560
Provisions for general banking risks	63,150		63,150	
Share capital	66,154		66,154	
Capital reserves	47,049		47,049	
Income reserves	603,415		600,862	
• legal reserves	239,800		239,800	
• reserves for treasury shares	41,854		46,989	
• other reserves	321,761		314,073	
Balance brought forward	130,809		133,467	
Net income for the year	18,689		30,419	
Total liabilities and shareholders' equity	**6,885,625**	**3,989,634**	**7,814,211**	**3,512,930**

Switzerland is considered to be domestic according to the Banking Ordinance (Art. 24e(1)).

Total assets by country or group of countries

in CHF 1,000	31.12.2022 Absolute	Share in %	31.12.2021 Absolute	Share in %
Assets				
Liechtenstein/Switzerland	7,274,162	66.9	7,721,219	68.2
Europe (excluding Liechtenstein/Switzerland)	1,527,786	14.0	1,362,310	12.0
North America	652,453	6.0	622,882	5.5
Asia	854,997	7.9	877,575	7.7
Caribbean	445,401	4.1	629,228	5.6
Other	120,460	1.1	113,927	1.0
Total assets	**10,875,259**	**100.0**	**11,327,141**	**100.0**

Balance sheet by currency

in CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1,623,546	512	3,786	4,213	1,632,057
Due from banks	813,824	251,495	180,002	236,478	1,481,799
Due from customers	3,718,087	570,303	326,046	195,421	4,809,857
of which mortgage receivables	2,840,612	3,133	21,529	82,031	2,947,305
Debentures and other interest-bearing securities	673,848	828,218	762,469	101,923	2,366,458
Equity shares and other non-interest-bearing securities	63,365	13,892	71,838	4,273	153,368
Participations	35		21		56
Shares in affiliated companies	172,013				172,013
Intangible assets	56,643	72			56,715
Property and equipment	61,936	132			62,068
Treasury shares	41,854				41,854
Other assets	45,530	4,395	9,735	10,135	69,795
Accrued receivables and prepaid expenses	15,801	7,896	4,818	704	29,219
Total on-balance-sheet assets	**7,286,482**	**1,676,915**	**1,358,715**	**553,147**	**10,875,259**
Delivery claims arising from foreign-exchange spot, forward and option transactions	848,383	2,677,883	2,539,503	2,106,649	8,172,418
Total assets, 31.12.2022	**8,134,865**	**4,354,798**	**3,898,218**	**2,659,796**	**19,047,677**
Total assets, 31.12.2021	9,626,635	4,425,640	5,319,747	2,880,043	22,252,065
Liabilities and shareholders' equity					
Due to banks	314,868	1,400,844	471,462	433,363	2,620,537
Due to customers	2,764,292	2,079,571	1,374,907	661,464	6,880,234
• savings deposits	501,572		831		502,403
• other liabilities	2,262,720	2,079,571	1,374,076	661,464	6,377,831
Securitised liabilities	294,355	2,950	1,875		299,180
Other liabilities	77,101	10,748	9,586	10,058	107,493
Accrued liabilities and deferred items	22,293	6,588	140	3,686	32,707
Provisions	5,317	287	193	45	5,842
Provisions for general banking risks	63,150				63,150
Share capital	66,154				66,154
Capital reserves	47,049				47,049
Income reserves	603,415				603,415
• legal reserves	239,800				239,800
• reserves for treasury shares	41,854				41,854
• other reserves	321,761				321,761
Balance brought forward	130,809				130,809
Net income for the year	18,689				18,689
Total on-balance-sheet liabilities	**4,407,492**	**3,500,988**	**1,858,163**	**1,108,616**	**10,875,259**
Delivery obligations arising from foreign-exchange spot, forward and option transactions	3,761,849	882,332	2,007,233	1,551,514	8,202,928
Total liabilities, 31.12.2022	**8,169,341**	**4,383,320**	**3,865,396**	**2,660,130**	**19,078,187**
Total liabilities, 31.12.2021	9,695,986	4,424,441	5,284,551	2,879,057	22,284,035
Net position per currency	**–34,476**	**–28,522**	**32,822**	**–334**	

Contingent liabilities

in CHF 1,000	31.12.2022	31.12.2021	Variance absolute	Variance in %
Contingent liabilities				
Credit guarantees and similar	75,051	62,466	12,585	20.1
Performance guarantees and similar	8,862	10,969	–2,107	–19.2
Other contingent liabilities	0	0	0	0.0
Total contingent liabilities	**83,913**	**73,435**	**10,478**	**14.3**

Unsettled derivative financial instruments

in CHF 1,000	Trading instruments Positive replacement values	Negative replacement values	Contract volumes	Hedging instruments Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments						
Swaps				241	639	46,000
Futures						
Foreign exchange / precious metals						
Forward contracts	25,278	31,323	3,173,995			
Combined interest-rate/currency swaps	13,656	38,502	3,862,354			
Options (OTC)	17,474	17,473	1,098,284			
Equity instruments/Indices						
Futures						
Options (OTC)	1,042	1,042	68,969			
Options (exchange-traded)		157	3,215			
Total prior to consideration of netting agreements, 31.12.2022	**57,450**	**88,498**	**8,206,816**	**241**	**639**	**46,000**
Total prior to consideration of netting agreements, 31.12.2021	46,686	78,891	10,952,902	0	3,634	108,500

Financial instruments falling under a netting agreement do not meet the set-off requirements for balance-sheet purposes, which is why the carrying values of the related financial instruments are not netted in the balance sheet (Consolidated report, annex 37, → page 180 et seq.).

Fiduciary transactions

in CHF 1,000	31.12.2022	31.12.2021	Variance absolute	Variance in %
Fiduciary transactions				
Fiduciary deposits	524,521	311,466	213,055	68.4
• Fiduciary deposits with third-party banks	360,107	284,882	75,225	26.4
• Fiduciary deposits with affiliated banks and finance companies	164,414	26,584	137,830	n.a.
Fiduciary loans	0	0	0	0.0
Other fiduciary transactions of financial nature	0	0	0	0.0
Total fiduciary transactions	**524,521**	**311,466**	**213,055**	**68.4**

Information on the income statement

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Income from trading activities				
Gains from securities	70	104	–34	–33.0
Gains from trading derivatives	–1,223	–1,476	253	–17.2
Gains from foreign-exchange transactions	82,043	49,272	32,771	66.5
Gains from trading in banknotes	382	684	–302	–44.2
Gains from precious metals	481	351	130	37.0
Total income from trading activities	**81,753**	**48,935**	**32,818**	**67.1**

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Personnel expenses				
Salaries and wages	98,219	92,909	5,310	5.7
Social security costs and staff retirement pensions and assistance costs	18,041	17,593	448	2.5
of which for staff retirement pensions	15,864	15,519	345	2.2
Other personnel expenses	631	4,533	–3,902	–86.1
of which internally produced and capitalized assets	–4,001	0	–4,001	n.a.
Total personnel expenses	**116,891**	**115,035**	**1,856**	**1.6**

The remuneration of the Board of Directors and the Executive Board is disclosed under "Compensation paid to members of governing bodies" (→ page 218 et seq.).

Information on the income statement (continued)

in CHF 1,000	2022	2021	Variance absolute	Variance in %
General and administrative expenses				
Occupancy expenses	3,501	3,671	-170	-4.6
Expenses for IT, equipment, furniture, motor vehicles and other installations	27,185	16,923	10,262	60.6
Other operating expenses	31,885	27,574	4,311	15.6
Total general and administrative expenses	**62,571**	**48,168**	**14,403**	**29.9**

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Other ordinary expenses				
Losses and differences	856	540	316	58.6
Other ordinary expenses[1]	6,294	3,570	2,724	76.3
Total other ordinary expenses	**7,150**	**4,110**	**3,040**	**74.0**

[1] 2021: Of which CHF 3.570 million resulting from accruals for onerous contracts for renting.

in %	2022	2021	Variance absolute	Variance in %
Return on capital[1]	**0.17**	**0.26**	**-0.09**	**-34.6**

[1] Net income / average balance sheet total.

in CHF 1,000	2022	2021	Variance absolute	Variance in %
Other ordinary income				
Income from real estate	167	180	-13	-7.1
Other ordinary income[1]	12,932	11,826	1,106	9.4
Total other ordinary income	**13,099**	**12,006**	**1,093**	**9.1**

[1] 2022: Of which CHF 12.500 million from service level agreements within the Group.
2021: Of which CHF 10.750 million from service level agreements within the Group.

Other assets and liabilities

in CHF 1,000	31.12.2022	31.12.2021	Variance absolute	Variance in %
Other assets				
Precious metals	172	276	-104	-37.8
Unsettled derivative financial instruments (positive replacement values)	57,691	46,686	11,005	23.6
• Trading positions	57,450	46,686	10,764	23.1
• Liquidity positions	241	0	241	0.0
Compensation accounts	348	3,239	-2,891	-89.2
Settlement accounts	6,191	8,004	-1,813	-22.7
Miscellaneous other assets	5,393	3,076	2,317	75.3
Total other assets	**69,795**	**61,281**	**8,514**	**13.9**
Other liabilities				
Accounts for disbursement of taxes and fees	3,776	4,643	-867	-18.7
Unsettled derivative financial instruments (negative replacement values)	89,137	82,525	6,612	8.0
• Trading positions	88,498	78,891	9,607	12.2
• Liquidity positions	639	3,634	-2,995	-82.4
Compensation accounts	209	0	209	0.0
Settlement accounts	12,431	64,792	-52,361	-80.8
Miscellaneous other liabilities	1,940	965	975	101.0
Total other liabilities	**107,493**	**152,925**	**-45,432**	**-29.7**

Income and expense analysed by permanent establishment

in CHF 1,000	2022 Domestic	Foreign	2021 Domestic	Foreign
Interest income	85,833	18,665	65,932	8,158
Interest expenses	46,848	9,907	5,815	1,174
Current income from securities	23,264		14,721	
Income from commission business and services	77,754	8,171	87,772	11,008
Commission expenses	12,919	1,729	14,091	2,299
Income from financial transactions	74,254	4,158	42,809	4,117
Other ordinary income	14,866		13,372	
Operating expenses	161,460	19,771	147,060	17,911
Other ordinary expenses	7,117	33	3,861	249

The breakdown between domestic and foreign is based on the domicile of the reporting branches.

The values listed under “Foreign” refer to VP Bank Ltd Singapore Branch in Singapore (business activity: Bank). Adjusted to reflect full-time equivalents, this unit employed 79 persons as at 31 December 2022 (31 December 2021: 80). On a consolidated basis, total operating income in the 2022 financial year amounts to the equivalent of CHF 17.380 million (previous year: CHF 20.471 million) and earnings before tax to CHF –0.380 million (previous year: CHF 4.097 million). The unit received the equivalent of CHF 0.128 million in government subsidies in the 2022 financial year (previous year: CHF 0.325 million).

Report of the statutory auditor

to the General Meeting of VP Bank Ltd., Vaduz

Report on the audit of the financial statements

Opinion

We have audited the financial statements of VP Bank Ltd ('the Company'), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended and the notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 206 to 224) give a true and fair view of the consolidated financial position of the Company as at 31 December 2022 and its financial performance for the year then ended in accordance with Liechtenstein law.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Audit Approach

Overview

Overall materiality: CHF 1,585,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matters, the following areas of focus were identified:

- Impairment testing of due from customers
- Completeness and valuation of provisions for legal and litigation risks

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1,585,000
Benchmark applied	Income from normal business operations (average of the last three years)
Rationale for the materiality benchmark applied	We chose income from normal business operations (average of the last three years) as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. Income from normal business operations represents income before taxes and before changes to the provisions for general banking risks and is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 79,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement.

Reporting on key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of due from customers

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, the Company reported due from customers in the amount of CHF 4.809 billion, of which 0.35 % were assessed as impaired. Due from customers is the Company's largest asset and about 61.3 % are backed by mortgages and 38.7 % by other collateral provided by customers (i.e., mainly in the form of Lombard loans). Due from customers are valued by calculating the expected credit loss. Determining the factors and calculating the expected credit loss and the resulting valuation allowances requires judgement. We consider the impairment testing of due from customers a key audit matter because of the amount they represent on the balance sheet and the significant scope for judgement inherent in their valuation.	Our audit procedures were primarily tests of the proper functioning of the internal controls performed by the Company. We tested compliance with the rules and processes as well as the effectiveness of these controls through risk-based sample testing. In doing so, we assessed the design of the key controls and, on a sample basis, tested compliance with them.

The accounting principles applied to due from customers and the methods used to identify default risk, to determine the need for impairment and to evaluate collateral are described in the annual report. Please refer to page 211 (Principles of accounting and valuation) and page 213 (Notes regarding the balance sheet and income statement: Analysis of collateral).	Where significant scope for judgement exists (e.g., in the valuation of collateral or the estimation of property values), we also challenged Company's decisions with our own critical opinion as part of our substantive audit procedures. Our substantive tests included sample-based testing of loans at risk in the loan portfolio to assess whether an additional valuation allowance was needed. We also assessed the method and accuracy of the calculation of the expected credit losses. Overall, on the basis of our audit procedures, we consider the principles and assumptions applied by the Company to test for the impairment of due from customers to be reasonable.

Completeness and valuation of provisions for legal and litigation risks

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, the Company has recorded provisions for legal and litigation risks of CHF 1 million. The Company is exposed to legal and litigation risks as it operates in a regulatory and legal environment. The completeness and valuation of provisions for legal and litigation risks involves significant scope for judgement. We therefore consider the audit of the accounting for provisions for legal and litigation risks to be a key audit matter. The Company assesses the legal and litigation risks through internal analyses conducted by the department responsible and in cooperation with external legal counsel. The annual report provides details on the accounting and valuation principles for the provisions. Please refer to page 212 (Principles of accounting and valuation) and page 216 (Notes regarding valuation allowances / provisions for general banking risks).	We assessed the accounting principles for the provisions for the settlement of litigation and regulatory proceedings. In doing so, we used a risk-based approach to test the Company's estimates of the amounts for potential claims for damages and the provisions required for such. The evidence we examined included, among others, correspondence with third parties, confirmations from external legal counsel on selected litigation and claims, and the Company's internal analyses. Regarding as yet unidentified risks, we reviewed a sample of customer complaints. In this way, we assessed whether systematic weaknesses existed for which provisions might have to be made. Further, on the basis of our understanding of the Company's business and our inspection of business correspondence, we assessed the completeness of the provisions. Additionally, the completeness of the provisions was evaluated on the basis of selected assessments by external legal counsel. Overall, we consider the basis and assumptions used by the Company to assess the completeness and valuation of the provisions for legal and litigation risks in the course of own audit procedures as reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises all information, but does not include the consolidated financial statements, the stand-alone financial statements, the consolidated annual report, the stand-alone annual report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with the requirements of Liechtenstein law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further information pursuant to Article 10 of Regulation (EU) No 537/2014

We were elected as statutory auditor by the General Meeting on 29 April 2022. We have been the statutory auditor of the Company without interruption since the financial year ending as of 31 December 2020.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

Further, we declare that no prohibited non-audit services pursuant to Article 5 in accordance with Article 10 para. 2 lit. f Regulation (EU) No. 537/2014 Article 5 para. 1 Regulation (EU) No. 537/2014 were provided.

Other confirmations persuant to Article 196 PGR

The annual report (page 205) as at 31 December 2022 complies with Liechtenstein law and the articles of incorporation. The annual report accords with the financial statements and, in our opinion, does not contain any material inaccurate information.

We further confirm that the financial statements and the proposed appropriation of profit comply with Liechtenstein law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Birrer	Tobias Scheiwiller
Liechtenstein Certified Public Accountant Auditor in charge	

Zurich, 3 March 2023

Imprint

This annual report has been produced with the greatest possible care and all data have been closely examined. Rounding, typeset or printing errors, however, cannot be ruled out.

This annual report includes information and forecasts relating to the future development of VP Bank Group. Those forecasts represent estimates based on all information available at the time of publication. Any such forward-looking statement is subject to risks and uncertainties that could lead to significant variances in actual future results. No guarantee can be made as to the reliability of the prognoses, planned quantities or forward-looking statements contained herein.

This annual report has been produced in German and English, whereas the German version will prevail in case of doubt.

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