Talents

Annual Report **2023**

VP BANK

Shaping the future with talent.

Employees and their talents are what make a business successful. This is why managing talent and promoting the diverse skills of its employees is an important part of VP Bank's corporate strategy. It is also actively involved in promoting talent outside of the bank, as part of its sponsorship and further training commitments.

This annual report presents a selection of five projects in which VP Bank is active in various areas of talent promotion.

Further information concerning these projects can be found in the online report at **report.vpbank.com**.

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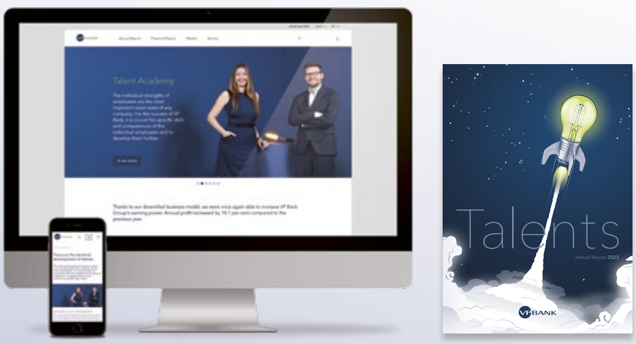
VP Bank at a glance



Annual Report 2023
report.vpbank.com/en

Acceleration of growth in the second half of the strategy.

Dear Shareholders, Ladies and Gentlemen

After a difficult previous year marked by geopolitical uncertainties, the initial months of the 2023 investment year were also fraught with uneasiness. Moreover, the fastest rise in interest rates in recent history posed new challenges for investors and changed the status quo for banks. All things considered, however, the economy proved to be astonishingly robust in 2023. The recession expected by a number of market observers failed to materialise, which led to considerable gains on the equity market. VP Bank shares got off to a positive start in the 2023 stock market year, but then had to give up some their gains before closing practically unchanged at the previous year's level. However, owing to the dividend payment, VP Bank shares posted a performance comparable to that of the Swiss market as a whole.

VP Bank earns 10 per cent more than in previous year

On account of its diversified business model, VP Bank once again succeeded in increasing its profitability. Operating income increased by 8.3 per cent to CHF 364.4 million. This increase was driven primarily by interest income and income from trading activities, whereas income from commission business and services came in roughly at the previous year's level. Operating expenses increased in line with expectations by 7.7 per cent to CHF 313.5 million. They include extraordinary compliance expenses for adjustments made to the client portfolio, as well as the announced increase in depreciation and amortisation due to investments that were made. In all, higher corporate earnings and normalised cost growth resulted in net income for the year of CHF 44.2 million, which represents an increase of 10.1 per cent compared with the previous year. The significant appreciation of the Swiss franc affected the result: VP Bank makes less than 30 per cent of its corporate earnings in Swiss francs, whereas almost 80 per cent of its costs are in this currency. If exchange rates had remained constant, net income for the year would have grown by around 30 per cent.

In 2022, Russia's war of aggression against Ukraine and the related sanctions on persons with a Russian background led to a withdrawal from business with Russian clients. This strategic business decision, together with the revision of client documentation, resulted in broader adjustments being made to the client portfolio, which in 2023 is reflected in the development

Paul H. Arni (left) and Dr Thomas R. Meier of new money. However, new money inflows compensated for initiated outflows, such that the Group's net new money inflow stood at CHF 27 million at the end of 2023. VP Bank Group's client assets under management were roughly at the previous year's level, coming in at CHF 46.4 billion as of the end of 2023. Compared to its competitors, VP Bank continues to demonstrate excellent financial stability and high liquidity. The tier 1 ratio was 24.9 per cent, and the liquidity coverage ratio was 305.8 per cent.

New offerings for clients

We launched a number of important products and services in 2023. The investments made in an Open Wealth-ready IT and service architecture will now enable us to more easily integrate innovative third-party providers and to develop new services in a quick and agile manner. Our clients also benefited from this in the previous year. For example, we expanded our range of services to include digital client onboarding for intermediary clients and digital lombard lending for private clients. In addition, time deposits can now be fixed with just a click of the mouse. In the Liechtenstein home market, we introduced VP Bank Nova, a range of products for young adults, which closed a significant gap in the existing offering. The package solutions for payment transactions and for wealth planning and creation will in future play an important role in appealing to and winning over the young generation. Moreover, the further expansion of wealth planning capacities enables us to provide clients with advice that is even more comprehensive.

Strategy cycle at halfway point and on course

VP Bank started the new strategy cycle in 2021 and is now at the halfway point. Although the geopolitical and interest rate environment continued to be challenging, VP Bank stayed on course and systematically pushed ahead with strategy implementation. It made the necessary investments in the future and laid the foundation for an Open Wealth-ready IT and service architecture. The quality of the risk management system was markedly improved, which also proved robust in a changed interest rate environment. In addition, VP Bank transitioned its organisation to a regional target structure, which will further support the growth path in the regions.

In the second half of the strategy, we will now work to further accelerate growth by increasing the profitability of our strong existing core business over the long term. In line with the regional market cultivation plans, we will further enhance our value proposition in 2024. Cost growth will normalise through active cost management and the drop-off in depreciation and amortisation. We are confident that this will allow us to achieve our financial goals, namely annual income growth of between 4 and 6 per cent, annual net new money growth of at least 4 per cent, a tier 1 ratio of more than 20 per cent and a cost/income ratio of less than 75 per cent by 2026.

Changes to the Board of Directors and the Executive Board

The Executive Board and the Board of Directors experienced changes in 2023. In April, Stephan Zimmermann and Stefan Amstad were elected to the Board of Directors at the annual general meeting. Michael Riesen declared his intention not to seek re-election and stepped down from his position on the Board of Directors after nine years in office. In addition, after a total of six years in office and two terms as Chairman of the Board of Directors, Dr Thomas Meier decided not to stand for re-election at the annual general meeting. The early announcement should ensure a seamless passing of the baton. The Board of Directors plans to elect Stephan Zimmermann as its new chairman, with the handover scheduled to take place after the 2024 annual general meeting. Furthermore, the Board of Directors proposes that the annual general meeting elect Dr Dirk Klee as a new member of the Board of Directors and re-elect Philipp Elkuch for a term of office of three years.

In April 2023, the Board of Directors appointed Dr Mara Harvey, Head of Region Europe, and Dr Rolf Steiner, Head of Group Products & Solutions, to the Executive Board of VP Bank Group. The appointment of Mara Harvey represents VP Bank's commitment to its international orientation; Rolf Steiner's appointment represents its commitment to Group Products & Solutions, a key division for VP Bank Group. At the beginning of August, Adrian Schneider, Head of Region Liechtenstein & BVI, became the final new member to round out the Executive Board.

Proposed dividend

The Board of Directors proposes that the VP Bank annual general meeting of 26 April 2024 approve an unchanged dividend pay-out of CHF 5.00 per registered share A and CHF 0.50 per registered share B. At 69.5 per cent of Group net income, the envisaged dividend pay-out 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.

Thank you

We would like to thank our clients and shareholders for the loyalty they continue to show to VP Bank. We also owe our employees a special debt of gratitude. Thanks to their commitment and extraordinary effort, we were able to complete the first half of our strategy with success. On behalf of the Board of Directors and the Executive Board, we would like to take this opportunity to expressly thank all of our employees for this. Our employees are VP Bank's most valuable and decisive competitive advantage. The promotion of our employees and their talents is therefore an important concern for us. This is also highlighted by this Annual Report, which is dedicated to the topic of talent.

Dr Thomas R. Meier
Chairman of the Board of Directors

Paul H. Arni
Chief Executive Officer

› Promotion of talents

Promoting talents guarantees us success.

“My best investment is loyalty to my band, my team and my partners,” says Swiss musician jan SEVEN dettwyler in Telescope, VP Bank’s investment magazine (12/2023). That is the ultimate sign of appreciation. What makes this so worthwhile?

Discovering, inspiring and promoting talents

It is no secret that showing appreciation leads to loyalty, long-term partnerships and shared successes. Just as in the music industry, the same holds true in the financial world. Retaining and promoting employees are decisive aspects for ensuring long-term success in every sector and in every enterprise. That is the impetus behind Excite Talents and Grow for the Future, two important pillars of VP Bank’s People Strategy. The aim: discovering, inspiring and promoting talents.

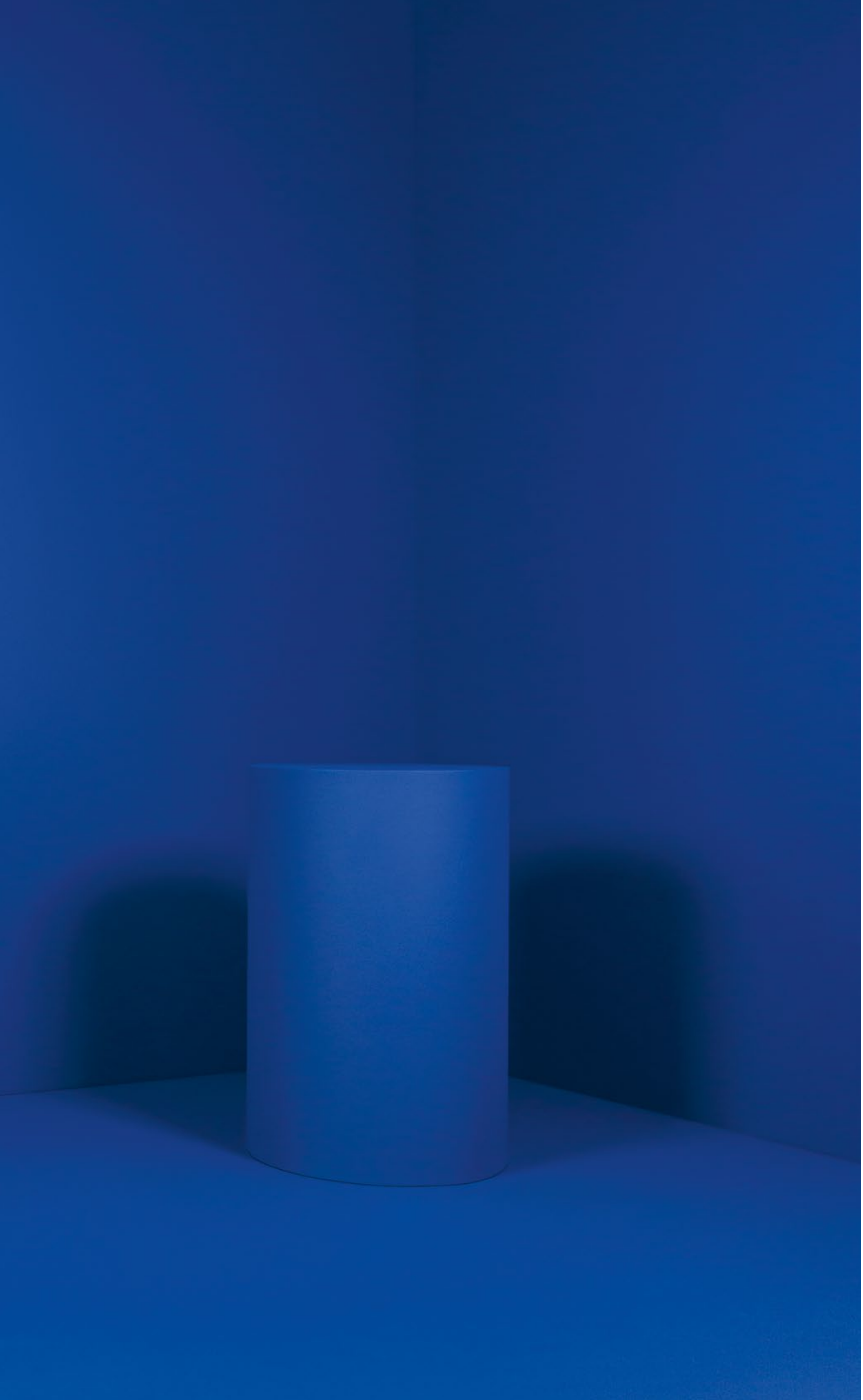
Everyone has specific abilities and skills – in other words, talents. Employee’s talents begin to emerge as early as the trainee stage, and they continuously evolve over the course of a career with gained experience. Discovering, inspiring and promoting talents is a continual process both with career starters and with specialists, as well as with managers.

Chantal Büchi

Head of Group Human Resources

“Promoting talents is a continuous process that extends across an employee’s entire career, and it pays off for us in the long run. It involves more than simply fostering existing skills. It also means giving employees room for personal growth in order to identify talents that had previously been hidden. VP Bank sets great store by holistic talent development, and it creates an environment that enables employees to cultivate their abilities.”

// The best investment is the one we make in developing our employees. //

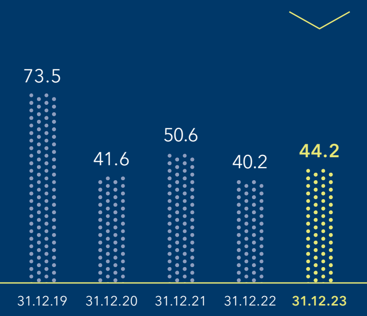


01 〉Review of 2023

Financial year in figures

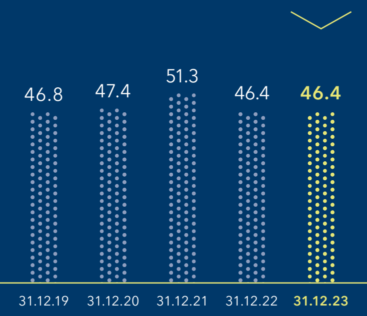
Net income
CHF million

+10.1%



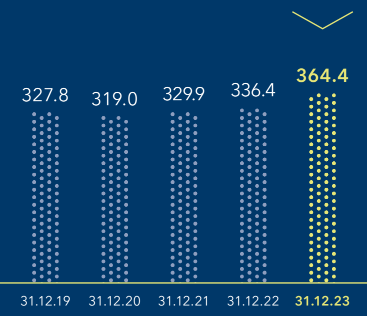
Client assets[1]
CHF billion

0.0%



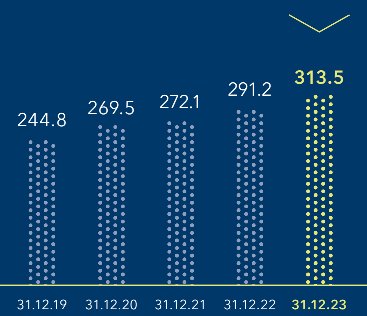
Total operating income
CHF million

+8.3%



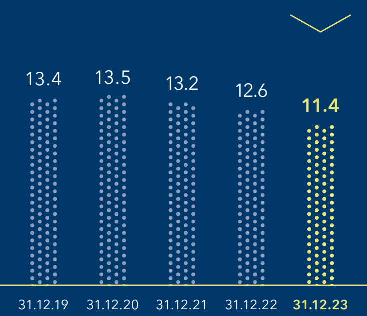
Operating expenses
CHF million

+7.7%



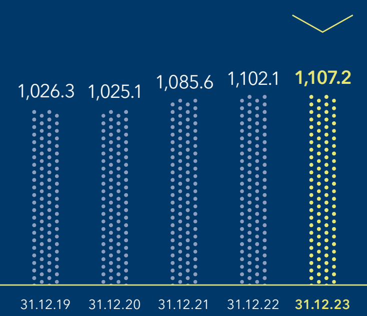
Total assets
CHF billion

–9.4%

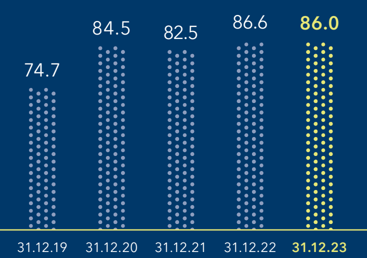


Total shareholders' equity
CHF million

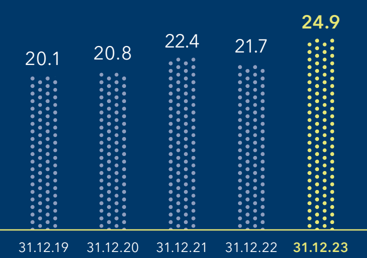
+0.5%



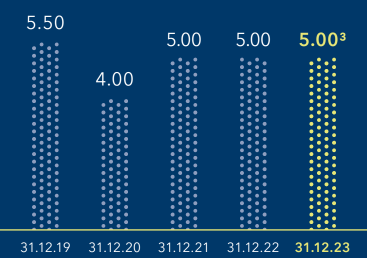
Cost/income ratio[2]
in per cent



Tier 1 ratio
in per cent



Dividend
CHF



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

Key figures of VP Bank Group

	2023	2022	Variance in %
Key income statement data in CHF million[1, 2]			
Total net interest income	133.6	121.5	10.0
Total net income from commission business and services	137.9	139.6	–1.2
Income from trading activities	85.3	65.5	30.1
Income from financial instruments	6.0	9.4	–35.5
Total operating income	364.4	336.4	8.3
Operating expenses	313.5	291.2	7.7
Group net income	44.2	40.2	10.1
Key balance-sheet data in CHF million[1, 2]			
Total assets	11,449.9	12,631.1	–9.4
Due from banks	1,353.8	1,539.9	–12.1
Due from customers	5,467.5	5,758.9	–5.1
Due to customers	9,505.1	10,833.7	–12.3
Total shareholders' equity	1,107.2	1,102.1	0.5
Equity ratio (in %)	9.7	8.7	10.8
Tier 1 ratio in accordance with Basel III (in %)	24.9	21.7	15.1
Leverage ratio in accordance with Basel III (in %)	9.1	8.0	13.8
Liquidity coverage ratio in accordance with Basel III (in %)	305.8	232.6	31.5
Net stable funding ratio (NSFR) in accordance with Basel III (in %)	156.8	158.4	–1.0
Total client assets under management in CHF million	**46,351.9**	**46,445.9**	**–0.2**
On-balance-sheet customer deposits (excluding custody assets)	9,387.3	10,684.4	–12.1
Fiduciary deposits (excluding custody assets)	600.2	493.0	21.7
Client securities accounts	36,364.3	35,268.4	3.1
Custody assets in CHF million	**4,703.4**	**5,837.2**	**–19.4**
Total client assets in CHF million	**51,055.3**	**52,283.2**	**–2.3**
Business volumes in CHF million[3]	**51,819.4**	**52,204.8**	**–0.7**
Net new money in CHF million	**27.3**	**1,050.4**	**–97.4**
Key operating indicators[2]			
Return on equity (in %)[1, 4]	4.1	3.7	
Cost/income ratio strategy 2026 (in %)[5]	86.0	86.6	
Headcount (expressed as full-time equivalents, excluding student apprentices)[6]	1,007.2	935.0	
Key indicators related to shares of VP Bank in CHF[1]			
Group net income per registered share A[7]	7.19	6.57	
Group net income per registered share B[7]	0.72	0.66	
Dividend per registered share A[8]	5.00	5.00	
Dividend per registered share B[8]	0.50	0.50	
Dividend yield registered share A (in %)[9]	5.7	5.7	
Payout ratio registered share A (in %)	69.5	76.1	
Shareholders' equity per registered share A on the balance-sheet date	179.63	179.92	
Shareholders' equity per registered share B on the balance-sheet date	17.96	17.99	
Quoted price per registered share A	87.60	87.80	
Quoted price per registered share B	8.80	8.80	
Highest quoted price per registered share A	103.00	107.00	
Lowest quoted price per registered share A	80.40	80.20	
Market capitalisation (in CHF million)[10]	580	581	
Price/earnings ratio per registered share A	12.18	13.36	
Rating Standard & Poor's	**A–/Stable/A–2**	**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 Based on the weighted average number of shares (registered share A) (note 11).
8 Subject to approval by the annual general meeting.
9 Based on closing price at year end.
10 Including registered shares B.

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VP Bank shares got off to a positive start in the 2023 stock market year, although they did go on to lose value, closing the year CHF 0.20 lower at CHF 87.60. As a result of high interest rates, rising inflation rates and persistent geopolitical uncertainty, the financial sector as a whole was exposed to a turbulent environment.

Higher interest rates boosted banks' income levels in 2023, although they also incentivised clients to pay back debt (deleveraging). At the same time, however, problems associated with the management of interest rate risks led to a loss of confidence, in particular for some US banks. In addition, high inflation rates and geopolitical uncertainty in Ukraine and the Middle East depressed the general market sentiment. Although VP Bank shares trended upwards at the start of 2023, the price subsequently fell back in the wake of bank insolvencies in the USA and the Credit Suisse emergency in Switzerland.

Overall, VP Bank's share price remained stable in 2023. Taking account of dividend payments (and assuming reinvested dividends), the bank generated a return of 5.0 per cent, compared to a return of 5.7 per cent on the Swiss Bank Index and 6.1 per cent on the Swiss Performance Index.

Consideration of the last three years shows that the daily closing price for VP Bank shares has fluctuated between CHF 80.8 and CHF 124.0. Prices were heavily affected in 2021 by the economic consequences of the COVID-19 pandemic as well as a sharp rise in inflation rates and commodity prices. This subsequently led to a fall in demand for financial stocks. The outbreak of the war in Ukraine led to a further significant fall in the price of VP Bank shares in the spring of 2022. The price spikes at the end of April and the start of May reflect the annual payment of dividends.

Low trading volumes

The short-term performance of the VP Bank share price is sometimes affected by low trading volumes, which can often occur for enterprises with a low market capitalisation. Additional factors in play at VP Bank include its stable shareholder base with three major shareholders, which reduces the free float accordingly, as well as the currently low level of investor interest in financial stocks. An average of 1,872 shares were traded each day in 2023 (compared to 2,117 shares in 2022), with the figure varying between 22 and 12,144 shares per day.

Dividend policy with a long-term focus

VP Bank has been listed on the Swiss Stock Exchange since 1984 and has been able to pay dividends continuously since the outset. VP Bank's stability and excellent capitalisation mean that a balanced dividend policy can be pursued, making it more attractive for investors over the long term.

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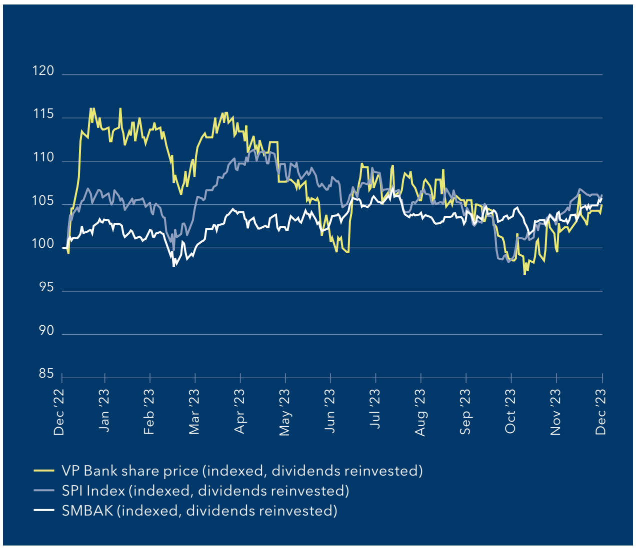
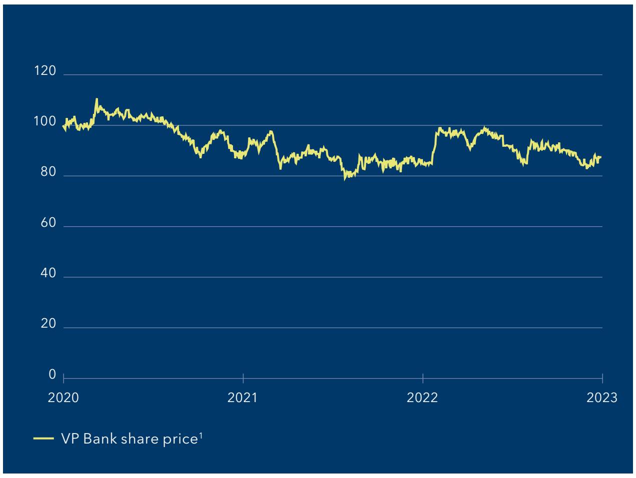
VP Bank share compared to the Swiss stock market

indexed, dividends reinvested



Share price performance 2020 to 2023

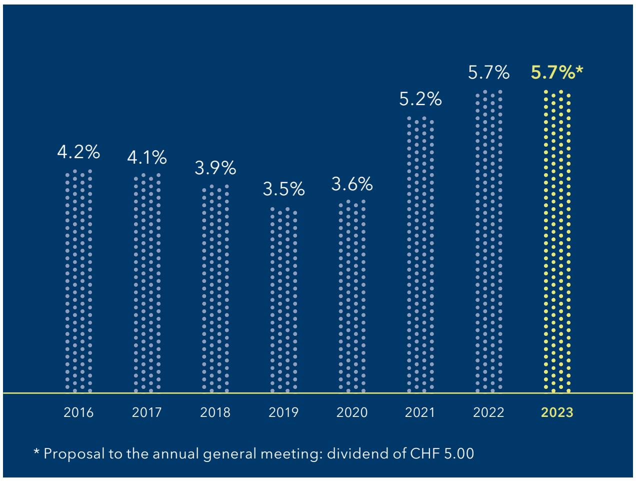
in CHF



[1] VP Bank registered shares A are traded on SIX Swiss Exchange and feature on the SPI. VP Bank registered shares B are not traded on any stock exchange. The par value of each registered share A is CHF 10.00, and the par value of each registered share B is CHF 1.00.

Dividend yield performances of VP Bank shares

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



As a benchmark, in 2014, VP Bank decided that 40 to 60 per cent of group net income should be paid out to shareholders.

Since then, the average payout ratio per registered share A has been 58.3 per cent, reaching 76.1 per cent in 2022 and 69.5 per cent in 2023 (proposal to the annual general meeting), and thus above the upper end of the benchmark of 60 per cent. This is proof of the confidence that the Board of Directors has in the bank's profitability and stability. In 2023, as previously in 2022, the dividend amounted to CHF 5.00 per registered share A, corresponding to a dividend yield of 5.7 per cent.

Thanks to the continuous payment of dividends, the VP Bank share qualifies as a Swiss "dividend share" and has also featured for a number of years in the rankings of the most attractive dividend shares prepared by major financial media publications (Finanz und Wirtschaft, Cash, Handelszeitung).

KPIs for registered shares A and B

Registered share A	2023	2022
Shares issued[2]	5,582,815	5,547,419
Group net income per share (CHF)	7.19	6.57
Dividend per share (CHF)	5.00	5.00
Registered share B		
Shares issued[2]	5,653,083	5,654,706
Group net income per share (CHF)	0.72	0.66
Dividend per share (CHF)	0.50	0.50
Stock market data (registered share A)		
Year-end price (CHF)	87.60	87.80
High/low (CHF)	103/80.4	107/80.2
Market capitalisation (CHF million)	580	581
Free float at year end (%)	53.15	52.51
Price/earnings ratio (%)	12.18	13.36
Total return (%)	5.0	-3.4

[2] Weighted average of shares issued.

Master data

Registered share A, listed on SIX Swiss Exchange	
SIX symbol	VPBN
Bloomberg ticker	VPBN
Reuters ticker	VPBN.S
Securities number	31 548 726
ISIN	LI0315487269

Important events in 2023

VP Bank remains on track with its ground-breaking products, services and initiatives.

Jan.

"Best Private Bank" for intermediaries in Singapore

VP Bank Ltd Singapore Branch is commended as the "Best Private Bank – Intermediary Service".

March

2022 annual results of VP Bank Group

In a challenging market environment, VP Bank Group posted net income for the year of CHF 40.2 million in 2022. Profitability proved to be resilient, making it possible to invest further in Strategy 2026 as planned.

Best score for "Risk Indicator 1"

Once again, VP Bank is commended by Dun & Bradstreet with the top rating "Risk Indicator 1" for risk and creditworthiness.

Tech Awards

VP Bank and GFT Technologies win the Banking Tech Award for the unique solution for tokenised collectibles as well as the FS Tech Award for digital asset innovation.

April

Signing of the Women in Finance Charter and Advance membership

In signing the Women in Finance Charter and securing Advance membership, the bank underscores its commitment to promoting gender equality within the economy.

60th annual general meeting of VP Bank

At the 60th annual general meeting, the shareholders of VP Bank approve all the proposals of the Board of Directors and resolve to keep the dividend unchanged.

May

Future Workplace

Within the space of five months, VP Bank distributed 1,200 laptops to all locations, thus offering all employees the opportunity to work flexibly from any location.

〉 New products for young adults

Risk Robustness initiative completed

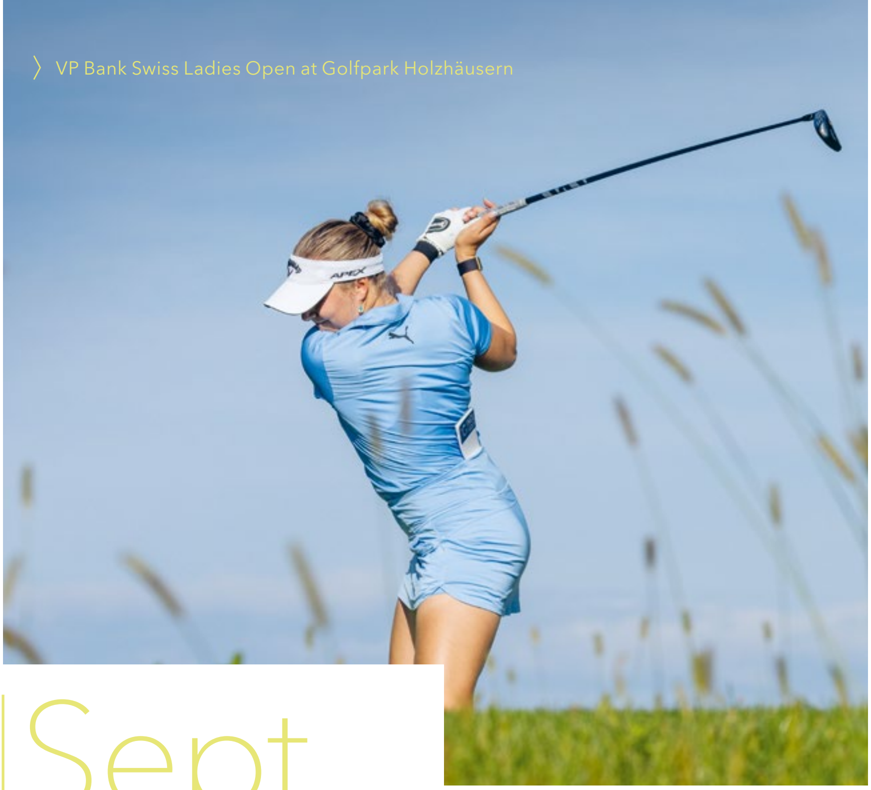
In order to enhance risk management and monitoring and to comply with more stringent regulatory requirements, VP Bank monitors and adjusts the respective framework conditions and processes as part of the Risk Robustness strategic initiative.

June

First digital client onboarding for intermediaries

As part of its Strategy 2026, VP Bank further enhances its digital services for clients by investing in an open, flexible IT and service architecture and successfully rolls out digital client onboarding for intermediaries.

〉 VP Bank Annual General Meeting



VP Bank Swiss Ladies Open at Golfpark Holzhäusern

New product line for young adults

With VP Bank Nova, the bank introduces a new product line for the next generation, offering tailor-made private banking solutions for young clients.

July

Target Gender Equality

VP Bank participates in the UN's Target Gender Equality programme with the aim of improving gender diversity within the ambit of its Sustainability Plan 2026.

Aug.

Semi-annual results of VP Bank Group

VP Bank increased its semi-annual profit by 19 per cent to CHF 25.5 million, staying on track with the implementation of its strategy.

Sept.

Vaduz Food Festival 2023

VP Bank's recent culinary commitment at the food festival also involves financial education for children.

VP Bank Swiss Ladies Open

The fourth edition of the international VP Bank Swiss Ladies Open is held at Golfpark Holzhäusern from 15 to 17 September 2023.

15 years of VP Bank in Singapore

VP Bank celebrates its 15th anniversary in Singapore with its branch acquiring new, modern office premises.

Oct.

Excellent annual report

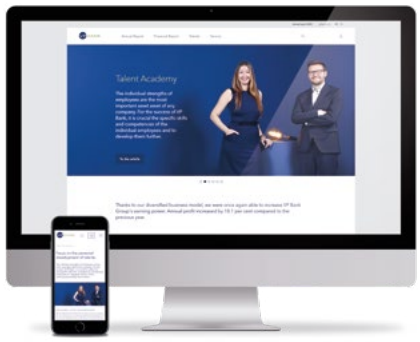
VP Bank Group's annual report wins six international awards in 2023.

Nov.

Annual philanthropic event

Numerous social and charitable institutions receive donations at the VP Bank Foundation's "Lichtblick" philanthropic event.

You can find the complete 2023 year-in-review with further highlights online.



2023 in review
vpbank.com/review

VP Bank Singapore

New offerings

VP Bank regularly reviews its products and services and enhances them in line with client needs. The additional solutions we create are directed at digitally savvy clients, young adults and people interested in financial planning. We also introduced a new offering for charitable foundations.

The banking business is constantly evolving – which calls for an optimised offering of products and services. New products and services are very often developed in close collaboration with clients and partners. The investments made in an Open Wealth-capable IT and service architecture enable VP Bank to connect innovative third-party providers more easily and to develop the bank's in-house services more swiftly.

Digital client onboarding for intermediary clients

In 2023, VP Bank became one of the first banks to offer digital client onboarding for intermediary clients. This enables intermediaries to conveniently apply for their client relationships digitally, which simplifies the process for intermediaries considerably and leads to increased efficiency.

Digital granting of lombard loans and time deposits

Private clients also benefit from the ongoing development of digital services. The digital VP Bank client portal contains numerous enhancements – for instance, it became possible in 2023 for lombard loans to be granted digitally. Clients can view the total lending value of their portfolio and their available credit in the client portal. If interested, they can apply for the lombard loan directly in the client portal, thereby gaining easy access to more liquidity. In addition, time deposits can now be fixed with just a click of the mouse.

Moreover, VP Bank introduced eBill in its client portal, representing the next step on the path towards digitising and simplifying payment transaction processes.

Virtual space in the metaverse

VP Bank can now also be found in the metaverse: With the creation of a virtual space in VP Bank design, interested parties can at any time view assets tokenised by the bank and obtain more background information about the items and their artists. The aim is to emotionalise digital assets and strengthen client identification.

Straightforward banking packages for young adults

In addition to digitisation, enhancements have also been made to the offering for young adults. The VP Bank Nova product line offers the next generation numerous services at no charge, along with attractive preferential terms and conditions on investments. The aim of the offering is to enable young adults in Liechtenstein and Switzerland to save in a targeted, flexible manner.

New mandate for management of foundation assets

In 2023, we also launched the pilot phase of the wealth management mandate for charitable foundations. The mandate covers the professional management of foundation assets. It assures continuous income without depleting foundation capital. Here, VP Bank uses income and distribution components across traditional asset classes. This allows foundations to focus on realising their foundation purpose.

Expanded advisory offering in Singapore

In Asia, VP Bank expanded its product range to align it with the Group: the two advisory packages VP Bank Advice Comfort and VP Bank Advice Premium were introduced in January 2023. The packages cover the entire spectrum of a professional investment advisory service. Clients also benefit from access to current market information, investment ideas and experts.

Comprehensive financial planning for worry-free retirement

Wealth planning has been part of VP Bank's catalogue of services since 2023. The new services in this area comprise long-term financial planning with a focus on retirement. With a future-oriented financial plan, VP Bank offers its clients an optimum tool for depicting and weighting their financial plans according to their specific preferences and for obtaining a comprehensive basis for making decisions. The wealth planning services are available independently of specific implementation at VP Bank. However, VP Bank is happy to assist clients upon request in putting their financial planning into practice.

In 2023, VP Bank reached the midway point in its current strategy cycle. It is on track with its implementation and has reached important milestones even in what continues to be an extremely challenging environment.

VP Bank's strategy is based on three major trends: accelerated digitisation, the increasing importance of sustainability and the transfer of major assets to the next generation. In line with these trends, the bank continues to develop its core business in its home market of Liechtenstein and at its five international locations. At the same time, it is selectively venturing into new business areas, combining traditional banking with the advantages of digital ecosystems.

Foundations laid

In the first half of Strategy 2026, VP Bank invested in its core business and in the foundations of the strategy. Specifically, risk management was strengthened by modernising the client verification process and risk steering was optimised. This also enabled VP Bank to, among other things, improve the stability of credit risk management and review its whole range of client documentation.

In addition, technological foundations for Open Wealth were laid, as an open IT system architecture forms the backbone of Strategy 2026. The IT infrastructure was therefore migrated to Swisscom, and the IT architecture was modernised. As a result, VP Bank now has an open, flexible infrastructure, enabling Open Wealth Services to be developed quickly and in an agile way. At the same time, cyber security was also stepped up to withstand today's threats.

In order to create a more solid foundation for further growth, VP Bank has also rigorously focused its organisational structure on marketing and sales activities. International management was strengthened and pooled in the regions Liechtenstein, Europe and Asia, which report directly to the Group CEO. As of 1 January 2023, a new Group Products & Solutions division was established to create and enhance VP Bank Group's range of services, which will combine the corresponding competences.

This fundamental investment phase associated with the strategy developed in line with expectations and peaked in 2022. The investment phase in the strategy is now complete.

Accelerating growth

Following the completion of the investment phase, VP Bank is heading into the important phase of growth acceleration. VP Bank now has a strong, robust risk management framework and an organisational structure that is strategically focused on regional marketing and sales activities. Thanks to its new IT and services architecture, VP Bank is now in a position to implement its business model quickly and in an agile way. Processes can be made more efficient and the business can be scaled more easily.

Clients benefit from the Open Wealth-compatible IT and services architecture in which products and services can be easily developed or further developed and customised, also with the involvement of complementary, innovative third-party providers. VP Bank has already launched its initial new client services, including, for example, digital client onboarding for intermediaries, tokenisation of physical assets, the automatic granting of lombard loans and the digital setting of time deposits.

Regional development plans

Growth is being driven by regional development plans, tailored to local conditions. These plans aim to optimally link VP Bank's strengths in the area of intermediaries and private clients with market-specific conditions to achieve sustainable, profitable growth. In particular, this involves systematically bringing established and new client services to market, supported by the enhancement of the value proposition. The existing product and price landscape will be harmonised and simplified, based on clear market coverage. VP Bank also plans to update its advisory process for private banking and further expand its relevance as a preferred contact for intermediaries. The further development of the value proposition will be carried out in close collaboration with the regional development plans and should support the growth path in the regions.

VP Bank's financial 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 2021–2026
[2] Operating expenses / operating income


› Talent Academy

Focusing on personal development and talents.

The individual strengths of its employees are the most important asset of any enterprise. Using the diverse, specific skills of individual employees in a targeted manner and continuously enhancing them are key to the success of VP Bank.

Talent Academy – room for personal development

The Talent Academy is a programme offered by VP Bank as part of its Grow for the Future strategy that focuses on the personal development of employees. Following a talent identification process, up to 20 people are chosen each year to participate in the Talent Academy. Four criteria guide the selection: commitment to the VP Bank culture, ability to change, a growth mindset and readiness to take the next step in development.

VP Bank strives to ensure that the participants constitute a balanced mix of employees from the Group's various locations and departments. All of them complete various modules over the course of a year. The modules focus on imparting methodological knowledge based on design thinking skills. In addition, participants are offered the opportunity to take part in a two-day hackathon, where they work on a real-world business challenge and develop ideas or solutions for it.

An alumni event is also held once a year, giving the current Talent Academy class the chance to mingle with participants from previous years. The aim of the event is to cultivate and expand personal networks within VP Bank.

Sonia Garcia Luis

Head of Group Brand Management & Client Experience

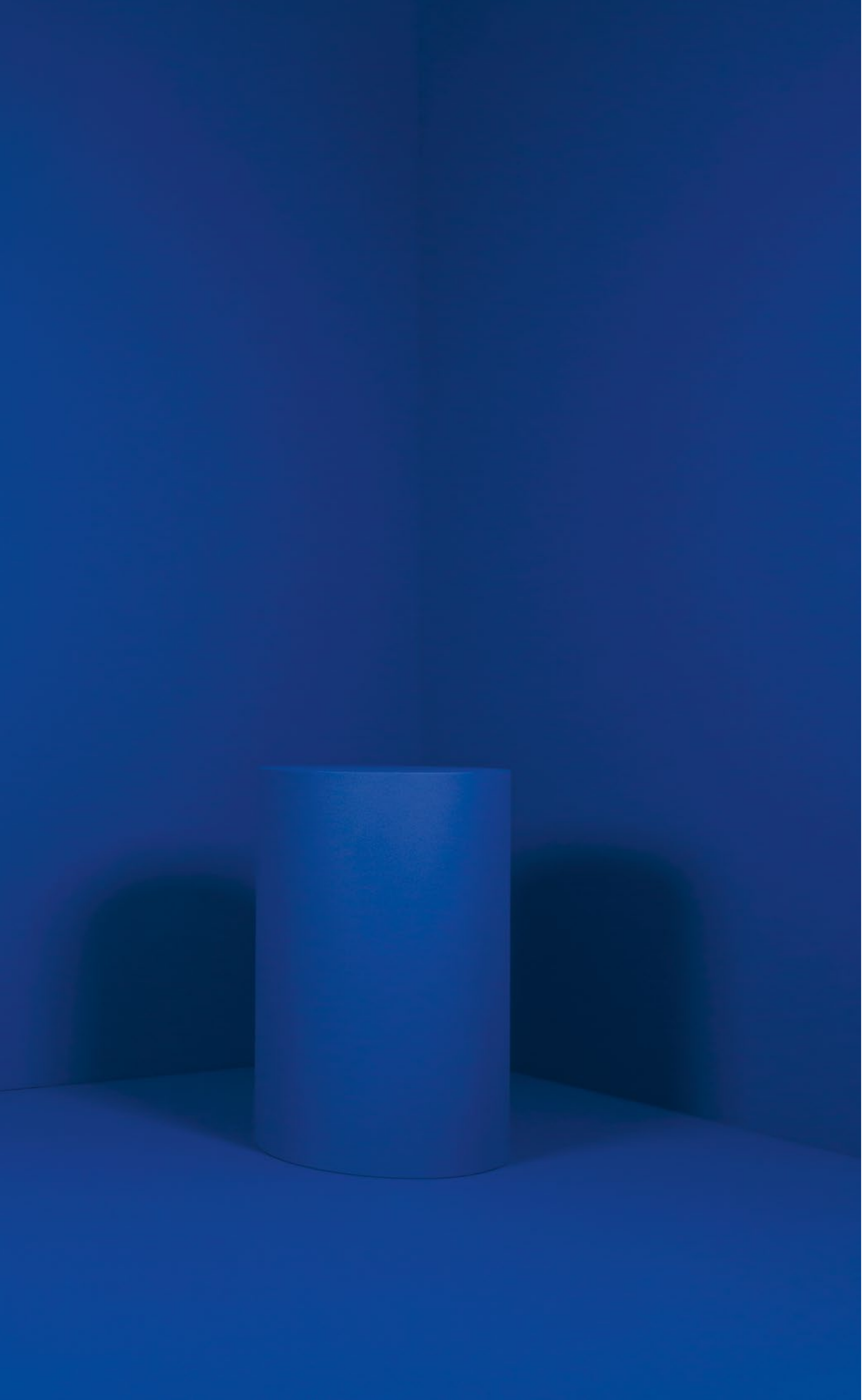
"The Talent Academy gives you the opportunity to put design thinking to direct use. For instance, I was able not only to become acquainted with the method but also to contribute ideas for a complex task in a very short period of time."

Fabian Gstöhl

Consultant Business Development & Support

"For me, it was impressive to watch how a team with participants from various departments and locations worked together to develop solutions at a hackathon. I also had the opportunity to meet employees from other locations outside the usual work environment. Each participant contributed a different perspective to the process of finding a solution. Aspects were addressed that I personally would never have thought of. It was an exciting experience for me."

Read this page online
vpbank.com/talentacademy-en



02 › VP Bank at a glance

Since its incorporation in 1956, VP Bank has stood for innovation, competence and courage. It remains true to these basic principles to this day.

Founded in 1956 in Vaduz, Liechtenstein, VP Bank has grown from a friendly local bank to become Liechtenstein's third-largest bank and an internationally active financial services enterprise. The bank's founder, Guido Feger, was 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 and are also firmly rooted in VP Bank's corporate values today.

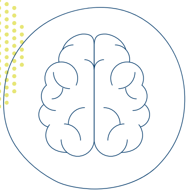
Pioneering spirit for more than 65 years

Since it was founded, VP Bank has shown time and again that it is not only able to manage fundamental changes in the prevailing framework conditions but can also exploit them for strategic purposes for the benefit of its clients. It has always developed innovations. For instance, in 1969, it was the first bank in Liechtenstein to introduce a salary account for cashless payment transactions, going on to put an ATM into operation in 1970 – a first for Liechtenstein. In 1983, VP Bank wrote a piece of Liechtenstein financial centre history when it became the first enterprise in the country to be listed on the stock exchange.

Entrepreneurial agility and pioneering spirit still characterise VP Bank today, which is reflected in the current corporate strategy – to combine traditional banking with the advantages of digital ecosystems. Indeed, in 2021, VP Bank became the first bank to tokenise a work of art. Since then, it has been playing a pioneering role in the field of digital assets. In addition, since 2023, intermediaries have been able to apply for their client relationships at VP Bank digitally – a service not previously available on the market.

Focus on the client experience

Engaging in ongoing dialogue with its clients, VP Bank will continue to offer innovative, competent solutions in the future – always with the aim of further enhancing the client experience.



We explore

We look beyond the horizon, welcome new ideas and learn from our mistakes.

We care

We make time for each other and value a diversity of opinions, knowing we can achieve more together.

We achieve

We tackle challenges head-on and deliver solid results, preferring even small steps forward to standing still.

Stability and financial strength are the hallmarks of VP Bank. In addition to its solid business model, the bank has a conservative risk policy and anchor shareholders that take a long-term view.

The stability and financial strength of VP Bank can be seen in its solid balance sheet and strong capital base, which significantly exceeds the regulatory requirements of the supervisory authorities. An "A–" rating from Standard & Poor's with a stable outlook vouches for the bank's financial strength.

Sustainable risk management

VP Bank has a solid, transparent business model. In its international markets, it focuses on private banking and business with intermediaries. In Liechtenstein, it operates as a universal bank. The bank provides asset servicing from Liechtenstein and Luxembourg, including fund management and custodial activities.

In this way, VP Bank is able to reduce the complexity of international banking operations. Also playing a key role in this regard is risk management, which is adapted in a flexible manner to meet current market conditions and is continuously optimised. Every year, VP Bank's comprehensive risk management approach receives the top rating "Risk Indicator 1" from Dun & Bradstreet Worldwide, confirming its success.

Stable shareholder base

A large proportion of VP Bank's 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. With their forward-looking approach, long-term planning and a focus on sustainability, the foundations are guarantors for the bank's continuity and stability. In the core market of Liechtenstein, these three foundations are of great financial importance and underscore VP Bank's status as a system-relevant institution.

Shareholders	Percentage of votes	Percentage of share capital
"Stiftung Fürstl. Kommerzienrat Guido Feger" foundation	46.6%	23.0%
"U.M.M. Hilti-Stiftung" foundation	10.3%	9.7%
"Marxer Stiftung für Bank- und Unternehmenswerte" foundation	6.3%	11.4%

As of 31.12.2023

Locations

VP Bank is one of the three largest banks in the Liechtenstein financial centre. In addition to its headquarters in Vaduz and the service centre in Triesen, VP Bank Group has offices in five other major international financial centres. These locations are managed through a regional and functional organisation.

Locally rooted and internationally present

1

Liechtenstein
- Founded in 1956
- 687 employees
- Location management: Paul H. Arni
- Market responsibility: Adrian Schneider
- VP Bank Ltd
- VP Fund Solutions (Liechtenstein) AG

2

Zurich
- Founded in 1988
- 119 employees
- Location management: Dr Mara Harvey
- Market responsibility: Dr Mara Harvey
- VP Bank (Switzerland) Ltd

3

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

4

Tortola

- Founded in 1995
- 13 employees
- Location management: Dr Marcel Tschanz
- Market responsibility: Adrian Schneider
- VP Bank (BVI) Ltd

5

Hong Kong

- Founded in 2006
- 19 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
- 85 employees
- Location management: Johnny Heng
- Market responsibility: Pamela Phua
- VP Bank Ltd Singapore Branch

VP Bank has a functional management model, which – paired with a strong regional orientation – is able to deal with a high level of complexity and a dynamic, international environment.

All market activities are managed by a stringent functional leadership team across the three regions of Liechtenstein & BVI, Europe and Asia.

Changes in 2023

Since 1 January 2023, the region of Liechtenstein has been 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 Board of Directors of VP Bank Group appointed Adrian Schneider as the new head of this region and as a member of Group Executive Management as of 1 August 2023.

The group-wide expertise for the provision and further development of products and client services was bundled together in the newly created Group Products & Solutions division under the leadership of Rolf Steiner as of 1 January 2023. Dr Rolf Steiner was appointed as a member of Group Executive Management as of 1 April 2023.

The Board of Directors of VP Bank Group also appointed Dr Mara Harvey, Head of Region Europe with the two locations of Zurich and Luxembourg and CEO of VP Bank (Switzerland) Ltd, to the Group Executive Board as of 1 April 2023.

F.l.t.r.: Patrick Bont, Adrian Schneider, Dr Rolf Steiner, Dr Mara Harvey, Dr Thomas R. Meier, Paul H. Arni, Roger Barmettler and Dr Urs Monstein

Shaped by an appreciative leadership culture.

Chairman of the Board of Directors

Dr Thomas R. Meier

Group Internal Audit

Chief Executive Officer

Paul H. Arni*

CEO Office, Group Human Resources,
Chief Investment Officer

Region Liechtenstein & BVI

Adrian Schneider*

Private Banking, Intermediaries,
VP Bank (BVI) Ltd,
Asset Servicing

Region Europe

Dr Mara Harvey*

VP Bank (Switzerland) Ltd,
VP Bank (Luxembourg) SA

Region Asia

Pamela Phua

VP Bank Ltd Singapore Branch,
VP Wealth Management (Hong Kong) Ltd,
VP Bank Ltd Hong Kong Representative Office

Group Products & Solutions

Dr Rolf Steiner*

Group Business Risk Management, Development & Support, Private Markets & Sales Management, Group Product & Service Center, Group Credit Office, Group Marketing & Client Experience

Chief Risk Officer

Patrick Bont*

Group Compliance & Operational Risk, Group Legal Services, Group Credit Risk, Group Financial Risk, Group Governance, Group Information Security

Chief Financial Officer

Roger Barmettler*

Group Finance, Group Treasury & Execution, Group Financial Management & Reporting, Investor Relations

Chief Operating Officer

Dr Urs Monstein*

Group Project Management, Core IT Services, Front IT Services, IT Service Management & Workplace, Group Operations, IT Architecture

The structure of VP Bank Group and its organisational units as per segment reporting can be found on page 159 et seq.

Organisational chart as of 31.12.2023

* Member of Group Executive Management

It is the people who write the history of VP Bank, and they have done so since it was founded in 1956. Over 1,000 employees provide an exceptional client experience in our home market of Liechtenstein and at our five international locations.

Teamwork across cultures and national borders

The Liechtenstein word "zemma", meaning "together", is what our employees are committed to. Because you achieve more "zemma". Worth highlighting here, in particular, is the collegial networking and collaboration that takes place across the teams and locations. VP Bank is based on a culture in which everyone takes responsibility, offering its employees the freedom and latest technologies to develop their ideas and thus carry on the bank's innovative spirit. It's a culture that everyone can benefit from – both employees and clients.

Variety and diversity

Variety and diversity form an integral part of the corporate culture, which is reflected in a broad cultural diversity of employees and a high proportion of women for the industry (40.5 per cent). 1,085 employees from 47 different nations work at VP Bank. The average length of service is 7.6 years.

Attractive employment conditions

Those working at VP Bank benefit from a modern working environment, attractive employment conditions, remuneration in line with market conditions and flexible working time models. Over and above this, the bank supports its employees in a variety of ways, be it with balancing work and home life, preparing for retirement or providing opportunities for sabbaticals and coaching. In a world that is rapidly changing, VP Bank also invests in the continuous development and thus the employability of its employees by offering a diverse range of internal and external training opportunities.

1,085
employees

40.5%
women's quota

Employees from
47 nations

Length of service
7.6 years

Young talent

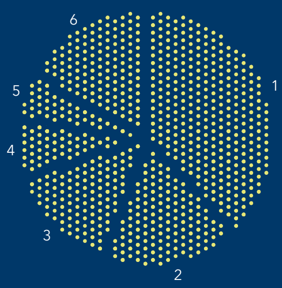
VP Bank offers young people extensive training. Each year, it hosts up to seven commercial and IT trainees at its locations in Liechtenstein and Switzerland. Highly trained instructors complement the trade schools and pass on their industry knowledge, thereby ensuring that trainees can apply their knowledge 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. A significant number of the trainees remain in the business and make the most of the opportunity to develop themselves further at VP Bank. With development programmes for students and university graduates, the bank offers young talent a wide range of opportunities to enter the financial industry.

Award-winning

Receiving a number of different awards is confirmation that investing in employees is a worthwhile thing to do. In 2023, VP Bank in Singapore received three prestigious awards in Human Resources. They included the Excellence Award with a silver award in Talent Management and two silver awards in Talent Management and Employee Experience & Wellbeing, which are awarded by the Singapore Human Resources Institute.

Nationality of VP Bank Group's employees

1. Switzerland **38.2%**
2. Liechtenstein **17.4%**
3. Germany **14.5%**
4. Austria **7.5%**
5. Singapore **6.0%**
6. Rest of the world **16.4%**



The success of VP Bank is closely linked to the success of its clients. As such, long-term client relationships and catering to individual client requirements lie at the heart of our everyday actions.

Assets and wealth management are a personal affair. During times of diversity and interchangeability, sound advice and trust are of the utmost importance. VP Bank therefore places great value on personal, long-term client relationships. By continuously expanding its digital services, VP Bank is responding to the changing needs of clients with regard to the degree of digitisation of banking services.

Focus on client needs

Tailor-made solutions and client-focused product development are not empty buzzwords for VP Bank; they reflect the fact that clients' needs are the core focus of its everyday actions. Thanks to its Open Wealth-ready IT and service architecture, VP Bank is able to quickly and efficiently adapt its offerings to rapidly evolving client needs. However, the constantly evolving banking business also calls for an understanding of clients' needs in holistic terms so that they can be catered to quickly with an optimised range of products and services.

Clients are closely involved in the product development process based on long-term partnerships rooted in trust. This means that their needs are taken into account at the early stages of product development and are incorporated into products and services accordingly. For instance, in 2023, digital client onboarding was intentionally launched together with intermediaries so their valuable feedback could be channelled into the development process. VP Bank also incorporates feedback from intermediaries into the development of the VP Bank client portal.

The client's opinion counts

Individual advice and personal client relationship management are priorities for VP Bank. As a result, client satisfaction is measured group-wide at regular intervals and appropriate measures are devised in response. The last survey by an independent institution was carried out in 2019. Whereas intermediary clients are most satisfied with VP Bank's digital range, direct clients are particularly appreciative of advisors' reliability, the speed at which concerns are addressed and their relationship of trust with advisors. The next client survey by an independent institution will be carried out in 2024.

Aside from the large-scale surveys conducted group-wide, VP Bank also engages in active client feedback management on an ongoing basis. The feedback relating to services and advisory quality that is received and analysed as part of this process is used to constantly optimise products and services.

VP Bank Group has the right size and international experience to be able to offer innovative, top-notch 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. VP Bank also makes its in-depth expertise, personal advice and its international network available to wealthy private clients. In its home market of Liechtenstein, retail and corporate client business is a further strategic focus area.

Innovation and digitisation

VP Bank is focused on the future. It drives innovation forwards by being open to new technologies, products and services and not only follows trends but also seizes the resulting opportunities. It combines traditional banking business with innovation and digitisation.

VP Bank sets itself apart in particular with its digital client onboarding for intermediaries. With the state-of-the-art offering, intermediaries are able to apply for their client relationships at VP Bank digitally. The data is then recorded electronically, with the necessary forms created automatically before being submitted with an electronic signature to VP Bank for review and onboarding. Client identification is confirmed in a straightforward manner via a video call. This modern process has considerably increased the efficiency of intermediaries.

VP Bank was added to the token and TT service provider register (trustworthy technologies), 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. Tokenisation enables a broad range of creative solutions to be created quickly in order to cater to client requirements, whether the priority is a fast, fair and above all cheap division of assets within the ambit of estate planning, access to a fascinating new asset class or highly interesting philanthropic solutions. With an offering that currently includes works of art, watches, diamonds and musical instruments, VP Bank has been moving into new business areas since 2021 and playing a pioneering role at the international level. VP Bank's tokenisation solutions are proof of its capacity for innovation and its readiness to blend new developments and established traditions.

Commitment to sustainable development

VP Bank is convinced that investments which have a positive impact on the environment and society are compatible with growth, profitability and stability.

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 was developed to make it possible to evaluate financial instruments in terms of sustainability criteria. It measures an investment's degree of sustainability with reference to various criteria and is interpreted more broadly than pure ESG ratings.

VP Bank takes account of sustainability aspects by carefully selecting individual investments and funds. All recommended investments must have a minimum level of sustainability. With the "Sustainable Plus" range, clients with high sustainability preferences have the opportunity to incorporate thematic investments and impact investments into their portfolio as well. Bonds used to finance green and social targets are another option.

Alongside client solutions, VP Bank has also launched product modules with individual sustainability profiles. Since 2022, VP Bank has been offering cost-efficient access to gold within its range of investments in the form of the "Responsibly Sourced Gold Note", which must comply with strict social and environmental requirements. With the VP Bank thematic funds based on VP Bank's sustainability criteria, the financial services provider tracks current megatrends relating to society, digitisation and the environment.

Business areas

- Professional partner for financial intermediaries
- Customised investment and wealth management services for private clients
- Universal bank with retail and commercial banking in Liechtenstein
- Asset servicing with international fund management and custodian bank activities

Client services

- Wealth management
- Investment consulting
- Asset and estate planning
- Financing
- Basic services payment and savings
- Digitisation of assets
- Fund competence centre

VP Bank promotes a spirit of innovation among its employees. The priority afforded to innovation is also firmly rooted in the bank's corporate culture in the form of the "we explore" principle.

Innovation management at VP Bank is a key factor in benefiting from the increasing dynamism of markets and technologies and actively promoting the development of innovative financial solutions. As part of this process, the bank focuses on achieving short market launch time frames. VP Bank uses a variety of methods to identify and implement ideas in order to continue enthusing its clients as a pioneer of new products and services.

Constant project and product development

VP Bank constantly checks which trends may be of strategic interest at project and product level. These checks are carried out by the interdisciplinary "Enterprise Portfolio Board", which includes representatives from various departments. This committee sets priorities and decides on behalf of Group Executive Management which products are to be pursued and launched within VP Bank.

Innovation day

The innovation day is used as a forum for exchanging ideas among the Board of Directors, the Executive Board of VP Bank and external experts in relation to various topical issues. The event takes place once a year. The focus issue in 2023 was process-oriented digital transformation. Participants discussed how VP Bank can use digital technologies to transform and optimise its business processes. This may include the use of automation, data analysis, artificial intelligence and other digital tools with the aim of enhancing competitiveness and efficiency in everyday operations. The results of this dialogue are fed into the project group responsible for the operational implementation of process-oriented digital transformation. This ensures a flow of information between strategic and operational bodies.

Hackathon

In addition to ongoing trend screening and regular dialogue with external experts, VP Bank supports its employees in developing their own ideas, providing various internal mechanisms for this purpose. This includes the hackathon, a module within the VP Bank Talent Academy. The two-day hackathon is an iterative process in which Talent Academy participants engage with current business challenges and develop solutions for them. Various solutions are devised by groups within three sprints – brainstorming, prototyping and project planning – and subsequently presented to Group Executive Management. This process results in the development of ideas for new, innovative VP Bank product lines and applications, such as the new banking packages for young adults in 2023.

Agile product development and product launch

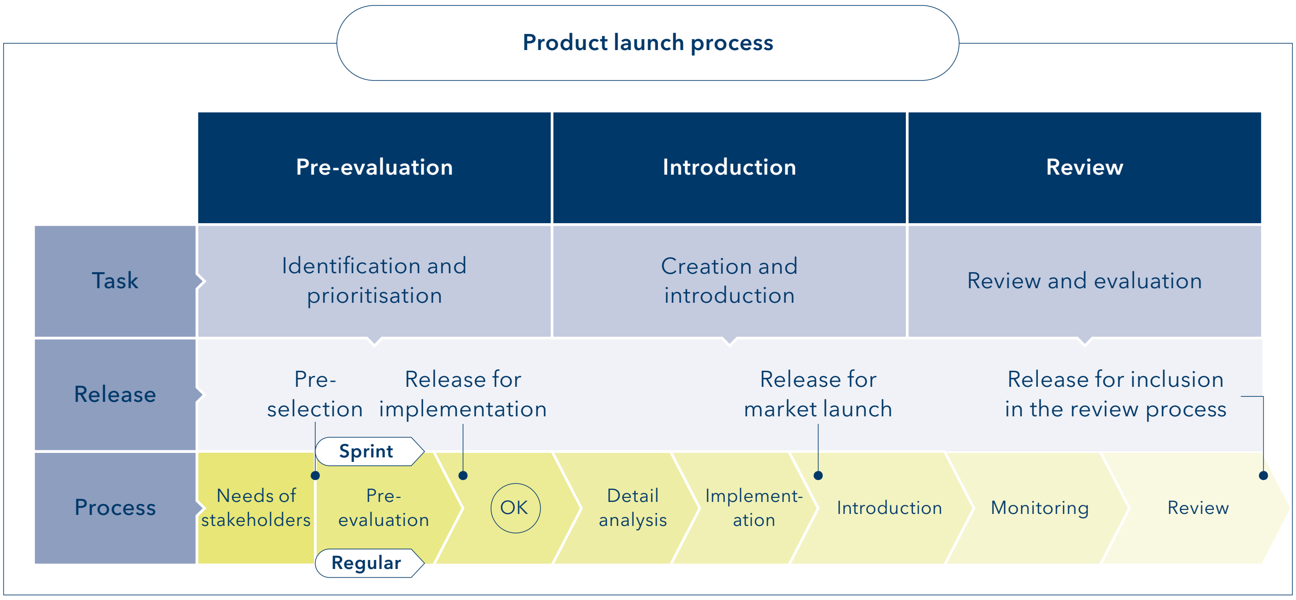
VP Bank aims to decide as quickly as possible whether any idea generated according to the various methods mentioned should be launched as a product. The bank uses the sprint approach as part of an agile product development process, allocating short time frames for individual aspects of the workflow. This enables VP Bank to benefit from short decision-making pathways. The usage of sprints results in faster outcomes.

The product development process and product life cycle management are incorporated into product management at VP Bank, which has been established within the new Group Product & Service Center business area. This is reliant on group-wide transparent control and efficient stakeholder management. This means that client needs, regulatory requirements and the results of trend screening can be collated centrally and efficiently and then broadly coordinated and directed with stakeholders. The product development process operates on three levels: preparation, decision-making, and product launch and review.

Regular product and investment benchmarking

Regular review and development, which involves the benchmarking of previously launched offerings in line with current market trends, is continuously pursued. VP Bank's Group Product & Service Center is also responsible for product benchmarking. Planned adjustments are examined and approved by the Product & Pricing Committee, which includes representatives from the regions and from various departments.

The review process is integrated into product life cycle management and is based on a balancing of existing opportunities and risks.



› Sponsoring ‹

We inspire emotions with our talent.

With our sponsoring partnerships, we offer a platform for talented, ambitious young people. In this way, we help them launch their professional careers. The success of our talent is proof positive that VP Bank's sponsorship projects are effective.

Sponsorship as part of the corporate strategy

It is important to VP Bank that its sponsorship monies are used in a targeted manner and that its sponsorship partners share the same values. For the past several years, the bank has made the fields of golf, music and the culinary arts the pillars of its sponsorship commitments. These partnerships should offer a platform for talented, ambitious young people, be innovative in nature and have a sustained impact.

We support talent with great enthusiasm and out of conviction. However, the sponsorship projects should also contribute to achieving our business objectives. This means gaining relevant attention among the target groups, showcasing VP Bank's products and services and prompting positive emotional responses in our clients.

VP Bank's sponsorship projects

Golf

The **VP Bank Swiss Ladies Open** is a major international tournament that draws countless television viewers each year. The event helps to promote women's golf in Switzerland and around the world.

Music

The **Academy of Music in Liechtenstein** is a renowned music school for young talent. The internationally recognised institution offers young musicians the ability to get a first-rate education and launch their careers.

The **Ensemble Esperanza** is an ensemble of young soloists composed of students at the Academy of Music in Liechtenstein.

Culinary arts

The **marmite youngster** competition is the most renowned competition for young talent in the restaurant sector. At the end of the competition, awards are presented to the top up-and-coming talent in the Cuisine, Pâtisserie, Sommellerie and Service categories.

At the **Vaduz Food Festival,** top chefs and regional restaurateurs present their best dishes, dazzling visitors with delicious treats.

Sarah Uebelhart

Amateur golfer

"The wild card for the VP Bank Swiss Ladies Open was a dream come true for me. I'd always wanted to play at the Swiss Ladies Open on my home course. Seeing Europe's top women golfers on my home course right up close, not to mention getting to play with them, was simply an incredible experience. The experience I was able to gather will be of enormous help to me in my development."

Petar Pejčić

Student at the Academy of Music in Liechtenstein

"The performances in connection with the VP Bank Classic Tour were the result of the long-term partnership between VP Bank and the Academy of Music in Liechtenstein. My experience at the events staged by VP Bank was positive in every respect. It's not often that we musicians are offered the opportunity to speak with the audience after performances, and for me, that was perhaps the best part of the experience."

Fabio Vulcano

Winner of the marmite youngster 2024 competition for young talent in the Cuisine category

"It's great to have a Presenting Partner like VP Bank, which has a large, diverse client base and a wide reach. That gives me the chance to make new contacts, develop myself further and enjoy new experiences."

Read this page online
vpbank.com/sponsoring-en

03 › Strategy and targets

For a number of years, the financial sector has been subject to significant transformative trends and the related changes like no other sector.

Client needs are changing, labour shortages are becoming more acute, regulations are becoming more stringent and technological progress is accelerating. In addition, the recent past has been characterised by increasing geopolitical challenges and a completely changed interest rate environment.

Client needs – generational shift and diversification

The next generation of digital natives are accustomed 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 clients' needs and put them at their disposal.

This generation increasingly want to be involved directly in investment decisions; they are looking for a positive client experience and the convenience of digital products, coupled with expertise. This accordingly calls for a hybrid model with a combination of personal contact and digital services. In particular, personal advice is used as a starting point for understanding, managing and monitoring the enhanced complexity, international reach and options associated with financial services as well as the time dedicated to managing one's own assets.

At the same time, wealthy clients are becoming more international and have bank accounts in various countries. In turn, this will also see demand for cross-border wealth management services rise. This is being driven by geopolitical changes as well as the quest for diversification, stability and security in asset-related matters.

Sustainability – an increase in demand

The transformation to a sustainable economy will require active, innovative support from the financial sector. To find out more about the contribution that VP Bank is making to sustainable development in the financial sector, please see the "Commitment to sustainability" chapter.

Female finance – growing interest

Female finance caters to women's growing financial independence and willingness to invest. Despite the fact that women control a rapidly increasing proportion of wealth, they are often frustrated in their attempts to find an advisory service that suits their needs. This trend is also reflected by the growing interest among women in sustainable investment opportunities. Overall, female finance represents a significant, trailblazing area of the financial sector – one which reflects the opportunities and challenges facing society and the new world of employment.

Technology – new opportunities through digitisation

Fintech companies and pure online banks are increasingly gaining market share in the banking sector. Business model digitisation is an important challenge for traditional banks.

In order to benefit from new technologies, a greater level of cooperation will be required between traditional financial service providers and start-ups, which will enrich the market not so much as competitors but rather as complementary providers within a framework of cooperative competition, or "coopetition".

The tokenisation of assets, involving the digital embodiment of real assets on the blockchain or the issue of traditional asset classes in tokenised form, is a key element of the immense potential of blockchain technology. The benefits lie in increasing efficiency through automation and transparency and enabling entirely new business models.

Another challenging issue for the future is raised by quantum computing. This is a rapidly growing technology which uses the laws of quantum mechanics to solve problems that are too complex for traditional computers. This means that the cryptography currently used will no longer be secure in future. Financial service providers need to start planning for this too.

In addition, data security and cyber security measures are becoming increasingly important, with hacker attacks becoming ever more ingenious. These can result in data loss, financial harm and reputational damage. It is therefore essential to invest in robust processes, technologies and the necessary digital know-how in order to guarantee protection against cyber attacks and to comply with statutory requirements.

Industry – platforms on the march

Banks are increasingly entering into cooperation arrangements with, or acquiring equity interests in, fintech and wealthtech companies so that they can offer focused products and solutions to their clients. This can also result in offers being made by third-party providers via an application programming interface (API) in cases involving digital connectivity or through other forms of cooperation.

The trend towards embedded finance goes hand in hand with the expansion of services to platforms. This is understood as the incorporation of financial services into non-financial services. Embedded finance enables companies from outside the financial sector to offer their clients seamless access to financial products and services without having to leave their own company platform or application.

Regulation – increasing complexity

The financial sector has undergone major regulatory changes in recent years, which have been driven by economic, pandemic-related, political and technological developments.

The COVID-19 pandemic resulted in the adoption of measures to protect financial market stability. Increasing digitisation has resulted in the adoption of new regulations in the area of crypto assets, securities dematerialisation, the combatting of money laundering and cyber security as well as regulations applicable to new products. One particularly challenging issue in this area is the regulations applicable to individual markets, since they differ from country to country.

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.

Employees – labour shortage becoming more acute

Labour shortages in industrialised countries will become considerably more acute over the course of this decade. As the gap between retirees and new entrants into the labour market widens, the need for action on the part of companies as well as investors will become more urgent. Labour shortages confront companies with the question of how quickly they can grow or how quickly they need to invest in automation and/or artificial intelligence in order to make up for the lack of new professionals.

Impending labour shortages will also lead to higher workloads for existing professionals in the financial sector, in some cases causing experienced employees to leave the profession earlier than they would have otherwise done. The shortage of qualified labour will have an impact on employee recruitment and retention as well as competitiveness.

Strategic success factors
Strong corporate culture
Future-oriented, long-term strategy
Client-focused business model
Transformative capacity
Spirit of innovation
Corporate management focused on sustainability

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

Open Wealth Services

Strategy 2026 aims to enhance the range of services for intermediaries and private individuals and take it to a new level. Combining traditional wealth management business with the benefits of digital ecosystems and with relevant partnerships is at the heart of VP Bank's strategic development. An open IT and service infrastructure makes it possible to easily integrate our technology, sales and service partners into the core banking system. That way, the available market can be flexibly expanded, and the range of services can be increased using complementary third-party service providers. This enables VP Bank to respond quickly and agilely to rapidly evolving client needs and create appropriate services in a timely manner. In future, clients will be able to choose from a set of options that will include services provided not only by 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.

The strategy builds on successful existing business with intermediaries and private individuals. Individual regional development plans are aimed at continued development of the existing business areas in the home market and at all five international locations in a targeted manner based on the respective local strengths.

Strategic focus areas and initiatives

VP Bank pursues its goals through four clearly defined strategic focus areas. With "Evolve", it further develops the existing group-wide business in the home market and at the international locations with a regional approach. With "Scale", bank-wide processes and systems are optimised and scaled, and the technical basis is created for enhancing the business model. With "Move", selective new business opportunities are opened up. "Enable" forms the foundation for all strategic focus areas. The implementation of the focus areas is based on twelve clearly defined strategic initiatives.

Evolve

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

Value Proposition Excellence aims to strengthen VP Bank's value proposition for its clients. The existing product and price landscape will be harmonised and simplified, and clear market coverage will be defined. In addition, the advisory process for private clients will be modernised, and the range of services for intermediaries will be refined with a view to relevance.

Investing for Change aims to offer clients the greatest possible transparency and guidance with regard to the sustainability of their investments. Another focus area is the development of new, sustainable products and services.

With the **Regional Road Maps**, the Liechtenstein home market and the international locations are further developed on the basis of a regional approach. Growth through a focus on expanding both local networks and in-depth market knowledge is the goal.

Scale

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

Process Management is designed to ensure faster, 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 **Infrastructure** initiative involved opening up the core banking system and creating the technical basis for the Open Wealth Service Platform. The initiative also includes

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.

Asset Servicing

Asset Servicing – international fund management and custodian bank activities within VP Bank Group.

Strategic focus areas

Evolve

Organic growth of the existing business

- Value Proposition Excellence
- Investing for Change
- Regional Roadmaps

Scale

Enhanced effectiveness, scaling and cost discipline

- Process Management
- Infrastructure

Move

Selectively opening up new business opportunities

- Open Wealth Service Platform
- Data Analytics
- Digital Assets

Foundation

Enable

Building the foundation for the future

- Financial Steering Framework
- People Strategy

modernising the entire IT architecture and outsourcing the IT infrastructure to our technology partner Swisscom and industrialising it. Continually increasing the standardisation and use of data and transitioning to the use of cloud services also form part of this initiative.

Move

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

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 in 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.

Enable

"Enable" forms the foundation for the strategic development of VP Bank Group. It consists of the following two initiatives:

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. Regular training, targeted employee development, agile working practices, a culture of trust and entrepreneurial thinking are tools for achieving this. 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.

You can read more about the People Strategy on p. 65.

Regions and segments

Regional and segment-specific development plans set the basis for spurring VP Bank's growth. They are tailored to local growth opportunities and thus support profitable, sustainable growth.

With CHF 18.7 billion in assets under management and operating income of CHF 191.7 million for 2023, the Liechtenstein & BVI region is VP Bank's largest business unit. The International region (Europe and Asia) is the second-largest business unit, with CHF 15.2 billion in assets under management and operating income of CHF 146.5 million. In Asset Servicing, assets under management amounted to CHF 12.5 billion, with operating income of CHF 43.4 million.

Liechtenstein home market & BVI

The "Liechtenstein & BVI" business unit encompasses intermediary business with external asset managers and trustees, private banking, universal banking and lending business in Liechtenstein as well as private banking and lending business in the British Virgin Islands.

Liechtenstein

Liechtenstein has been the location of the Group's head office and VP Bank's home market since 1956. It is the Principality's third-largest bank and operates as a universal bank. Owing to its DNA in intermediary business, it occupies a leading position in business with external asset managers and trustees. More than half of assets under management in the Liechtenstein region are attributable to intermediary business, which underscores the importance of this business. Local as well as international private clients benefit from the bank's many years of experience in servicing a sophisticated, complex clientele.

In addition to clients in Liechtenstein, the bank also services a steadily growing clientele from abroad, who value the booking centre Liechtenstein with its stable financial centre and strong Swiss franc out of diversification considerations. The Principality of Liechtenstein has a rating of "AAA" from Moody's and Standard & Poor's, and the financial sector is a key pillar in Liechtenstein's growing economy. The broadly diversified economy and political continuity and stability are decisive location advantages. Through its membership in the European Economic Area, Liechtenstein has outstanding access to the European market. In Liechtenstein, VP Bank is in possession of an EU passport for a variety of European markets. It thus has unrestricted access to its target markets and can offer comprehensive services.

For VP Bank to realise its growth ambitions in connection with Strategy 2026, cross-border business is also of major importance. Active target markets include the countries bordering on Liechtenstein, with clients from Germany and Switzerland in particular already constituting a significant portion of Liechtenstein business. Cross-border business is conducted directly from the home market in Liechtenstein.

Strategy and targets

As part of Strategy 2026, VP Bank is also pursuing a growth strategy in the Liechtenstein home market with the target markets of Liechtenstein, Germany and Switzerland, coupled with gaining market shares and expanding the comprehensive range of services. Select other international client domiciles will be cultivated in the sense of opportunistic markets. VP Bank has its roots in business with external asset managers and trustees, and they remain a key strategic focus – along with continued growth ambitions in private client business and in local retail banking.

As part of the 2026 strategy cycle, the focus is on strengthening the range of services for external asset managers and trustees and developing cross-border business with external asset managers and family offices. A key aspect of the strategic positioning is expanding the established digital platform for intermediary clients in order to increase efficiency and simplify operating processes. In private client business, the focus is on intensifying market cultivation in Germany and further expanding the wealth planning offering in Liechtenstein.

As a traditional Liechtenstein bank, VP Bank is well aware that providing comprehensive service to the local clientele will be of great importance in future as well. A target-based advisory process will strengthen the holistic advice that the bank provides to private clients. A further strategic success factor in private client business is putting greater emphasis on providing services to the next generation, with the aim of ensuring a successful transfer of wealth. In light of the impending generational change, catering to the needs of the next generation has high strategic relevance for the bank.

British Virgin Islands

VP Bank has been represented by a subsidiary in the British Virgin Islands (BVI) since 1995. It has a local full banking licence, which enables it to cultivate the market comprehensively with a broad range of products and services. It primarily operates in the BVI as a premium real estate and credit financier and is in possession of significant market shares in this area. The financing services are augmented with top-notch investment solutions and banking services for private clients. As the largest bank in the BVI, VP Bank is the first choice for private banking and is optimally positioned for offering wealth management services. The BVI are a centre for trustee and corporate services. VP Bank occupies a niche in the area of liquidation services and offers comprehensive asset management, custodial and transaction services to simplify the liquidation of companies.

The BVI economy is one of the most stable and prosperous in the Caribbean. It relies heavily on tourism and financial services, which has a direct effect on the needs of existing and potential VP Bank clients. The BVI are witnessing a growing demand for mortgage loans for prime real estate, both for personal use and as part of larger properties for holiday sites.

Strategy and targets

The market strategy of VP Bank (BVI) Ltd is focused on continued successful growth in the financing of prime real estate and on the defence of its market leadership in this attractive niche. In addition, the aim is to further expand the investment solutions for private clients with new offerings as a private bank in the Caribbean that provides holistic advice. In terms of new client acquisition, VP Bank (BVI) Ltd draws on a proven network of partnerships, which will be further expanded in future.

International regions

The "International" business unit includes the regions of Europe and Asia. It encompasses intermediary and private client business at the locations in Switzerland, Luxembourg, Singapore and Hong Kong.

Europe

In Europe, VP Bank is physically present in Switzerland and Luxembourg. Both VP Bank (Switzerland) Ltd and VP Bank (Luxembourg) SA were founded in 1988. VP Bank uses its DNA as an intermediary bank and its many years of experience in this segment to offer external asset managers and family offices a modern service platform. Its expertise and know-how with intermediary clients is also made available to European private clients. In addition to Luxembourg and Switzerland, target markets also include Germany and the Nordic countries, particularly Sweden and Denmark.

The client base is international. VP Bank provides services to a growing number of European external asset managers who are in search of an additional custodian bank at the Switzerland and Luxembourg international financial centres as a complement to their local custodian bank. There is rising demand from European private clients looking to diversify their existing currency and booking centres, especially among companies whose business activities require international solutions.

VP Bank (Luxembourg) SA is in possession of an EU passport for Germany, Sweden, Denmark and other EU markets classified as opportunistic markets. It thus has unrestricted access to its target markets and can offer comprehensive services. VP Bank (Switzerland) Ltd benefits from the opportunities afforded by a simplified exemption in Germany. This exemption allows it to directly and actively attract clients in Germany and to provide them with services on a cross-border basis. In addition, as the largest financial centre for international asset management business, Switzerland is an attractive, stable booking centre.

The competent supervisory authority in Switzerland is the Swiss Financial Market Supervisory Authority (FINMA). The competent supervisory authority in Luxembourg is the Commission de Surveillance du Secteur Financier (CSSF).

Strategy and targets

In line with the Group's Strategy 2026, VP Bank is pursuing a growth strategy in Europe that ensures balanced growth in both its intermediary business and its private banking business. The German market plays a key role here. The strategic target client base consists of German external asset managers and banks that are in search of a custodian bank in Switzerland or Luxembourg for their clients.

Intact growth opportunities are also offered by the Nordic markets, where VP Bank has already become an established player in private banking business. The intent is to develop the business with external asset managers in coming years. The European private banking markets will continue to grow, albeit less strongly than the Asian markets. The aim is to gain market shares among private individuals and companies that have international needs and are in a life cycle phase that requires the services of multi-booking centres or services to facilitate the transfer of wealth between generations. In private client business, one focus is on expanding the range of wealth planning services and developing an advisory model for the female client segment.

Asia

The Asia region consists of two locations: Hong Kong and Singapore. VP Bank has been represented in Hong Kong as a wealth management service provider since 2006 and in Singapore since 2008. VP Bank offers a state-of-the-art service platform to a growing number of intermediary clients in this region as well as wealth management advice to wealthy clients.

Singapore and Hong Kong were combined into one region to create synergies between the two locations. In addition to Hong Kong and Singapore, the defined target markets in the Asia region are China, Indonesia, Malaysia, Taiwan and Thailand, which are being actively cultivated for sustainable growth.

Financial intermediaries are steadily expanding their presence and investing activities in the Asia region. VP Bank offers this client group the requisite extensive expertise and cultivates its target markets through cooperation arrangements. VP Bank's commitment to intermediary business has been repeatedly underscored with the awarding of "Best Private Bank – Intermediaries".

Strategy and targets

Asia is on the cusp of the greatest cross-generational transfer of wealth in history, and the opportunities in asset management are enormous. VP Bank has both the right talent and the right environment to exploit these opportunities.

With VP Bank's strength in intermediary business, the Asia region with its Hong Kong and Singapore locations is pursuing a growth strategy with a strategic focus on this segment. To this end, the appropriate market know-how was developed over the past two years in a targeted manner in order to gain market shares on a continual basis. Intermediary business is another segment with great potential in Asia. The bank's business with external asset managers is the focus of strategic development, but private banking business in Singapore is operated as a complement to it in order to make use of significant synergies between private banking and intermediary business.

Asset Servicing

Asset Servicing includes fund management and custodial activities within VP Bank Group. The two fund management companies VP Fund Solutions (Luxembourg) SA and VP Fund Solutions (Liechtenstein) AG, which were founded in 1998 and 1999, respectively, handle the fund management activities of VP Bank. They encompass the business with third-party funds, private label funds and proprietary funds. The custodial departments at VP Bank Ltd, Liechtenstein, and VP Bank (Luxembourg) SA take care of custodial activities.

The entire range of services for managing UCITS and AIFs is offered from a single source. This means a broadly diversified offering, from structuring advice to prospectus preparation and coordination with the regulatory authorities to launching, but also regular fund price calculation, maintenance of the unit register, custody of fund assets and satisfaction of all supervisory reporting requirements. Clients thus have access to all services in a fund's value chain. Because the approach is modular, it is also possible to make use of only certain parts of it.

The main clientele include family offices, asset managers, banks, insurance companies and wealthy private clients who, for various reasons, would like to manage their assets in a fund structure but would primarily like to concentrate on portfolio management and distribution.

The main markets of Liechtenstein, Switzerland and Germany account for more than 70 per cent of fund assets under management. Other important markets are Luxem-

The segments and locations of VP Bank Group 2023

bourg, Scandinavia and Singapore. The fund assets managed by the two fund management companies consist largely of private label business with external clients; management of the funds of VP Bank Group accounts for less than 10 per cent of the business volume.

With the focus on the fund domiciles of Liechtenstein and Luxembourg, EU/EEA-conforming fund products can be offered at two locations, which because of their EU passport are optimally suited for distribution in Europe but also on other continents, such as Asia.

Strategy and targets

Asset Servicing is pursuing a growth strategy with the aim of gaining market shares and benefiting from the strongly growing market in both Luxembourg and Liechtenstein. In terms of market cultivation, the focus is primarily on the target markets of VP Bank Group, which will also enable the use of synergies in selling its range of services. In addition to further growth in the three main target markets of Luxembourg, Switzerland and Liechtenstein, growth in Scandinavia and Singapore is also being pursued more actively. To augment the sale of the bank's one-stop-shop offering, the focus is increasingly on collaboration with other management companies for whom fund administration and custodial functions can be taken on for their funds.

Financial targets

The interplay of the strategic initiatives and growth in the regions and segments forms the basis for the bank's financial targets as part of Strategy 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 financial 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 2021–2026
[2] Operating expenses / operating income

VP Bank's employees are its most valuable and decisive competitive advantage. The 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.

VP Bank's People Strategy focuses on recruiting skilled professionals and promoting the diverse talents of its employees. It is geared to four key priorities: Excite Talents, Grow for the Future, Love to Empower and Connect to Collaborate.

Excite Talents: recruiting and retaining talent

Skilled professionals

In order to attract talent to VP Bank, the bank invests in its employer brand, in modern recruiting solutions and in targeted multichannel campaigns. The bank uses a recruitment process based on multi-stage interviews and personality analysis to recruit future colleagues with the professional expertise and social competence required.

Job functions that appear meaningful and satisfying as well as a good work environment are extremely important for employee well-being. VP Bank places great importance on a culture that promotes collaboration across teams and locations and fully embraces its corporate values: we achieve, we explore, we care.

Remuneration is also essential for loyalty to the bank. 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 business and individual performance. 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 days of leave, as well as length of service benefits, offers designed to promote health, subsidised canteen meals, attractive offers in the mobility area and much more.

Students and university graduates

The graduate programme for students and university graduates at VP Bank offers attractive career opportunities for graduates with either a bachelor's or master's degree.

In the "flex graduate" programme, master's students can combine theory and practice in their studies and gain valuable experience over the course of 12 months. In the bachelor's and master's level programme, bachelor's and master's 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.

Trainees

VP Bank is committed to the professional promotion of young talent as a strategic investment in the future. In order to offer its trainees the best possible training, VP Bank

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/career

reviews new training opportunities on an ongoing basis and is continuously developing its existing programmes. This was the case for the commercial training programme, which was updated in 2023 according to the new Swiss VET ordinance (BiVO 2023). In 2024, the training model "Career start programme for secondary school graduates" will also be included in VP Bank's training environment.

Trainees are supported in their day-to-day work by qualified supervisors. They move location every six months. This ensures they get a comprehensive insight into the tasks of a bank and are fully prepared for their final apprenticeship examinations. In the dual education system that combines business and vocational school, trainees are able to organise their own projects themselves. These project groups are what makes training programmes at VP Bank unique.

Grow for the Future: investing in training and development

Individual training and continuing education

Investing in a broad range of training and continuing education and thus in the future of its employees is something that is deeply embedded in the culture at VP Bank. The bank fosters the strengths of its employees, offering individual, ongoing development opportunities through both internal and external programmes. With the help of a personalised development plan, each employee's development steps are defined and enhanced with suitable further training where necessary.

Talent Academy

The Talent Academy is an internal support programme for employees. Following a talent identification process, up to 20 people are chosen each year to participate in the Talent Academy. The academy offers enrollees the opportunity to hone their personal strengths by means of various modules, expand their network and take part in a hackathon, thereby enhancing their action and method skills. The aim of the two-day hackathon is to work on a real-world business challenge and develop ideas or solutions for it.

Love to Empower: consistent understanding of leadership

Leadership training

The day-to-day work of each individual employee is strongly influenced by the interaction they have with their supervisor. For VP Bank, it is important that its senior managers have a consistent understanding of what leadership is. In 2023, the focus was on adapting the different styles of senior management to the various challenges in their day-to-day management tasks and creating a common understanding of leadership quality. The aim of leadership training is to empower all senior managers to support and inspire VP Bank employees in times of change to make the most of the opportunities on offer. There was a clear need for continuous further development, particularly in terms of the leadership culture and group-wide collaboration.

Assessment of management style

Another aspect of leadership training is the assessment of the manager's management style completed by their own team, accompanied by a self-assessment. This helps develop leadership skills and ensures the continuous qualitative development of leadership at VP Bank.

Connect to Collaborate: integrative target culture

Diversity and inclusion

VP Bank believes that diversity in the workforce and the involvement of all employees is important for its success and represents an integral part of its corporate responsibility. By joining the Advance business association for gender equality and signing the Women in Finance Charter, the Group is sending out an important message regarding diversity and the promotion of gender equality at VP Bank.

Underpinning VP Bank's inclusion efforts are its diversity and inclusion policy regulations. They describe the integrative target culture for diversity and inclusion in practice and form the basis for effective diversity and inclusion management throughout the entire VP Bank Group. VP Bank strives to improve equality and diversity at every level.

Equal pay

Another important issue is equal pay. The aim of VP Bank is to ensure that equal pay is implemented and the requirements of the Gender Equality Act are met. In 2023, VP Bank carried out pay equality analysis at all locations with over 50 employees together with an external, qualified partner. This analysis confirmed that VP Bank complies with the requirements for equal pay. All locations taking part in the analysis received the SGS Fair-ON-Pay certificate.

Employee satisfaction

For VP Bank, it is essential that employees be connected and feel they belong to the business in order to overcome the challenges they face and lead the business toward a continued successful future. VP Bank therefore conducts regular surveys in order to measure employee satisfaction.

The last survey was carried out in 2022 with the support of an independent consultancy firm. The response rate was 85 per cent. Based on the feedback, VP Bank developed and implemented a number of measures in 2023. Senior management was identified as a key driving force. Managers act as role models. By involving their employees in decisions and processes, by upholding values and creating an inspiring environment, senior managers are vital to the success of VP Bank. In order to make even greater use of this positive driving force, in 2023, VP Bank focused on the development of leadership skills (Love to Empower).

Personnel development in figures

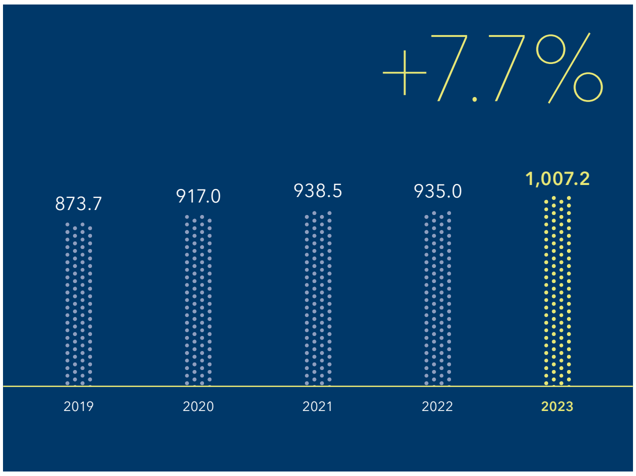
The lack of skilled professionals is not a new phenomenon; however, the challenge of finding and recruiting the right talent and qualified staff continues to intensify. Alongside efforts to increase the bank's attractiveness as an employer beyond the immediate catchment area and a generally increasing openness to people seeking a career change, diverse personnel development and qualification measures are key to successfully countering the lack of skilled professionals in the future.

Headcount

VP Bank Group's total headcount increased by 74 employees compared to the previous year. In Liechtenstein, VP Bank recorded an increase of 35 employees. At the Luxembourg location, the headcount rose by 21 employees. In Zurich, the headcount rose by 12 employees, and at the locations in Asia, it went up by 6 employees.

Headcount of VP Bank Group

full-time equivalents



Fluctuation

The fluctuation rate for 2023 amounted to 11.2 per cent (previous year: 13.4 per cent). As was the case in previous years, this was unintended fluctuation, meaning the exits were initiated by the employees. Following a significant increase in the previous year, values at group level dropped back down to 2021 levels. This was due in particular to a significant reduction in unintended fluctuation in the Asia region (Singapore and Hong Kong).

Apprenticeships and graduate programmes

In the graduate programmes, 2 students were enrolled at the end of 2023 in the work-study flex graduate programme (previous year: 1), 6 graduates were enrolled in the master's level graduate programme (previous year: 5) and 2 were in the bachelor's level graduate programme (previous year: 2).

In 2023, 5 trainees completed their commercial training and 2 trainees completed IT training courses at the locations in Liechtenstein and Switzerland.

Continuing education

In the reporting year in Liechtenstein, 17 people (previous year: 30) completed a job-related course of studies with a recognised diploma, while another 48 people (previous year: 29) were participating in external continuing education at the end of 2023. The average amount spent on external continuing education was approximately CHF 10,000.

The entire personnel policy for VP Bank Group and the measures referred to in the four initiatives set out in the VP Bank People Strategy are key investments for creating a motivated, positive working and leadership environment, fostering long-term loyalty and supporting sustainable performance among VP Bank employees and ultimately reducing unintended fluctuation.

Employee statistics of VP Bank Group

as of 31.12.2023	Men	Women	Total
Headcount	646	439	1,085
Percentage share	59.5	40.5	100
Average age	43.3	41.1	42.41
Average length of service	7.5	7.9	7.62

as of 31.12.2022	Men	Women	Total
Headcount	602	409	1,011
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

Number of trainees and graduates across all apprenticeship years

as of the reporting date	Trainees	Graduates
31.12.2023	15	11
31.12.2022	18	7
31.12.2021	21	9
31.12.2020	23	8
31.12.2019	22	8

Headcount by location

as of 31.12.	2023		2022		Change	
	Employees	Full-time equivalents	Employees	Full-time equivalents	Employees	Full-time equivalents
VP Bank Ltd, Vaduz	652	596.1	623	566.3	29	29.8
VP Bank (Switzerland) Ltd	119	111.2	107	99.3	12	11.9
VP Bank (Luxembourg) SA	112	105.5	103	96.6	9	8.9
VP Fund Solutions (Luxembourg) SA	50	46.1	38	35.2	12	10.9
VP Bank (BVI) Ltd	13	13.0	15	15.0	–2	–2.0
VP Wealth Management (Hong Kong) Ltd	19	19.0	17	17.0	2	2.0
VP Bank Ltd Singapore Branch	85	85.0	79	79.0	6	6.0
VP Fund Solutions (Liechtenstein) AG	35	31.2	29	26.6	6	4.7
Total	**1,085**	**1,007.2**	**1,011**	**935.0**	**74**	**72.2**

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. For additional information, please visit our website at **www.vpbank.com/brand**.

Brand structure and protection

VP Bank pursues an enhanced single-brand strategy. Wherever possible, it operates under the name VP Bank. Units that, for legal reasons, are not allowed to operate under the "VP Bank" logo use a separate logo with the "VP" ligature.

VP Bank's brand strategy can thus be broken down into two levels:

Corporate brand	The corporate brand is the name "VP Bank".
Sub-brands	Sub-brands contain at least the letters "VP" within the brand name and are based on the design of the corporate brand. Examples: VP Fund Solutions, VP Wealth Management

VP Bank considers its brand to be one of its most valuable assets. This means that professional protection and effective defence are extremely important. Relevant tasks under trademark law include the development of protection strategies, availability checks, trademark applications and renewals, brand monitoring, brand assessments, enforcement of trademark rights and well-conceived domain management.

VP Bank works in partnership with leading trademark lawyers to ensure its brands are protected and monitored in target markets, opportunity markets and other markets, either directly or under the Madrid system.

Constant development of the brand design

The brand design can be summed up in a single word: "clarity". The overall identity is modern and clear. Embodied in both digital and analogue form, it also conveys clarity, simplicity and a focus on the essential. 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 reinvigorated in small, incremental steps and adjusted in line with the prevailing corporate strategy.

New developments in 2023

In order to enhance efficiency in the areas of marketing and client experience and better exploit synergies, at the start of 2023, employees with client experience tasks were transferred for organisational purposes from Sales Management to the newly formed Group Marketing & Client Experience unit.

VP Bank has overhauled the client feedback management process in the area of client experience. All feedback is now systematically dealt with in real time and any optimisation measures implemented are monitored. In addition, preliminary work has been carried out on a client satisfaction survey to be conducted in 2024. This survey will also address issues relating to brand expectations and client needs.

The VP Bank design system was implemented in 2023, ensuring a holistic overview of all digital touchpoints and applications. The next stage of expansion will involve linking the worlds of design and coding. Work on this has already started and will be taken further in 2024.

vpbank.com/
brand

The metaverse is an exciting virtual space in which the boundaries between the digital world and the real world become blurred. Since October 2023, VP Bank has been offering an innovative metaverse platform on which interested parties can experience tokenised assets virtually. Digital assets can be explored interactively at **www.vpbank.com/metaverse**.

As part of the further development of VP Bank's social intranet, an internal shop featuring state-of-the-art technology and a cutting-edge user experience has been launched. Visitors to the shop can order client gifts and office material.

A number of user experience and user interface (UX/UI) design projects have been successfully developed – including an internal data analytics tool, which allocates appropriate investment proposals to the right clients in an extremely transparent and intuitive manner.

At the end of 2023, a new social media employee advocacy programme was launched. Content is also shared via the personal social media profiles of selected employees, alongside corporate channels. This means that a significantly broader reach can be achieved.

Various multichannel campaigns were conducted throughout 2023 on the issues of money market deposits, thematic funds, portfolio optimisation, digital onboarding, financial education, the next generation offer "VP Bank Nova" and new client acquisition in the intermediaries segment.

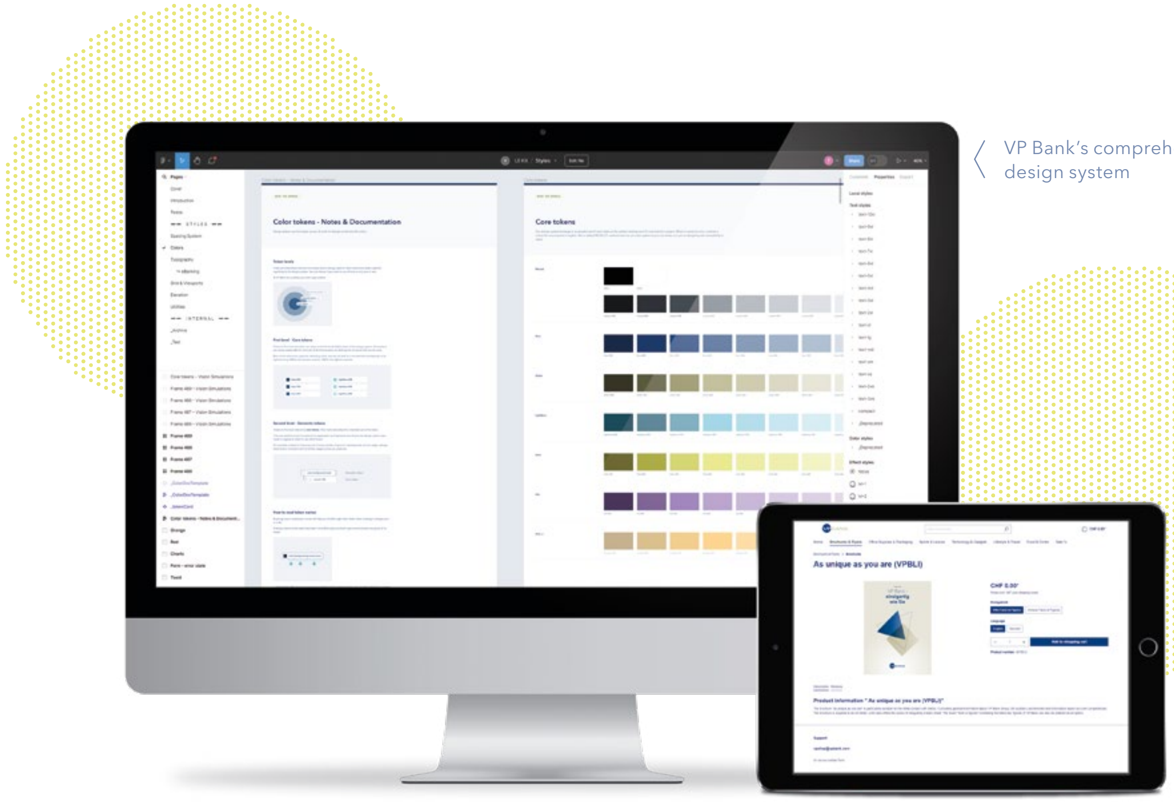
In 2023, a stronger focus was placed on data-driven marketing approaches in relation to the management of digital campaigns. Digital campaigns relating to the "VP Bank Nova" product launch and various events were carried out, alongside the creation of specific landing pages to enable improved performance analysis. Plans are also in place to roll out enhanced conversion tracking for search engine campaigns in 2024.

With the development of a new group-wide elevator pitch, VP Bank now has a tool that can be used by client advisor units in order to gain new clients.

VP Bank has made new commitments in the sponsorship and events sector and held more than 130 events. The most innovative project is VP Bank Session. In November 2023, the first studio session was held with Swiss artist jan SEVEN dettwyler. Both the music and the emotions of the 100 guests were recorded live and immortalised on an original vinyl master. By tokenising this unique vinyl record, VP Bank has made it possible to invest in emotional assets. This special connection between music, emotion and financial participation sets the project apart.

Commitments

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



VP Bank's comprehensive design system

Online shop as part of the social intranet the status of both Liechtenstein and the regions in which it is represented as a business and industrial hub.

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.

Sponsorship projects at a glance:

Music

VP Bank session

ensemble esperanza Vaduz

Musikakademie in Liechtenstein

Culinary

marmite

genuss festival

Golf

VP Bank Swiss Ladies Open

Interactive exploration of tokenised assets in the metaverse

Further information can be found on the VP Bank website at www.vpbank.com/engagements-en

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 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 bank.

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 carbon-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 and social policy

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 the "Our social approach (S)" chapter of the Sustainability Report 2023, particularly on the topics of equal opportunities and diversity, health and safety at work, as well as in the "People Strategy" chapter of this annual report, in which all measures relating to VP Bank employees are described.

Memberships and publications

VP Bank has 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 (SSF) and the Swiss Climate Foundation. These memberships complement the Group's Sustainability Plan 2026 and serve as guideposts for it in the effective implementation of its sustainability efforts.

Progress is documented in VP Bank's Sustainability Report 2023. Moreover, VP Bank once again implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Further information about sustainable governance, including details concerning the above-mentioned standards and guidelines, can be found in the "Our sustainability approach" and "Climate-related financial disclosure" chapters of the Sustainability Report 2023.

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 at some of the bank's locations include LED lighting, motion-sensor lights and various renewable energy sources such as geothermal heat pumps. Today, VP Bank already covers 94 per cent of its energy needs from climate-neutral sources.

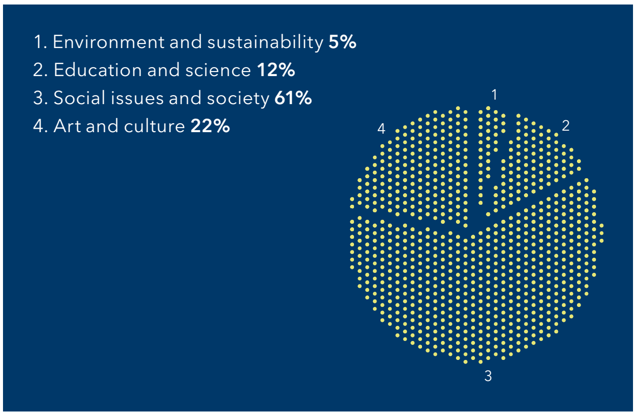
More information about the bank's CO_2 target and its progress in terms of environmental protection can be found in the "Our environmental approach (E)" chapter of the Sustainability Report 2023.

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 2023, the Foundation awarded funds totalling around CHF 196,000, which were distributed as shown in the figure opposite.

Sustainability also means taking responsibility for future generations. With its philanthropic activities, VP Bank helps its clients obtain new perspectives and achieve new goals in this area.

VP Bank Foundation's distribution of funds



vpbank.com/
sustainability

› Leadership Journey

Support and inspiration by setting an example.

Our senior management executives convey our values and strategy to the business, making them important ambassadors for VP Bank.

Love to Empower – leadership as a motivating force

The day-to-day work of each individual employee is strongly influenced by the interaction they have with their supervisor. For VP Bank, it is especially important for its senior management executives to have a consistent understanding of leadership and be committed to encouraging employees in their career while also challenging them in equal measure. The aim of our leadership training is also to empower all senior managers to support VP Bank's employees in their day-to-day work and as they face the constant flow of new challenges and inspire them to make the most of the opportunities on offer.

Their commitment, their support and their ability to create an inspiring environment is key to the success and future performance of both VP Bank and its employees. Senior management executives act as role models for employees in the way they think and act. By continually developing their own skills and abilities in training courses and being actively involved in training programmes, they can inspire their teams to do the same.

The training gives every senior manager the skills they need to ensure they are able to act as a role model. These skills include reflecting on their own approaches to management, using different management styles to suit the situation, implementing the values and leadership principles of VP Bank in practice and building trust with employees.

Laura Prohn

Head of Tax Services, Vaduz

"Taking part in leadership training at VP Bank was an important step forward for me in my professional development. A highlight of the training was the feedback I received from my team, along with my own self-assessment. This journey of self-reflection helped me see my strengths and weaknesses more clearly and take active steps to develop them."

Siew San

Regional Head of Legal, Singapore

"I really benefited in the training from learning about the different management styles. The traditional top-down style is not the only way to be an effective manager, and actually, a transformational approach to leadership, where employees are valued and encouraged, could work better in the long run. It's also important for me to know that gender is irrelevant when it comes to being a good manager."

Trine Guldager

Chief Operating Officer / Member of the Executive Board, Luxembourg

"The training gave me the opportunity to find my own management style based on feedback from both my own team and the other senior managers. We are able to use our overall understanding of management styles and tools for our own further development across all locations, cultures and personalities. From discussions during the training sessions, it was clear that leadership is an important motivating force. It's about the way we do it, because it's about people."

Read this page online
vpbank.com/leadership-journey-en

04 › Corporate governance and compensation report

Corporate governance

VP Bank Group constantly strives to earn 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 company's sustainable interests which aim for transparency and a healthy balance of management and supervision while 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 earn and build on the trust of all stakeholder groups as part of an ongoing process. 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 29 June 2022 as well as the Liechtenstein legislation.

In its Notification No. 2/2014 issued on 1 September 2014 concerning the revision of the "Directive on Information Relating to Corporate Governance" (DCG), the Regulatory Board stipulated that, in principle, all companies listed on SIX Swiss Exchange Ltd must disclose the same information concerning corporate governance. However, as an issuer that does not have its registered office in Switzerland, VP Bank Ltd is subject to special provisions in certain respects.

Unless otherwise indicated, all details relating to corporate governance are valid as of 31 December 2023.

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.

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 40) shows the Group's operating structure, and from page 159 onwards, the detailed segment reporting is set out.

The Executive Board (EB) is responsible for the operational management of the head office (VP Bank Ltd, Vaduz), whereas Group Executive Management is responsible for the management of VP Bank Group. Group Executive Management (GEM) is in charge of the management of the Group. According to the new Organisation and Business Rules, not all Member of GEM are also EB Members. Members of Group Executive Management are represented on the Boards of Directors (of the subsidiary companies. As a general rule, a Member of Group 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	87.60	526.9[1]
Registered shares B (unlisted)	LI0010737596	8.80	52.8
Total (market capitalisation of registered shares A plus market value of registered shares B)			**579.7**

[1] Market capitalisation of listed registered shares A as of 31 December 2023

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 183) together with their name, registered office, share capital and percentage of share capital held.

1.2 Significant shareholders (anchor shareholders)

As of 31 December 2023, 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 31.12.2023 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 Capital band and conditional capital

VP Bank does not have any conditional capital. A capital band is not applicable to VP Bank Ltd as it is a Liechtenstein enterprise.

2.3 Changes in capital

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

in CHF 1,000	31.12.2021	31.12.2022	31.12.2023
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	361,062	363,615	366,007
Provisions for general banking risks	63,150	63,150	63,150
Retained earnings	158,736	149,498	145,469
Total	**935,951**	**929,266**	**927,629**

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 share register 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 eight Members. No Member of the Board of Directors has belonged to Group Executive Management, the Executive Board of VP Bank or the Executive Board of any subsidiary 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 Members of the Board of Directors.

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

At the annual general meeting of 28 April 2023, Dr Beat Graf and Katja Rosenplänter-Marxer were re-elected for a term of office of three years.

Michael Riesen declared his intention not to seek re-election and stepped down from his position on the Board of Directors after nine years in office.

Stefan Amstad and Stephan Zimmermann were elected to the Board of Directors for a term of three years.

Additional changes on the Board of Directors:

The Liechtenstein home market plays a key role in the ongoing success of VP Bank. The Board of Directors underscored its significance by appointing Dr Mauro Pedrazzini as Vice Chairman of the Board of Directors. He serves as Vice Chairman alongside Ursula Lang.

The implementation of sustainability issues is of strategic significance for VP Bank. Katja Rosenplänter-Marxer was appointed to the newly created position of Sustainability Officer on the Board of Directors. She operates as an interface between the Board of Directors and Group Executive Management in relation to this important issue.

Following a total of six years in office and having served as Chairman of the Board of Directors since 2020, at the annual general meeting held on 26 April 2024, Dr Thomas R. Meier decided not to stand for re-election. The early announcement should ensure a seamless passing of the baton.

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 Chairwoman	2016	2025	Nomination & Compensation Committee, Risk Committee[1]
Dr Mauro Pedrazzini	1965	Vice Chairman	2022	2025	Strategy & Digitalisation Committee, Risk Committee
Stefan Amstad	1970	Member	2023	2026	Audit Committee,[1] Risk Committee
Philipp Elkuch	1969	Member	2021	2024	Nomination & Compensation Committee,[1] Strategy & Digitalisation Committee
Dr Beat Graf	1964	Member	2014	2026	Nomination & Compensation Committee, Audit Committee
Katja Rosenplänter-Marxer	1981	Member	2020	2026	Risk Committee
Stephan Zimmermann	1956	Member	2023	2026	Audit Committee, Strategy & Digitalisation Committee

[1] Chairperson

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

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 88

Ursula Lang

Vice Chairwoman of the Board of Directors, Chairwoman of the Risk Committee and Member of the Nomination & Compensation Committee

Biography on 〉 page 88

Dr Mauro Pedrazzini

Vice Chairman of the Board of Directors, Member of the Strategy & Digitalisation Committee and the Risk Committee

Biography on 〉 page 89

Stefan Amstad

Chairman of the Audit Committee and Member of the Risk Committee

Biography on 〉 page 89

Philipp Elkuch

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

Biography on 〉 page 90

Dr Beat Graf

Member of the Audit Committee and the Nomination & Compensation Committee

Biography on 〉 page 90

Katja Rosenplänter-Marxer

Member of the Risk Committee and Sustainability Officer on the Board of Directors

Biography on 〉 page 91

Stephan Zimmermann

Member of the Audit Committee and the Strategy & Digitalisation Committee

Biography on 〉 page 91

Dr Thomas R. Meier

Born 1962, Citizen of Switzerland

Education

2017	Programme for Members of the Board, 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

2005–2017	Bank Julius Baer & Co. Ltd., Zurich Head CSR, Chairman, Julius Baer Foundation 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 Executive Management and Head of Private Wealth Management
1988–2004	Credit Suisse Group Various positions

Other activities and vested interests

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

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 & 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

None

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 (LLB)
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

Stefan Amstad

Born 1970, Citizen of Switzerland

Education

1999	Swiss Certified Auditor
1996	Lic. oec. publ. University of Zurich, Switzerland

Professional background

2012-2023	SIX Group Ltd, Zurich, Switzerland Head of Internal Audit
1998–2012	Ernst & Young Ltd, Zurich, Switzerland Review and advisory services for national and international financial institutions, since 2002 as Lead Auditor of banks and collective investments licensed by FINMA, since 2005 as Partner of Ernst & Young; 2008–2011: Country Head Assurance Financial Services and member of the FS EMEIA Assurance Management Committee as well as member of the Executive Board of Ernst & Young Switzerland; 2005–2008: People Partner Assurance Financial Services Switzerland; 2002–2012: Auditor-in-Charge for various large and complex banking audits
1996–1998	UBS Group Inc., Zurich, Switzerland Internal Auditor

Other activities and vested interests

- Co-founder, Chairman of the Board of Directors and unit holder in Enia Flooring International AG, Uster, Switzerland
- Member of the Board of Directors of Immo Invest Partner AG, Glattbrugg, Switzerland

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 2023	Primefactor Ltd, Zurich Founder and owner
2019–2023	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 subsidiary 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
- Chairman of the Board of Directors of EVUlution AG, Landquart

Dr iur. Beat Graf

Born 1964, Citizen of Switzerland

Education

2023	Renewal of risk manager certification, Swiss Association for Quality
2014	Programme for Members of the Board, Swiss Board School, IMP-HSG
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, Chairman of the Executive Board and Member of the Board of Directors of various ATU subsidiary 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 Inc., 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

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-at-law
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
- Member of the Board of Directors of Institut für Agrarökologie AG, Aarau

Stephan Zimmermann

Born 1956, Citizen of Switzerland

Education

1987	INSEAD Young Managers Programme Fontainebleau, France
1978	Degree in Information Technology and Business Administration, Swiss Bank Corporation, Switzerland
1975	Commercial Diploma, Basel Business School, Switzerland

Professional background

2019–2023	UBS Business Solutions Inc., Zurich, Switzerland, Independent Chairman (part-time appointment since retirement)
1998–2019	UBS Group Inc., Zurich, Switzerland 2019: Chairman of the Board of Directors UBS Business Solutions; 2016–2019: Vice Chairman Global Wealth Management; 2014–2016: Strategy Initiatives & Industry Affairs; 2011–2014: COO Global Wealth Management; 2010–2011: Head Group Internal Audit; 2009–2010: CEO UBS Deutschland AG; 2005–2009: COO Global Wealth Management & Swiss Bank; 1998–2005: Member of the Group Managing Board
1975–1997	Swiss Bank Corporation, Basel, Switzerland 1995–1997: Member of the Group Executive Board; 1975–1994: various management positions

Other activities and vested interests

- Society of Economics and Statistics Basel, Member of the Board of Directors
- German-Swiss Chamber of Commerce, Member of the Board of Directors
- Senior Advisor UBS (fixed-term mandate for integration)

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 previous pages.

3.3 Number of authorised activities

VP Bank has not issued any statutory rules concerning the number of authorised activities.

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 among 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 Rules (OBR, sections 2 to 4).[4]

In collaboration with the Executive Board / Group Executive Management, 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- 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 / Group Executive Management 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 the Board of Directors

The Chairman – or, in their absence, the Vice Chairman – conduct, 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 Rules. In addition, the functions of the committees of the Board of Directors 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, Ursula Lang 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 (Articles of Association, regulations) and monitoring of business developments;
- defining the criteria for the election of members of the Board of Directors for the attention of the Board of Directors; 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 for the appointment/ dismissal of the Chief Executive Officer and, in cooperation with the Chief Executive Officer, the other members of the Executive Board / Group Executive Management and the holders of key functions;
- evaluating the structure, size, composition and performance of the Board of Directors and Executive Board / Group Executive Management annually and recommending changes if necessary;
- assessing the knowledge, skills and experience of the individual members of the Board of Directors and the Executive Board / Group Executive Management as well as of the respective governing body as a whole and communicating the assessment to the Board of Directors and Executive Board / Group Executive Management annually; assessing the knowledge, skills and experience of the holders of key functions annually;
- reviewing the progress of the Board of Directors in the selection and appointment of the Executive Board / Group Executive Management and making recommendations to the Board of Directors;
- ensuring that the decision-making of the Executive Board / Group Executive Management and the Board of Directors is not influenced by any individual or group in a way that is detrimental to the interests of the bank;
- developing the compensation policy regulations;
- submitting motions to the Board with regard to the compensation paid to the Chairman and other members of the Board of Directors;
- submitting proposals to the Board of Directors to determine the compensation of the members of the Executive Board / Group Executive Management and the heads of Risk Management and Compliance;
- dealing with fundamental issues concerning personnel policy (such as salary and equity-participation systems, management development and succession planning, leadership principles, management culture and management development, staff welfare benefits and further development of the diversity policy) for the attention of the Board of Directors.

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

Audit Committee

The Audit Committee comprises Stefan Amstad (Chairman), Dr Beat Graf and Stephan Zimmermann. 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 and changes to principles of financial statement 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;
- 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 methodology and quality (efficacy) of the external auditing firm (external auditors and Group Auditor under banking legislation) as well as cooperation between the internal and external auditors, in particular by examining the reports of the external auditors under banking legislation for the Board of Directors and discussing the planning of the audit by the group auditor and the external auditors under banking legislation;
- monitoring and assessing efficacy, independence and performance, in particular by examining the reports of Group Internal Audit and assessing and approving the audit plan and multi-year planning of Group Internal Audit;
- 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, Stefan Amstad 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:

- advising the Board of Directors concerning the bank's current and future overall risk appetite and strategy and supporting the Board of Directors in monitoring the implementation of the risk strategy by the Executive Board / Group Executive Management;
- receiving and dealing with the risk reports as well as assessing the appropriateness of procedures deployed to measure, manage and monitor risks;
- assessing significant risks for the bank and discussing them with the Chief Risk Officer and the competent experts;
- 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 reports from the areas and departments answerable to the Chief Risk Officer;
- assessing the quality (effectiveness) of risk governance as well as the cooperation between Risk Management, Risk Monitoring, the Executive Board / Group Executive Management, the 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, requiring 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, Dr Mauro Pedrazzini and Stephan Zimmermann 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 ongoing 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 and partnerships, business cases, etc.;
- raising the outward and market orientation as well as the innovative capacity of the bank.

Surname	Board of Directors	Nomination & Compensation Committee	Audit Committee	Risk Committee	Strategy & Digitalisation Committee
Number of meetings	**12**	**7**	**6**	**6**	**8**
Dr Thomas R. Meier	12	7			8
Stefan Amstad[1]	9		5	5	
Philipp Elkuch	12	7			8
Dr Beat Graf	9	7	6		
Ursula Lang	12	5	1	6	
Stephan Zimmermann[1]	9		3		5
Michael Riesen[2]	2		1	1	
Katja Rosenplänter-Marxer	12		1	6	
Dr Mauro Pedrazzini	12			6	8

[1] Member of the Board of Directors since 28 April 2023
[2] Member of the Board of Directors until 28 April 2023

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 seven to ten 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 2023, the Board of Directors held seven ordinary meetings and three extraordinary meetings. In addition, together with the Executive Board / Group Executive Management, the Board of Directors held two all-day workshops concerning strategy and innovation.

The Nomination & Compensation Committee (NCC) usually meets six to ten times per annum. In case of need, the CEO participates in the meetings of the NCC in an advisory capacity. During 2023, the NCC met on a total of seven occasions.

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 / Group Executive Management 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.

At one joint meeting with the Audit Committee, an exchange of information took place with the Executive Board / Group Executive Management 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 / Group Executive Management attend the meetings. During 2023, the Strategy & Digitalisation Committee met on a total of eight occasions.

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 to 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 / Group Executive Management the responsibility for the operational management of VP Bank Group 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 40).

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 tools for managing and supervising the activities of the Executive Board / Group Executive Management. Among those tools 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 / Group Executive Management.

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 / Group Executive Management 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 the Executive Board / Group Executive Management.

4. Executive Board and Group Executive Management

The Executive Board (EB) is responsible for the operational management of the head office (VP Bank Ltd, Vaduz), whereas Group Executive Management is responsible for the management of VP Bank Group. Group Executive Management (GEM) is in charge of the management of the Group. Its tasks and competencies are specified in the Organisation and Business Rules as well as in the functional descriptions for the individual members of the Executive Board / Group Executive Management. The Chairman of the Executive Board / Group Executive Management (CEO) is responsible for the overall management of the Group and group-wide coordination.

The members of the Executive Board / Group Executive Management generally meet every two weeks for a 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 2023, the Executive Board and Group Executive Management were made up of the following individuals:

Surname	Year of birth	Position	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 Mara Harvey*	1971	Head of Region Europe	2023	2023
Dr Urs Monstein	1962	Chief Operating Officer (COO)	2018	2018
Adrian Schneider	1985	Head of Region LI & BVI	2023	2023
Dr Rolf Steiner	1968	Head of Group Products & Solutions	2019	2023

* Member of Group Executive Management, although not of the Executive Board of VP Bank Ltd, Vaduz

As of 1 April 2023, Dr Mara Harvey, Head of Region Europe and CEO of VP Bank (Switzerland) Ltd, was appointed to Group Executive Management. Region Europe comprises the Luxembourg location, in addition to the Zurich location.

Also as of 1 April 2023, Dr Rolf Steiner, Head of Products & Solutions, was appointed to the Executive Board / Group Executive Management. This new area brings together all competences relating to the creation and enhancement of VP Bank Group's range of services.

Tobias Wehrli, Head of Region Liechtenstein & BVI, left the Executive Board / Group Executive Management as of 1 April 2023.

The Board of Directors appointed Adrian Schneider as the new head of the home market region of Liechtenstein (including BVI) and as a member of the Executive Board / Group Executive Management as of 1 August 2023.

4.2 Other activities and vested interests

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

VP Bank Group Executive Management

Paul H. Arni

Chief Executive Officer (CEO) of VP Bank Group

Biography on 〉 page 98

Roger Barmettler

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

Biography on 〉 page 98

Patrick Bont

Chief Risk Officer (CRO) of VP Bank Group

Biography on 〉 page 99

Dr Mara Harvey

Chief Executive Officer (CEO) VP Bank (Switzerland) Ltd and Head of Region Europe

Biography on 〉 page 99

Dr Urs Monstein

Chief Operating Officer (COO) of VP Bank Group

Biography on 〉 page 100

Adrian Schneider

Head of Region Liechtenstein & BVI

Biography on 〉 page 100

Dr Rolf Steiner

Head of Group Products & Solutions

Biography on 〉 page 101

Paul H. Arni

Born 1964, Citizen of Switzerland

Education

2020	Certified Member of the Board, 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 Ltd, Vaduz Chief Executive Officer
2017–2019	Deutsche Bank (Switzerland) Ltd, 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 Inc., 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 (Schweiz) 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 Ltd, 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 Inc., 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

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 Chief Risk Officer
2009–2020	Financial Market Authority (FMA) 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 Inc., 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 Mara Harvey

Born 1971, Citizen of Switzerland and the UK

Education

2018, 2019	Senior Leadership Program, IMD, Lausanne, Switzerland
2014	Strategies for Leadership, IMD, Lausanne, Switzerland
2012	Leadership in Financial Services, Harvard Business School
1999	PhD in Economics, University of Fribourg, Switzerland
1994	Degree in Economics, University of Fribourg, Switzerland
1990	Business School (Scuola Cantonale di Commercio), Bellinzona, Switzerland

Professional background

Since 2023	VP Bank Ltd Chief Executive Officer (CEO), VP Bank (Switzerland) Ltd, and Head of Region Europe
Since 2021	Marty's Smart Way GmbH, Kreuzlingen, Switzerland Founder and CEO
2010–2021	UBS Inc. and UBS Switzerland AG, Zurich, Switzerland 2020–2021: Head of Global Wealth Management Client Services and Vice Chairwoman GFO; 2016–2020: Head of Global UHNW Germany, Austria and Italy; 2018–2020: Head of Global UHNW UK and Northern Europe; 2014–2018: Founder and Head of UBS Unique; 2015–2016: Head UHNW & Global Family Offices Europe International and Head of Global UHNW Client Engineering; 2012–2015: Head of UHNW Europe Client & Business Development; 2010–2012: Chief of Staff Global Wealth Management
2002–2010	UBS Deutschland AG, Frankfurt am Main, Germany 2009–2010: Senior Client Advisor for UHNW and Single Family Offices; 2007–2009: Head of Human Resources & Education for Northern, Eastern and Central Europe; Deputy Head of Human Resources & Education for Wealth Management Global (excluding Americas). Promotion to Managing Director; 2002–2007: Strategy & Business Development, Wealth Management Germany
2000–2002	UBS Inc., Zurich, Switzerland 2001–2002: Business Management, Private Banking, business divisions Germany / Benelux / Tourism and previously business division Europe; 2000–2001: Analyst, Large and Structured Transactions, Risk, Transformation and Capital Management, Private and Corporate Clients

Other activities and vested interests

- Plan International Switzerland, Member of the Board of Directors
- FTW DAO, founding member
- Marty's Smart Way GmbH, founder and CEO

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 Baer & Co. Ltd.; 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 Inc., 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

Adrian Schneider

Born 1985, Citizen of Switzerland

Education

2022	Oxford Advanced Management & Leadership Programme (OAMLP), Saïd Business School, University of Oxford, United Kingdom
2022	Certificate in ESG Investing, CFA Institute, Charlottesville, USA
2019	Chartered Alternative Investment Analyst (CAIA), Chartered Alternative Investment Analyst Association
2018	Financial Risk Manager (FRM), Global Association of Risk Professionals (GARP)
2015	Chartered Financial Analyst (CFA) charterholder CFA Institute, Charlottesville, USA
2012	Master of Science in “Banking and Financial Management” (MSc), University of Liechtenstein, Vaduz, Liechtenstein
2010	Bachelor of Science in Business Administration (BSc), University of Liechtenstein, Vaduz, Liechtenstein
2005	Federal Vocational Baccalaureate, VET School Chur, Switzerland
2005	Computer Scientist (Federal Diploma of Vocational Education and Training, VET School Chur & Hamilton Bonaduz AG, Switzerland)

Professional background

Since 2023	VP Bank Ltd, Vaduz Head of Region Liechtenstein & BVI
2022–2023	BZ Bank Limited, Wilen, Switzerland Chief Executive Officer
2019–2022	Graubündner Kantonalbank, Chur, Switzerland Head of the Investment Center / Chief Investment Officer, Member of the Management Board
2011–2019	Kaiser Partner Privatbank AG, Vaduz, Liechtenstein; 2014–2019: Head of Investment Solutions, Deputy Executive Officer; 2011–2014: Portfolio Manager, Member of the Management
2009	Financial Market Authority (FMA) Liechtenstein, Vaduz, Liechtenstein Trainee
2006–2007	Graubünden Cantonal Administration, Chur, Switzerland ICT Support employee
2005–2006	Hamilton Bonaduz AG, Bonaduz, Switzerland Application Developer

Other activities and vested interests

- Member of the CFA Society Liechtenstein, Vaduz

Dr Rolf Steiner

Born 1968, Citizen of Switzerland

Education

2008	CFA Charterholder
1998	Postgraduate diploma in Management and Manufacturing Science, ETH Zurich, Switzerland
1997	Doctorate (Dr sc. techn.) at the Institute for Signal and Information Processing, ETH Zurich, Switzerland
1994	Postgraduate diploma in Information Technology, ETH Zurich, Switzerland
1993	Electrotechnology Studies Dipl. El. Ing., ETH Zurich, Switzerland

Professional background

Since 2019	VP Bank Ltd, Vaduz, Liechtenstein Since 2023: Head of Group Products & Solutions; 2019–2022: Group Chief of Staff
2018-2019	Deutsche Bank (Switzerland) Ltd, Zurich, Switzerland Head of Strategic Transformation EMEA, Wealth Management
2016–2018	Bank Vontobel Ltd, Zurich, Switzerland 2017–2018: Head of Advisory Process & Client Interface, Wealth Management; 2016–2017: Head of Sales & Business Management, Wealth Management
2005–2016	Credit Suisse AG, Zurich, Switzerland 2016: COO of Swiss Universal Bank Finance; 2012–2015: Head of Market & Segment Management Premium Clients Switzerland & Global External Asset Managers; 2011–2012: Head of Center of Competence Region Zurich, Private Banking Switzerland; 2009–2010: Head of Business Support Region Zurich, Private Banking Switzerland; 2006–2009: Head of Business Development for Private Banking Switzerland; 2005: Head of Private Banking Program Office of OneBank reorganisation
2003–2005	UBS Inc., Zurich, Switzerland Head of Product Management Client Reporting, Wealth Management & Business Banking
1999–2003	McKinsey & Company, Zurich, Switzerland Engagement Manager

Other activities and vested interests

- Member of the CFA Institute and the CFA Society Switzerland
- Foundation Council of AXA Foundation for Occupational Benefits Liechtenstein

4.3 Number of authorised activities

VP Bank 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 / Group Executive Management are described in the compensation report (→ page 106 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 29 June 2022. The details can be found in the compensation report (→ page 106 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).

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, in the Swiss financial press and online.

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.

7a. Transparency in relation to non-financial matters

Information concerning non-financial matters can be found in the **Sustainability Report 2023** of VP Bank Group.

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 28 April 2023, PricewaterhouseCoopers AG were reappointed as Group and statutory auditors for the 2023 financial year.

Roman Berlinger has been the lead auditor since 2023.

8.2 Audit fee[1]

in CHF 1,000	2023	2022
Audit of annual financial statements	673	607
Other audit-related and certification services	872	810
Total	**1,545**	**1,417**

[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 1,544,703 for the 2023 financial year (2022: CHF 1,416,903).

8.3 Additional professional fees[1]

in CHF 1,000	2023	2022
Tax-advisory services	64	156
Other services	426	23
of which audit-related services		
of which legal services		
of which other advisory services	426	23
Total	**490**	**179**

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

In the 2023 financial year, PricewaterhouseCoopers billed CHF 490,477 (2022: CHF 179,015) for additional services rendered.

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 2023, 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 the Group Auditor.

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 to 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 / Group Executive Management, 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. In addition, regular reviews are carried out to establish which additional persons and areas may potentially have access to material unpublished information about VP Bank Group. 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 the Group Standard.

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.

Agenda

2023 annual results, analyst and media conference:
12 March 2024

Annual general meeting: 26 April 2024

Semi-annual report 2024, analyst and media conference:
20 August 2024

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.

Contact

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The compensation report sets out the principles applicable to and the components of compensation, equity-participation programmes and allocations comprising the compensation of the Board of Directors and the Members of Group Executive Management. It also contains information concerning compensation schemes and compensation paid to Members of the Board of Directors and Group Executive Management for the 2023 financial year.

Regulatory framework

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

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

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

Compensation policy

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

For a number of years, the remuneration policy of VP Bank Group has corresponded to the size of VP Bank, its internal organisation and the scope and complexity of its business model. This primarily encompasses the offering of banking services for financial intermediaries and private clients in the disclosed target markets, in Liechtenstein and at the international locations. In addition, the Group has an international fund competence centre. Details of the business model can be found in the "Strategy 2026" chapter.

Principles of compensation

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

The principles applied are laid down in the compensation policy.

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

Components of compensation

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

Principles of remuneration
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

Fixed compensation

The annual salary set out in the individual employment contract and payable in cash in monthly instalments forms the basis of compensation. The level thereof varies in accordance with the function exercised and the demands and responsibilities derived therefrom which are assessed based on objective criteria. This enables internal comparability as well as the equal treatment in compensation matters and also permits the comparison with market data. VP Bank considers the fixed compensation to be compensation for the employee's activities performed in an orderly manner. The fixed salary is reviewed annually for ongoing appropriateness within the scope of the salary and wage round negotiations and, where necessary, adjusted.

Variable compensation

The variable compensation can consist of a directly paid-out portion as well as of deferred compensation instruments.

- **Immediately payable variable compensation (bonus):** The bonus is the part of the variable compensation settled annually in cash as compensation for the contribution made to earnings in the previous business year. Should the bonus be particularly high in relation to overall compensation, a part of the payment thereof can be withheld. Where it appears sensible and appropriate, such withheld portion can also be settled in the form of deferred compensation instruments or in the form of equity shares which may not be disposed of during a limited period.
- **Deferred compensation instruments:** Using deferred compensation instruments, the long-term alignment of the interests of shareholders and employees is to be achieved by a participation of the employees in the growth in the value of the Group. VP Bank Group deploys both risk-exposed equity-share and index-based plans as well as cash plans as deferred compensation instruments. Entitlement to deferred compensation instruments is dependent on the function exercised and the individual. A Performance Share Plan (PSP) exists for the Members of Group Executive Management and selected key managers. The PSP is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank. At the end of the five-year plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of registered shares A of VP Bank. Once the equity shares have been transferred, they remain blocked for one year.

In addition, a Cash Deferral Plan exists for the Members of Group Executive Management and selected key managers. Cash distributions made are distributed in a linear fashion over five years.
The Restricted Share Plan (RSP) may be used for risk takers in order to comply with regulatory requirements and also, in individual justified cases, to compensate for any postponed variable salary components, to implement special retention measures or to compensate for loss of benefits at previous employers or for any severance payments. The RSP will be paid out annually in fifths over a scheduled duration of five years in the form of registered shares A of VP Bank. Once the equity shares have been transferred, they remain blocked for one year.

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

VP Bank, under certain conditions, may withhold, reduce or cancel variable compensation components awarded to an employee (malus) or reclaim amounts which have already been paid (claw-back). This applies particularly in the case of the subsequently discovered fault of the employee or in the case of disproportionately high risks being entered into to increase revenues. On leaving VP Bank, the relevant rules laid down by the Board of Directors in the regulations governing the compensation instruments apply.

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

Equity-participation programme

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

Fringe benefits

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

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

Governance

Responsibilities

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

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

The Nomination & Compensation Committee (NCC) supports the Board of Directors with regard to all aspects relating to the compensation policy. In addition, each year, the NCC reviews the compensation policy regulations in order to ensure that they are up to date, compliant and reasonable, along with the class of "risk takers" and monitors their remuneration. The NCC comprises the members Philipp Elkuch (Chairman), Dr Beat Graf, Ursula Lang and Dr Thomas R. Meier (see the "Corporate governance" chapter, section 3.5.2 page 92).

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

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

Content and method of determining fixed and variable compensation

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

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

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

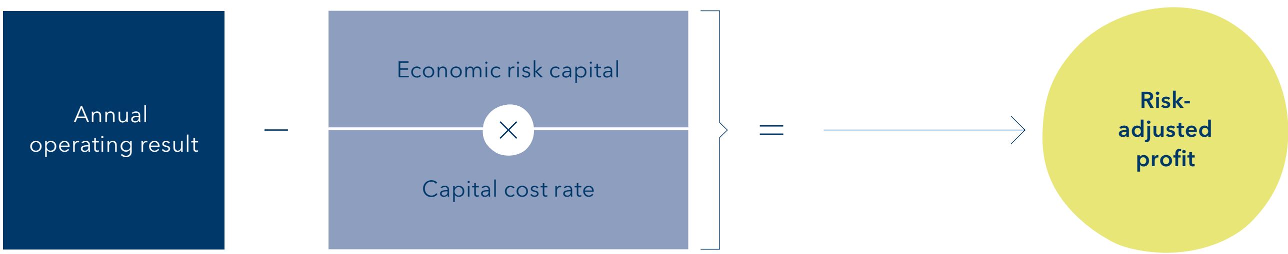
The sum of provisions for variable compensation must be affordable in the aggregate. This should never result in VP Bank Group or any individual subsidiary company falling into financial difficulties. The impact on the Group's equity situation is taken into consideration in this process.

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

Allocation of variable compensation

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

Calculation of the risk-adjusted profit



Compliance with compensation provisions

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

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

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

Compensation, shareholdings and loans to selected groups of persons

Board of Directors

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

Audited section

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

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

[A] Chairman of the Nomination & Compensation Committee.
[B] Member of the Nomination & Compensation Committee.
[C] Chairman of the Audit Committee.
[D] Member of the Audit Committee.
[E] Chairwoman of the Risk Committee.
[F] Member of the Risk Committee.
[G] Chairman of the Strategy & Digitalisation Committee.
[H] Member of the Strategy & Digitalisation Committee.
[I] Member of the Board of Directors until 29 April 2022.
[J] Member of the Board of Directors from 29 April 2022.
[K] Member of the Board of Directors until 28 April 2023.
[L] Member of the Board of Directors from 28 April 2023.
[M] Vice Chairman of the Board of Directors from 28 April 2023.
[1] Social-security costs on the emoluments paid to the Board members are borne by VP Bank.
[2] Compensation for out-of-pocket expenses is not included.

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

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

in CHF 1,000	Shareholdings in VP Bank Number of shares (including related parties, excluding qualifying participants)				Loans and credits	
	Registered shares A		Registered shares B			
	2023	2022	2023	2022	2023	2022
Board of Directors						
Dr Thomas R. Meier	5,313	3,854				
Ursula Lang	2,745	2,209				
Dr Mauro Pedrazzini	721	261				
Stefan Amstad[B]	318					
Philipp Elkuch	1,129	652			1,520	1,270
Dr Beat Graf	2,951	2,519				
Michael Riesen[A]		3,134				
Katja Rosenplänter-Marxer	1,359	942				
Stephan Zimmermann[B]	276					
Total Board of Directors	**14,812**	**13,571**	**0**	**0**	**1,520**	**1,270**

Remuneration, loans and credits to related parties: VP Bank Ltd., respectively Group, has provided remuneration by issuing a guarantee to related parties which is at arm's length terms.
Related parties are natural or legal persons who have a close personal, economic or actual relationship with a member of a governing body.

[A] Member of the Board of Directors until 28 April 2023.
[B] Member of the Board of Directors from 28 April 2023.

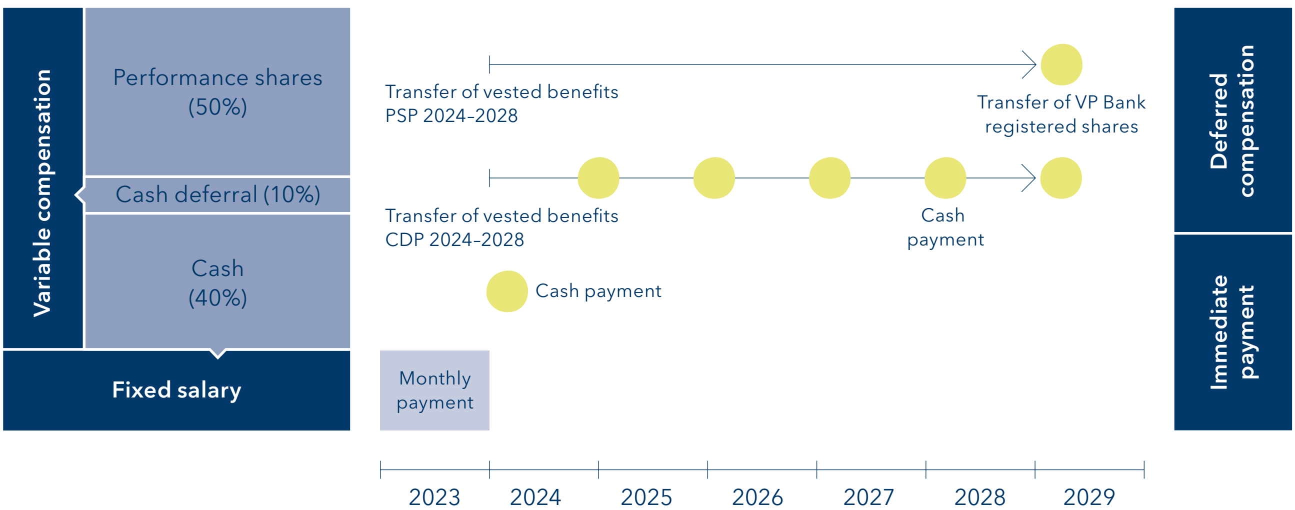
End of audited section

Group Executive Management

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

1. A fixed base salary; this is contractually agreed between the Board of Directors and individual members. In addition to the base salary, VP Bank pays proportionate contributions to the management insurance scheme and the pension fund.
2. A Performance Share Plan (PSP); this is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd and promotes long-term commitment in the form of equity shares. At the end of the five-year plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of equity shares. This vesting multiple is determined from the weighting of an average group net income and the average net new money over the first three years of the plan period. Once the equity shares have been transferred, they remain blocked for one year.

Instruments of variable compensation



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

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

   Until the time when each respective payment is made, the Board of Directors reserves the right to reduce or suspend the cash benefits allocated in the case of defined occurrences and in extraordinary situations. The share of the cash deferral makes up 10 per cent of total variable performance-related compensation.

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

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

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

Audited section

Compensation paid to Group Executive Management (audited)

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

[1] These amounts do not include fees or lump-sum allowances.
[2] Length of service awards and severance pay are included.

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

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

End of audited section

Deferred compensation from previous years

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

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

A total of 2,113 performance shares with a market value of CHF 212,357 on the date of allocation were transferred to the Members of Group Executive Management from PSP 2020–2022, which was part of the compensation for the 2019 financial year. The vesting multiple applied was 50 per cent.

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

Outstanding management equity-participation programmes

Performance Share Plan	Vesting date	Performance shares		Shares (vesting)	
		Number	Value	Number	Value
PSP 2021–2023	01.03.2024	9,126	991,996	To be determined	To be determined
PSP 2022–2024	01.03.2025	10,343	1,032,438	To be determined	To be determined
PSP 2023–2025	01.03.2026	8,590	752,570	To be determined	To be determined

Cash Deferral Plan	Vesting date		Value on vesting date	Value	
	First	Last	Annually	Total	Outstanding
CDP 2022–2026	01.03.2023	01.03.2027	82,600	413,000	330,400
CDP 2023–2027	01.03.2024	01.03.2028	75,250	376,250	376,250

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

Audited section

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

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

Remuneration, loans and credits to related parties: VP Bank Ltd., respectively Group, has provided remuneration by issuing a guarantee to related parties which is at arm's length terms.
Related parties are natural or legal persons who have a close personal, economic or actual relationship with a member of a governing body.

[A] Member of the Group Executive Management until 31 December 2022.
[B] Member of the Group Executive Management until 31 March 2023.
[C] Member of the Group Executive Management from 1 April 2023.
[D] Member of the Group Executive Management from 1 August 2023.

End of audited section

› Young Talents

Strategic investment in our future.

For VP Bank, the recruitment and development of trainees, student apprentices and graduates is an important component of its People Strategy. As part of the People Strategy, "Excite Talents" focuses on young, talented individuals, among others.

Young talent – a strategic investment in the future

At VP Bank, young talent are allowed to actively shape their training and manage various projects themselves. In this way, they learn at a young age to think for themselves, contribute their own ideas and see the impact their contributions have. As a result, entry-level employees develop into self-starters at an early stage and go on to achieve great things. Independence, determination and a focus on achieving your goals are the development priorities for young talent. That is what VP Bank is all about.

VP Bank is committed to the professional promotion of young talent as a strategic investment in the future of the business. There are several reasons for this. VP Bank ensures that it will continue to have competent, qualified employees in the future through the targeted development of young talent. In addition, young talent bring fresh perspectives, creativity and innovative ideas. Supervisors can also pass on their experience to the young adults and grow themselves in the process.

The promotion of young talent enables VP Bank to share and pass on its values and culture across generations. And last but not least, with its training programmes for trainees and graduates, VP Bank promotes potential young talent in a targeted manner, thereby fostering growth from within.

Carmen Klingler

Trainee / commercial apprenticeship

"I started my three-year banking apprenticeship at VP Bank Ltd in August 2021. Above all, the pleasant atmosphere among the employees helped me to quickly feel at home at the bank. So far I have been able to visit five departments at VP Bank and consequently broaden my experience. The banking apprenticeship gave me the opportunity to put into practice the theoretical knowledge that I had acquired at school and on various banking courses, thus providing me with the ideal foundation for my career. After my apprenticeship, I would like to get a permanent position at VP Bank and at the same time finish my vocational baccalaureate so that I can go to university later. I feel very lucky to have had such a great time here so far and look forward to everything the future has in store for me."

Sina Hoop

Assistant Corporate Clients and Loans Commercial Banking at VP Bank

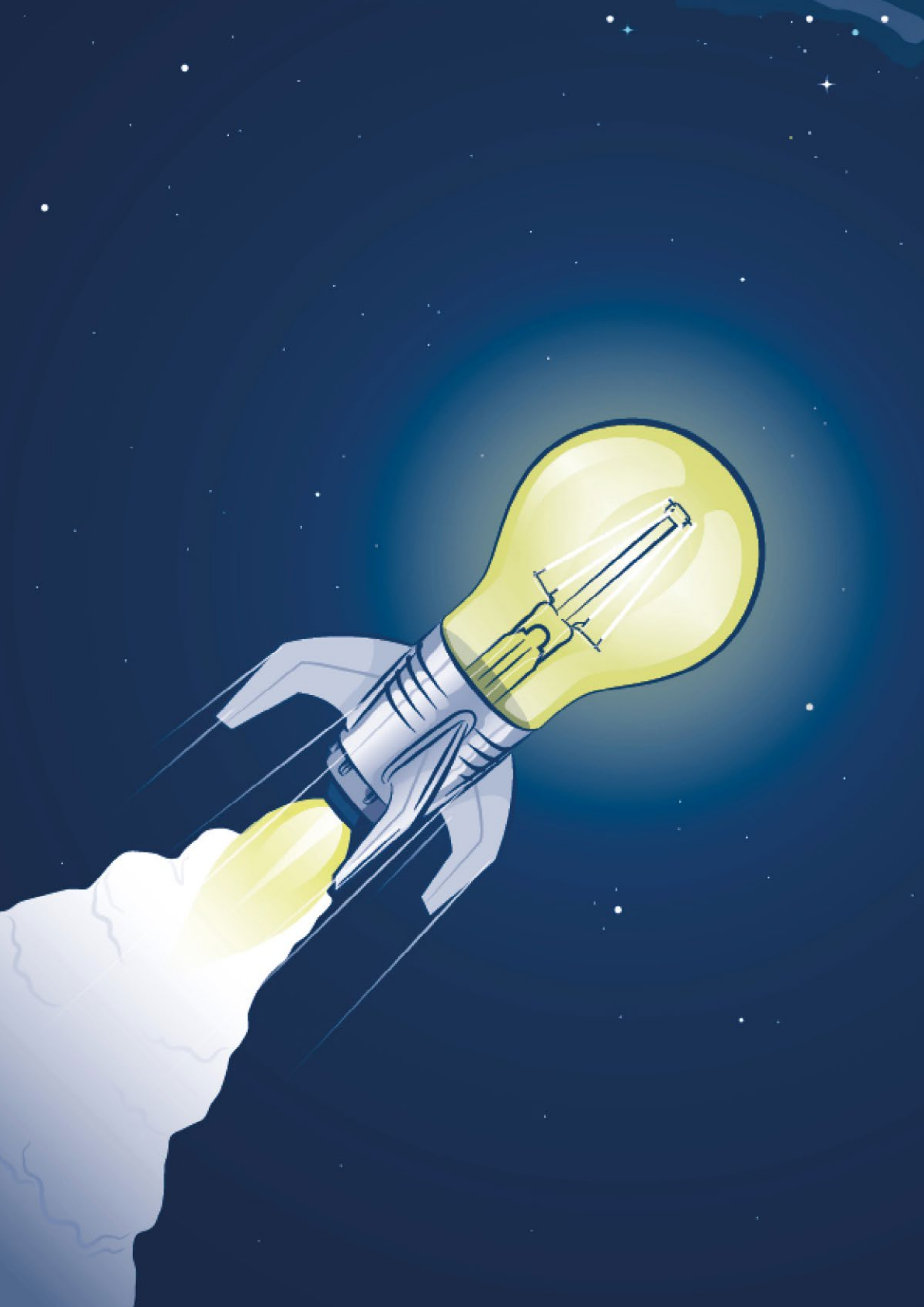
"I completed my commercial apprenticeship in summer 2023. The training programme lasted three years, during which I spent either one or two days a week at school and the remaining days working at VP Bank, allowing me to put theory into practice. During those three years, I was able to rotate through two departments each year, giving me the opportunity to get to know different areas of VP Bank. The training at VP Bank helped me to identify and develop my interests in the area of corporate and credit clients and to prepare myself for a career in this area."

Roger Signer

Junior Product Manager at VP Bank / graduate programme

"I am having an excellent start to my career as a product management graduate at VP Bank. The graduate programme not only offers me the opportunity to grow personally and gain a foothold in the professional world but above all promotes my individual skills. This allows me to grow professionally. It gives me the opportunity to develop my skills and contribute creative ideas. This balance between professional development and personal growth opportunities makes the programme particularly valuable for me."

Read this page online
vpbank.com/young-talents-en



05 › Financial Report 2023 of VP Bank Group

Consolidated results

In a challenging environment, VP Bank Group generated group net income of CHF 44.2 million in the 2023 financial year. This represents an increase of 10 per cent compared to the previous year.

Client assets

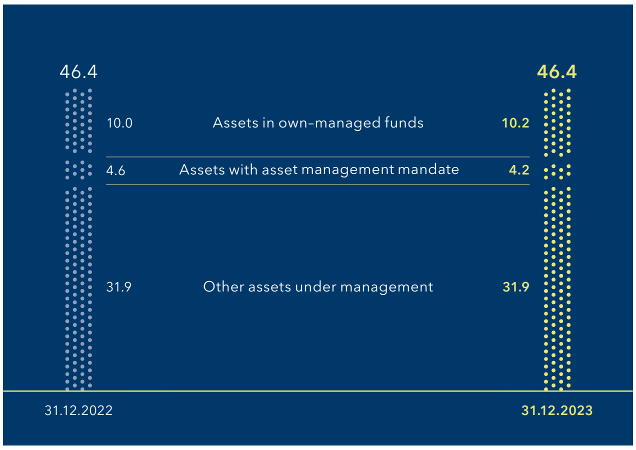
As of 31 December 2023, client assets under management amounted to CHF 46.4 billion, the same amount recorded at the end of 2022. Average client assets under management fell by 2 per cent compared to the previous year.

New money inflows compensated for initiated outflows due to broad adjustments made to client portfolio, which were initiated by the strategic withdrawal of business with Russian clients as well as the review of client documentation. Net new money inflow amounted to CHF 27 million.

Custody assets decreased by CHF 1.1 billion to CHF 4.7 billion compared to the end of December 2022, representing a decrease of 19 per cent. On the whole, client assets including custody assets totalled CHF 51.1 billion as of 31 December 2023.

Stable client assets under management

in CHF billion



Income statement

Operating income

VP Bank generated operating income of CHF 364.4 million. This represents an increase of 8 per cent compared to the previous year.

Net interest income rose by 10 per cent compared to the previous year to CHF 133.6 million.

Net income from commission business and services amounted to CHF 137.9 million. Compared to the previous year, this represents a reduction of 1 per cent. Recurring commission income amounted to CHF 111.2 million, which is 2 per cent lower than in the previous year, developing in parallel with average assets under management. Transaction-based commission income amounted to CHF 26.7 million, which is 3 per cent higher compared to the previous year.

Income from trading activities amounted to CHF 85.3 million, an increase of 30 per cent compared to the previous year. The increase is mainly related to the increase in the USD/CHF interest rate differential.

Income from financial investments made a positive contribution of CHF 6.0 million, as did other income totalling CHF 1.6 million.

Operating expenses

Operating expenses increased by 8 per cent compared to the previous year to CHF 313.5 million.

Personnel expenses increased by 1 per cent compared to the previous year to CHF 175.8 million, which reflects inflation-related wage increases.

General and administrative expenses increased by 10 per cent to CHF 84.5 million. This increase is mainly due to higher advisory fees for the analysis of client relationships with a connection to Russia and to ongoing costs for IT infrastructure outsourcing.

Depreciation and amortisation increased in line with expectations to CHF 45.9 million due to investments made to implement Strategy 2026. Depreciation and amortisation has peaked and will now steadily fall.

Out of caution and against the backdrop of the current economic environment, valuation adjustments, provisions and losses were created in the reporting period amounting to CHF 7.3 million.

Balance sheet

Total assets fell by 9 per cent compared to the previous year to CHF 11.4 billion.

Deposits

Client deposits fell by 12 per cent to CHF 9.5 billion.

Short-term financial assets

As of the end of December 2023, CHF 1.6 billion was held as a deposit at the Swiss National Bank. A further CHF 1.5 billion is attributable to receivables from banks or money market papers, both with terms of up to a year. These items over CHF 3.1 billion covered 33 per cent of client deposits.

Loans

As of the end of December 2023, VP Bank had CHF 5.5 billion in outstanding loans to clients, of which the share of mortgage loans was CHF 3.3 billion. Loan volume decreased by 5 per cent, as some clients paid back or did not renew their loans due to the changes in the interest rate environment. This concerns primarily lombard loans, which have fallen by a total of 11 per cent. Mortgage loans have increased by 3 per cent.

Equity capital and liquidity

VP Bank Group has a very strong capital base and high liquidity. As of 31 December 2023, the tier 1 ratio was 24.9 per cent, and the liquidity coverage ratio was 306 per cent.

Consolidated income statement

in CHF 1,000	Note	2023	2022	Variance absolute	Variance in %
Interest income from financial instruments at amortised cost		268,855	132,898	135,957	102.3
Other interest income		47,201	30,316	16,885	55.7
Interest expense using the effective interest method		182,417	41,721	140,696	337.2
Total net interest income	**1/32**	**133,639**	**121,493**	**12,146**	**10.0**
Commission income		181,733	185,007	–3,274	–1.8
Commission expenses		43,837	45,426	–1,589	-3.5
Total net income from commission business and services	**2**	**137,896**	**139,581**	**–1,685**	**–1.2**
Income from trading activities	3	85,251	65,507	19,744	30.1
Income from financial instruments	4	6,038	9,362	–3,324	–35.5
Other income	5	1,607	418	1,189	284.4
Total operating income		**364,431**	**336,361**	**28,070**	**8.3**
Personnel expenses	6	175,771	173,644	2,127	1.2
General and administrative expenses	7	84,529	76,631	7,898	10.3
Depreciation of property, equipment and intangible assets	8	45,908	40,969	4,939	12.1
Credit loss expenses	9	4,951	–2,421	7,372	304.5
Provisions and losses	9	2,369	2,348	21	0.9
Operating expenses		**313,528**	**291,171**	**22,357**	**7.7**
Earnings before income tax		**50,903**	**45,190**	**5,713**	**12.6**
Taxes on income	10	6,694	5,030	1,664	33.1
Group net income		**44,209**	**40,160**	**4,049**	**10.1**
Share information					
Undiluted group net income per registered share A	11	7.19	6.57		
Undiluted group net income per registered share B	11	0.72	0.66		
Diluted group net income per registered share A	11	7.16	6.54		
Diluted group net income per registered share B	11	0.72	0.65		

Consolidated statement of comprehensive income

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Group net income	**44,209**	**40,160**	**4,049**	**10.1**
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	–6,962	868	–7,830	n.a.
Total other comprehensive income which will be transferred to the income statement upon realisation	**–6,962**	**868**	**–7,830**	**n.a.**
Other comprehensive income which will not be transferred subsequent to the income statement				
• Changes in value of FVTOCI financial instruments	2,724	–6,268	8,992	143.5
• Actuarial gains/losses from defined-benefit pension plans	–8,783	9,523	–18,306	–192.2
• Tax effects (note 10d)	976	–1,117	2,093	187.4
Total other comprehensive income which will not be transferred subsequent to the income statement	**–5,083**	**2,138**	**–7,221**	**–337.7**
Total comprehensive income in shareholders' equity	**–12,045**	**3,006**	**–15,051**	**n.a.**
Total comprehensive income in income statement and shareholders' equity	**32,164**	**43,166**	**–11,002**	**–25.5**

Consolidated balance sheet

Assets

in CHF 1,000	Note	31.12.2023	31.12.2022	Variance absolute	Variance in %
Cash and cash equivalents	13	1,610,959	2,208,733	–597,774	–27.1
Receivables arising from money market papers	14	170,894	196,993	–26,099	–13.2
Due from banks	15/16	1,353,783	1,539,929	–186,146	–12.1
Due from customers	15/16	5,467,518	5,758,911	–291,393	–5.1
Trading portfolios	17	213	172	41	23.8
Derivative financial instruments	18	41,960	58,540	–16,580	–28.3
Financial instruments at fair value	19	182,584	180,013	2,571	1.4
Financial instruments measured at amortised cost	20	2,371,683	2,436,650	–64,967	–2.7
Joint venture companies	21	23	24	–1	–4.2
Property and equipment	22/32	78,457	84,318	–5,861	–7.0
Goodwill and other intangible assets	23/32	78,186	90,652	–12,466	–13.8
Tax receivables	10c	31	230	–199	–86.5
Deferred tax assets	10b	11,832	8,302	3,530	42.5
Accrued receivables and prepaid expenses		57,282	45,325	11,957	26.4
Other assets	24	24,488	22,269	2,219	10.0
Total assets		**11,449,893**	**12,631,061**	**–1,181,168**	**–9.4**

Liabilities and shareholders' equity

in CHF 1,000	Note	31.12.2023	31.12.2022	Variance absolute	Variance in %
Due to banks		293,243	178,776	114,467	64.0
Due to customers – savings and deposits		422,295	503,322	–81,027	–16.1
Due to customers – other liabilities		9,082,770	10,330,340	–1,247,570	–12.1
Derivative financial instruments	18	104,288	89,546	14,742	16.5
Medium-term notes	25	53,005	41,180	11,825	28.7
Debentures issued	26	255,028	255,081	–53	–0.0
Tax liabilities	10c	5,424	5,783	–359	–6.2
Deferred tax liabilities	10b	1,502	1,301	201	15.4
Accrued liabilities and deferred items		57,189	45,878	11,311	24.7
Other liabilities	27/32	65,618	75,707	–10,089	–13.3
Provisions	28	2,379	2,022	357	17.7
Total liabilities		**10,342,741**	**11,528,936**	**–1,186,195**	**–10.3**
Share capital	29	66,154	66,154	0	0.0
Less: treasury shares	30	–49,224	–53,220	3,996	7.5
Capital reserves		22,854	23,305	–451	–1.9
Retained earnings		1,157,251	1,143,724	13,527	1.2
Actuarial gains/losses from defined-benefit pension plans		–33,502	–25,797	–7,705	–29.9
Unrealised gains/losses on FVTOCI financial instruments		–22,135	–24,757	2,622	10.6
Foreign-currency translation differences		–34,246	–27,284	–6,962	–25.5
Total shareholders' equity		**1,107,152**	**1,102,125**	**5,027**	**0.5**
Total liabilities and shareholders' equity		**11,449,893**	**12,631,061**	**–1,181,168**	**–9.4**

Consolidated changes in shareholders' 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 01.01.2023	**66,154**	**–53,220**	**23,305**	**1,143,724**	**–25,797**	**–24,757**	**–27,284**	**1,102,125**
Other comprehensive income, after income tax					–7,705	2,622	–6,962	–12,045
Group net income				44,209				44,209
Total reported result 31.12.2023	**0**	**0**	**0**	**44,209**	**–7,705**	**2,622**	**–6,962**	**32,164**
Appropriation of profit 2022				–30,682				–30,682
Management equity participation plan			–549					–549
Movement in treasury shares[1]		3,996	98					4,094
Total shareholders' equity 31.12.2023	**66,154**	**–49,224**	**22,854**	**1,157,251**	**–33,502**	**–22,135**	**–34,246**	**1,107,152**
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**

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

Consolidated statement of cash flow

in CHF 1,000	Note	2023	2022
Cash flow from operating activities			
Group net income		44,209	40,160
Reconciliation to cash flow from operating activities			
Non-cash-related positions in Group results			
• Depreciation of property, equipment and intangible assets	22/23	45,908	40,969
• Creation/dissolution of retirement pension provisions		–2,558	1,248
• Creation/dissolution of other provisions and valuation allowances		–1,016	–2,741
• Non-cash-related income from capitalisation of assets		–3,133	–4,001
• Unrealised gains on financial instruments measured at fair value		52	–3,229
• Unrealised gains on financial instruments measured at amortised cost (foreign exchange)		0	–382
• Deferred income taxes		–2,358	–1,382
Net increase/reduction in banking			
• Amounts due from/to banks, net		384,406	231,092
• Trading portfolios incl. replacement values, net		31,281	5,882
• Amounts due from/to clients		–806,147	–99,200
• Accrued receivables and other assets		–13,977	–14,496
• Accruals and other liabilities		9,388	–35,143
Income taxes paid	10a	–8,949	–11,608
Used provisions and valuation allowances		–112	–229
Foreign-currency impact on intragroup transactions		–46,772	904
Net cash flow from operating activities		**–369,778**	**147,844**
Cash flow from investment activities			
Purchase of financial instruments measured at fair value		–15,526	–18,835
Proceeds from sale of/maturing financial instruments measured at fair value		11,692	26,995
Purchase of financial instruments measured at amortised cost		–723,305	–864,825
Proceeds from sale of/maturing financial instruments measured at amortised cost		660,417	608,875
Acquisition of property and equipment and intangible assets		–18,864	–32,653
Sale of property and equipment and intangible assets		0	0
Net cash flow from investment activities		**–85,586**	**–280,443**
Cash flow from financing activities			
Purchase of treasury shares	30	–13	–17
Sale of treasury shares		1,310	1,139
Payment of lease liabilities		–5,561	–5,661
Dividend distributions		–30,682	–30,524
Issuance of medium-term bonds		23,691	8,163
Redemption of medium-term bonds		–11,499	–20,947
Redemption of debentures	26	0	0
Net cash flow from financing activities		**–22,754**	**–47,847**
Foreign-currency translation impact		–45,867	–10,828
Net increase/reduction in cash and cash equivalents		**–523,985**	**–191,274**
Cash and cash equivalents at the beginning of the financial year		2,684,567	2,875,841
Cash and cash equivalents at the end of the financial year		2,160,582	2,684,567
Net increase/reduction in cash and cash equivalents		**–523,985**	**–191,274**

Consolidated statement of cash flow (continued)

in CHF 1,000	Note	2023	2022
Cash and cash equivalents are represented by			
Cash	13	1,610,983	2,208,760
Receivables arising from money market paper		0	9,995
Due from banks – at-sight balances	15	549,599	465,812
Total cash and cash equivalents		**2,160,582**	**2,684,567**
Consolidated statement of cash flow (summarised)			
Cash and cash equivalents at beginning of accounting period		**2,684,567**	**2,875,841**
Cash flow from operating activities, net of taxes		–369,778	147,844
Cash flow from investing activities		–85,586	–280,443
Cash flow from financing activities		–22,754	–47,847
Foreign-currency translation impact		–45,867	–10,828
Cash and cash equivalents at end of accounting period		**2,160,582**	**2,684,567**
Cash flow from operating activities from interest and dividends			
Interest paid		–172,260	–36,090
Interest received		305,240	150,341
Dividends received		7,084	7,349

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 2,160.6 million (2022: CHF 2,684.6 million).

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

in CHF 1,000	Note	31.12.2023	31.12.2022	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	53,005	41,180	11,825	12,192	–367	0	0	0
Debentures issued	26	255,028	255,081	–53	0	–53	0	0	0
Lease liabilities	32	17,692	19,868	–2,176	–5,561	0	–393	6,210	–2,432
Total variance				**9,596**	**6,631**	**–420**	**–393**	**6,210**	**–2,432**

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**

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 (BVI) and Hong Kong, a branch in Singapore and a representative office in Hong Kong. As of 31 December 2023, VP Bank Group employed 1,007.2 persons, expressed as full-time equivalents (as of the end of the previous year: 935.0 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 2023 financial statements were drawn up in accordance with the International Financial Reporting Standards applicable in the European Union (EU IFRS) and with Liechtenstein law.

Post-balance-sheet-date events

There were no post-balance-sheet-date events that materially affect the balance sheet and income statement for 2023.

The Board of Directors reviewed and approved the consolidated financial statements in its meeting of 22 February 2024. These consolidated financial statements will be submitted for approval to the annual general meeting of 26 April 2024.

2. Assumptions and uncertainties in estimates

The Board of Directors is responsible for issuing accounting directives. The IFRS Accounting Standards® (hereinafter 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 intra-group transactions are eliminated when the consolidated financial statements are drawn up.

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 (CHF).

For the purpose of drawing up the consolidated financial statements, balance sheets of Group companies denominated in a foreign currency are translated into CHF 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.

Domestic versus foreign

The term "domestic" also includes Switzerland.

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

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 recording of changes in value and impairment losses through 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 (FVTOCI).

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 these 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.

At 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, after a review has been carried out, 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 (where required, inclusion on the watch list). 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).

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

Amounts due to banks and clients are accounted for at amortised cost using the effective interest method. Interest is accounted for using the accrual method and reported under interest income using the effective interest method. 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.

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:

- An economic relationship must exist 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.

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 (fair value) 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.

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 extraordinary write-down takes place.

Property, plant and equipment

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 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.

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

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.

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 carryforwards are only recognised if it is probable that sufficient taxable profits will be available against which these temporary differences or tax loss carryforwards 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 carryforwards 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 carryforwards. 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
- 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.

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 (IFRS)

Since 1 January 2023, 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:

- Amendments to IAS 1 Presentation of Financial Statements: disclosure of material accounting policy information rather than significant accounting policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The following future amendments do not have a material impact on the consolidated financial statements of VP Bank Group:

There are currently no new or amended IFRS or interpretations that have a material impact on VP Bank Group.

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 2023 amounted to CHF 4.2 billion as compared with CHF 4.8 billion in the previous year. Core capital as of 31 December 2023 was CHF 1,057.7 million as compared with CHF 1,046.2 million in the previous year. The overall equity ratio increased by 3.2 percentage points, from 21.7 per cent on 31 December 2022 to 24.9 per cent on 31 December 2023. As of both 31 December 2023 and 31 December 2022, VP Bank Group was adequately capitalised in accordance with the respective guidelines of the FMA and the Bank for International Settlements (BIS) currently in force. In 2023, 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 in the 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 per cent 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 2023.

Capital and balance sheet structure management

The minimum capital ratio of VP Bank of 12.5 per cent of risk-weighted assets consists of the regulatory minimum requirement of 8 per cent, a capital conservation buffer of 2.5 per cent and a buffer for other system-relevant banks of 2 per cent. Basel III also provides for an anti-cyclical capital buffer that was set at 0 per cent for 2023 by the Financial Market Authority Liechtenstein.

VP Bank complied with the minimum capital requirements for 2023 at all times. Thanks to an exceedingly robust tier 1 ratio of 24.9 per cent as of the end of 2023, 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 2023, the leverage ratio of VP Bank was 9 per cent. 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 2023 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 2023.

In this context, compliance with the liquidity coverage ratio (LCR) of 100 per cent is required by law, which was clearly exceeded with a value of 306 per cent thanks to a comfortable liquidity situation. The net stable funding ratio (NSFR) of 100 per cent, set as a requirement, was also significantly exceeded at 157 per cent at the end of 2023.

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 2023 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 5.4 billion as of 31 December 2023 or 48 per cent 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 2023, the volume of client loans decreased significantly by CHF 291 million. In particular, client loans in the lombard loan business are lower due to geopolitical tensions and macroeconomic developments (deleveraging), while an increase in volume was achieved in the mortgage lending business.

At CHF 1.4 billion, the volume of receivables from banks was CHF 186 million lower than in the previous year. 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 2.7 billion as of 31 December 2023. 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 made up of interest rate, credit-spread, 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. Following the unprecedented interest rate hikes in 2022 in all three major currencies CHF, EUR and USD, there were further increases in key short-term interest rates in 2023, albeit with less intensity. Falling inflation rates and a deterioration in the economic outlook led to expectations in the fourth quarter that key short-term interest rates would be cut again in the near future. As a result, long-term interest rates were lower than short-term interest rates at the end of 2023 (inverse interest rate structure), which requires special attention in market risk management. The initial significant increase in interest income is now offset by higher interest expenses on the deposit side.

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. The identified risks are limited or mitigated by controls as specified in the risk appetite. The controls are an integral part of the business processes and are documented in the internal control system. Controls are periodically assessed for adequacy and effectiveness. The current operational risk situation is reported to the Executive Board and the Board of Directors on a quarterly basis.

The geopolitical situation had a major impact on the assessment of the risks arising from sanctions and embargoes. As a result, processes for the early identification and prevention of potential compliance breaches were further strengthened. At the same time, the level of regulation in the financial sector continued to increase. Implementation of the operational resilience requirements, which for VP Bank are driven in particular by the new EU Digital Operational Resilience Act (DORA), began in 2023. While cyber attacks have become more sophisticated, our level of cyber security has also been further enhanced through the strategic collaboration with Swisscom.

Further risks

In addition to the aforementioned risks, risk management of VP Bank Group covers strategic and business risks, 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 Financing Sustainable Growth, 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-related financial 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).

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 the bank's 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.

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 recording 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 (CRO) and that are independent of the bodies that actively manage the risks are responsible for monitoring and reporting risks to Group Executive Management (GEM) and the Board of Directors.

Transparency

Comprehensive, objective, timely and transparent disclosure of risks to Group Executive Management (GEM) and the Board of Directors forms the basis for risk monitoring.

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.

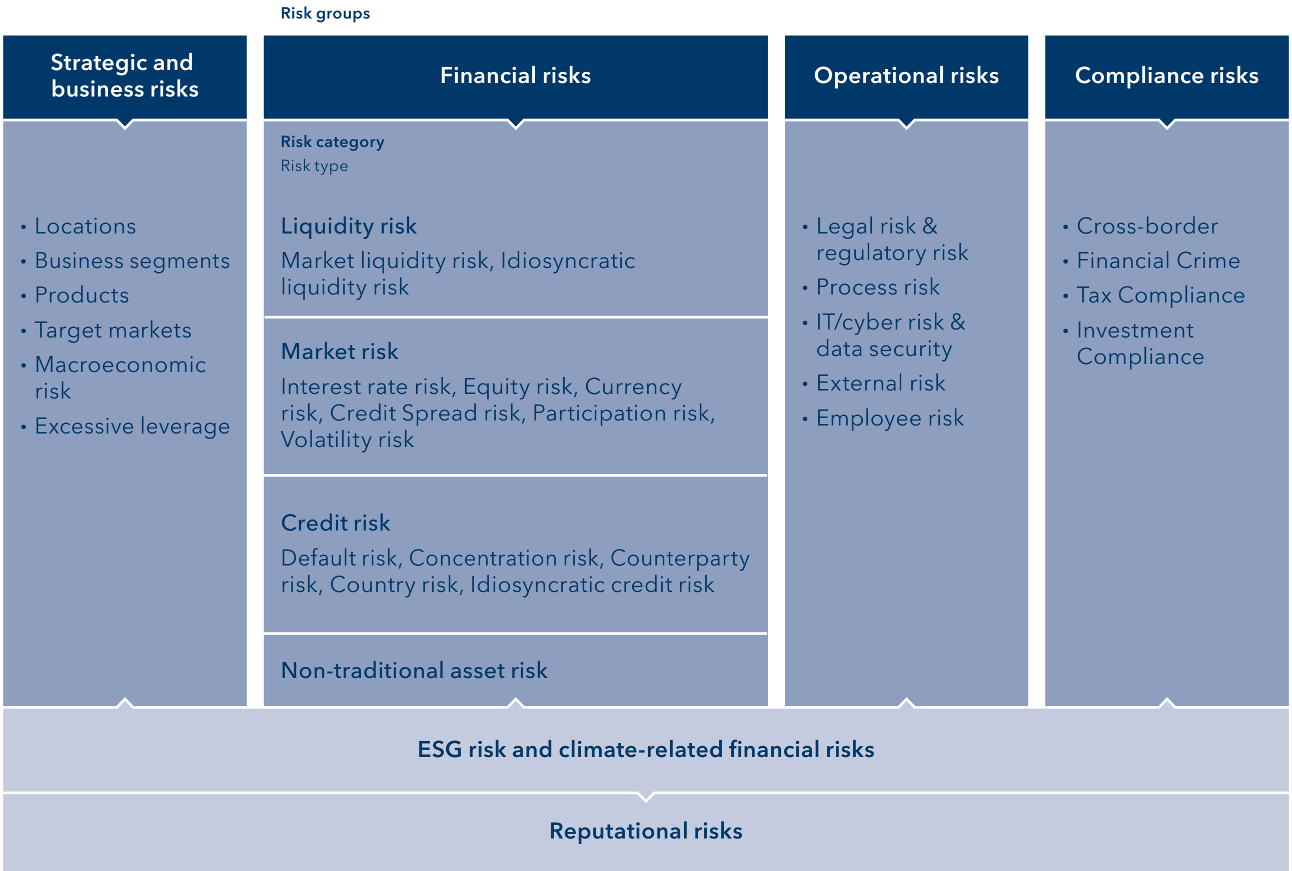
The following chart (→ graphic on page 141) provides an overview of the risks to which VP Bank is exposed in the context of its business activities. These are allocated to the risk groups of strategic and business risks, financial risks, operational risks, compliance risks, ESG and climate-related financial risks and reputational risks.

Strategic and business 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. 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, credit spreads) or other price-influencing parameters such as volatility.

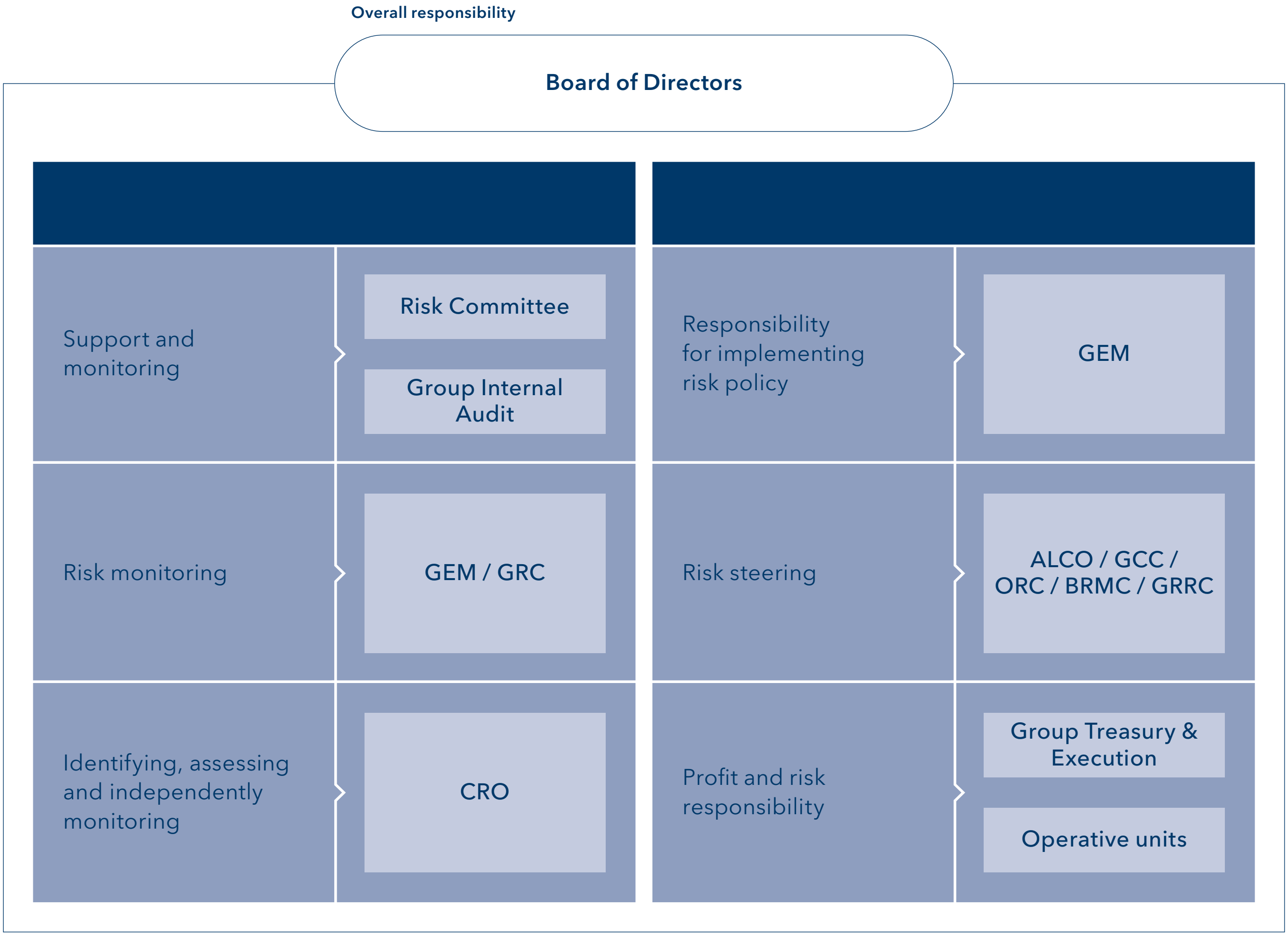


Credit risk includes default/creditworthiness, liquidation, counterparty, country and idiosyncratic risks. Default risk refers to the risk of a financial loss which may occur following the default of a debtor or loan collateral. Liquidation risks include potential losses incurred by the bank not due 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 or 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 from a lack of diversification in the loan portfolio (concentrations in debtors and/or collateral).

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.

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 of the bank, 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.



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.

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.

Duties, powers and responsibilities

The chart (→ above graphic) 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 subsidiary companies as well as the group-wide management of strategy, business, financial, compliance, operational and reputational risk.

In its function as the **Group Risk Committee (GRC),** 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 financial risks in compliance with the relevant statutory and regulatory provisions. It assesses the Group's situation with respect to financial risks and initiates remedial steering measures whenever necessary.

The **Group Operational Risk Committee (ORC)** manages all operational risks with the exception of compliance risks. The ORC is responsible for the identification, assessment, management, monitoring and reporting of operational risks of VP Bank Group.

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 Business Risk Committee (BRMC)** proactively manages compliance risks, identifies primary risks, and ensures that risk-mitigating controls are implemented and adhered to.

The **Group Reputational Risk Committee (GRRC)** decides on client relationships which could represent a material reputational risk for VP Bank Group.

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 CRQ'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 as well as their IT implementation. These include all guidelines, risk concepts, the lending methodology and the underlying lending parameters. CCC also supports and initiates all development projects related to the credit business of VP Bank Group, including regulatory projects. Furthermore, CCC 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 risk reporting.

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:

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

Risk steering
- Group Treasury & Execution
- Intermediaries & Private Banking
- Asset & Liability Committee (ALCO)
- Group Credit Committee (GCC)
- Operational Risk Committee (ORC)
- Business Risk Committee (BRMC)
- Group Reputational Risk Committee (GRRC)

Independent risk monitoring
- Chief Risk Officer (CRO)

- **Determination of the risk strategies:** The risk strategies for each risk group (strategic and business risks, financial risk, operational and compliance risks) are derived from the business strategy of VP Bank and provide the framework conditions for risk management of the respective types of risk. 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 must be 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 present value of equity capital after deducting operating 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. 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 capacity 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 the Board of Directors):** 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 can be 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 and operational risks are carried out on an ongoing basis by Group Compliance & Operational Risk, while the respective business units are responsible for management of compliance and operational risks.

Reputational risks can result from financial, operational, compliance and ESG risks as well as from strategic and business risks. The strategic and business 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 figure on the previous page.

4. Own funds disclosure

The required qualitative and quantitative information on capital adequacy requirements, 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 2023 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

In regard to strategy, business and reputational risk, no explicit regulatory capital-adequacy requirements are stipulated in the CRR. The table on the next page shows the Group's capital-adequacy situation as of 31 December 2023.

The following table shows the capital-adequacy situation of the Group as of 31.12.2023.

Capital-adequacy computation (Basel III)

in CHF 1,000	31.12.2023	31.12.2022
Core capital		
• Share capital	66,154	66,154
• Deduction for treasury shares	–49,224	–53,220
• Capital reserves	22,854	23,305
• of which premium for capital instruments	47,505	47,505
• Retained earnings	1,157,251	1,143,724
• of which group net income	44,209	40,160
• Actuarial gains/losses from defined-benefit pension plans	–33,502	–25,797
• Unrealised gains/losses on Fair Value Through OCI (FVTOCI) financial instruments	–22,135	–24,757
• Foreign-currency translation differences	–34,246	–27,284
Total shareholders' equity	**1,107,152**	**1,102,125**
• Deduction for dividends as per proposal of Board of Directors	–33,077	–33,077
• Deduction for equity instruments as per art. 28 CRR	0	0
• Deduction for actuarial gains/losses from IAS19	33,502	25,797
• Deduction deferred taxes on IAS 19	–4,188	–3,225
• Deduction for goodwill and intangible assets	–41,140	–42,681
• Other regulatory adjustments (deferred tax, securisation positions, prudential filter)	–4,512	–2,758
Eligible core capital (CET1 = Tier 1)	**1,057,737**	**1,046,181**
Eligible core capital (adjusted)	**1,057,737**	**1,046,181**
Credit risk (in accordance with Liechtenstein standard approach)	283,639	327,306
thereof price risk regarding equity securities in the banking book	9,454	9,756
Market risk (in accordance with Liechtenstein standard approach)	3,501	8,683
Operational risk (in accordance with basic indicator approach)	51,626	48,943
Credit Value Adjustment (CVA)	654	1,378
Total required equity	**339,420**	**386,310**
Capital buffer	197,285	223,723
Total required equity including capital buffer	**536,705**	**610,033**
CET1 equity ratio	24.9%	21.7%
Tier 1 ratio	24.9%	21.7%
Overall equity ratio	24.9%	21.7%
Total risk-weighted assets	**4,242,745**	**4,828,876**
Return on investment (net income / average balance sheet total)	0.4%	0.3%

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 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, equities and other securities), foreign currencies, precious metals and corresponding derivatives, as well as from client business, interbank business and from consolidated subsidiary companies 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 "Maturity structure of assets and liabilities" 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 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 per cent. The calculation of interest rate risk generally takes into account the contractual fixing period of interest-bearing positions. For non-maturing positions, an internal replication model is applied.

The market value-at-risk (99 per cent / 250 days) of VP Bank Group as of 31 December 2023 amounted to CHF 135 million (previous year: CHF 184 million). Since January 2023, in addition to interest rate, currency and equity risks, credit-spread risks of the bond portfolio have also been recognised in market risk. At the same time, the switch was made to a combined market risk calculation, as a result of which the market value-at-risk is significantly lower than with an additive calculation. During 2023, the market value-at-risk fluctuated between CHF 125 million and CHF 138 million, which was mainly due to fluctuations in interest rate positioning. In contrast to the previous year, ongoing market interest rate movements did not play a role in the development of market value-at-risk. The observable increase in the market value-at-risk over 2023 was essentially determined by the interest rate risk, while the simultaneously fluctuating currency risk had no significant impact. There were no material changes in the credit-spread and equity risk factors.

The following table shows the value-at-risk analysed by types of risk and the total market value-at-risk.

Market-Value-at-Risk (end of month values)

in CHF million	Total	Interest-rate risk	Credit-spread-risk	Equity and commodity risk	Currency risk
2023					
Year-end	134.8	135.6	53.5	47.0	16.0
Average	131.9	133.2	55.1	50.2	10.9
Highest value	138.1	140.9	56.2	53.2	16.0
Lowest value	125.4	125.1	53.5	47.0	6.1
2022					
Year-end	183.6	124.2	n.a.	49.6	9.8
Average	147.7	77.2	n.a.	49.4	21.0
Highest value	187.3	124.4	n.a.	51.8	32.9
Lowest value	124.0	39.7	n.a.	45.2	9.7

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 present value of equity capital and on net interest income. In this manner, the fluctuations in net present 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 of 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, falling exchange 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 per cent (100 basis points) in each maturity band and per currency. The respective movements represent the 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, while positive values indicate 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
31.12.2023						
CHF	395	1,550	–868	–20,827	–247	–19,997
EUR	267	54	–1,683	–6,867	–8,286	–16,515
USD	47	–27	–435	–14,628	–5,466	–20,509
Other currencies	–34	–117	–82	1,145	0	912
Total	**675**	**1,460**	**–3,068**	**–41,177**	**–13,999**	**–56,109**
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**

The following table sets out the effects of a negative movement in the principal foreign currencies on group net income and equity capital. The applied variance scenario reflects the implicit annual FX rate volatilities as of 31 December 2023 and 31 December 2022, respectively.

Movements in significant foreign currencies

Currency	Variance in %	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2023			
EUR	–6	–3,616	0
USD	–8	–4,530	–5,712
2022			
EUR	–6	–3,693	0
USD	–8	–7,166	–5,117

The following table illustrates the impact of a possible downturn in equity markets of 10, 20 and 30 per cent, 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
2023		
-10%	–4,899	–12,922
-20%	–9,797	–25,844
-30%	–14,696	–38,767
2022		
-10%	–4,848	–12,471
-20%	–9,697	–24,942
-30%	–14,545	–37,413

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) is 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 those which arise from different maturities of transactions, interest payment dates or different interest rates.

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 cluster risks.

VP Bank has a very comfortable liquidity situation, with an LCR of 306 per cent and an NSFR of 157 per cent at the end of 2023.

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 as well as call and time deposits.

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 (cluster risks) or inadequate diversification of the loan or collateral 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 2023, the total credit exposure excluding collateral was CHF 9.4 billion (as of 31 December 2022: CHF 10 billion). The following table shows the composition of the balance-sheet and off-balance-sheet items.

Credit exposures

in CHF 1,000	31.12.2023	31.12.2022
On-balance-sheet assets		
Receivables arising from money market papers	170,894	196,993
Due from banks	1,353,783	1,539,929
Due from customers	5,467,098	5,758,448
Public-law enterprises	421	463
Trading portfolios	213	172
Derivative financial instruments	41,960	58,540
Debt instruments at fair value	4,182	6,592
Financial instruments measured at amortised cost	2,371,683	2,436,650
Total	**9,410,233**	**9,997,786**
Off-balance-sheet transactions		
Contingent liabilities	110,507	112,901
Irrevocable facilities granted	148,537	92,768
Total	**259,044**	**205,669**

The change in client loans is mainly the result of a decline in volume in the lombard loan business. Clients continued to be more reserved and cautious due to the market uncertainties (deleveraging) in 2023. While the volume of unsecured loans was deliberately kept low, the volume of mortgage loans was increased by around CHF 88 million. The volume of receivables from banks decreased compared to the previous year and amounted to CHF 1.4 billion at the end of 2023. Free liquid assets continue 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 2023, further methodological improvements for the quantitative derivation of loan-to-value ratios in margin lending transactions 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 3.3 billion of mortgage credits (31 December 2022: CHF 3.2 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 encompass 7.8 per cent of total credit exposures (31 December 2022: 8.5 per cent).

The credit regulations, the framework directive and the Group Standard Credit form the binding framework for credit risk management of client loans. In addition to the general guidelines and framework conditions for the lending business, these also set out the decision-making powers and related ranges for the approval of loans (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 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 term, 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 31.12.2023	Providers of collateral as of 31.12.2022
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 on 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 %	31.12.2023	31.12.2022
AAA	78.7	87.4
AA	18.4	8.9
A	0.8	1.5
BBB – B	0.6	0.7
CCC – C	0.0	0.0
Not Rated	1.5	1.5
Total	**100.0**	**100.0**

IFRS 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 31.12.2023
Cash and cash equivalents					
Investment Grade					
• Very Low credit risk	AAA	1,591,475			1,591,475
• 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		**1,591,475**	**0**	**0**	**1,591,475**
Loss allowance		–24			–24
Carrying amount		**1,591,451**	**0**	**0**	**1,591,451**
Receivables arising from money market papers					
Investment Grade					
• Very Low credit risk	AAA	104,078			104,078
• Low credit risk	AA+, AA, AA-, A+, A, A-	66,824			66,824
• 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		**170,902**	**0**	**0**	**170,902**
Loss allowance		–8			–8
Carrying amount		**170,894**	**0**	**0**	**170,894**
Due from banks					
Investment Grade					
• Very Low credit risk	AAA	33,485			33,485
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,012,395			1,012,395
• Moderate credit risk	BBB+, BBB, BBB-	78,588			78,588
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		571		571
Default	D				0
Gross Carrying amount		**1,124,468**	**571**	**0**	**1,125,039**
Loss allowance		–87			–87
Carrying amount		**1,124,381**	**571**	**0**	**1,124,952**
Due from customers					
Low credit risk		5,316,900		7,826	5,324,726
Moderate credit risk			110,015	8,515	118,530
High Credit Risk				8,007	8,007
Doubtful				2,757	2,757
Default				35,370	35,370
Gross Carrying amount		**5,316,900**	**110,015**	**62,475**	**5,489,390**
Loss allowance		–1,313	–454	–20,105	–21,872
Carrying amount		**5,315,587**	**109,561**	**42,370**	**5,467,518**

Credit risks 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 31.12.2023
Financial instruments measured at amortised cost					
Investment Grade					
• Very Low credit risk	AAA	657,218			657,218
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,416,871			1,416,871
• Moderate credit risk	BBB+, BBB, BBB-	281,472			281,472
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		17,169		17,169
Default	D				0
Gross Carrying amount		**2,355,561**	**17,169**	**0**	**2,372,730**
Loss allowance		–608	–439		–1,047
Carrying amount		**2,354,953**	**16,730**	**0**	**2,371,683**

in CHF 1,000	Exposure to credit risk on loan commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total 31.12.2023
Exposure to credit risk on loan commitments and financial guarantee contracts				
Low credit risk				0
Moderate credit risk	220,807	14,717		235,524
High Credit Risk				0
Doubtful				0
Default				0
Gross Carrying amount	**220,807**	**14,717**	**0**	**235,524**
Loss allowance	–20	–232		–252
Carrying amount	**220,787**	**14,485**	**0**	**235,272**

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**

Credit exposure 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
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**
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**

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 2023
Due from customers - mortgage loans[1]				
1 January 2023	**112**	**14**	**3,112**	**3,238**
New financial assets originated or purchased	30			30
Transfers				0
• to stage 1				0
• to stage 2				0
• to stage 3		–4	4	0
Net remeasurement of loss allowance	–9	–1	5,281	5,271
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–25	–1	–172	–198
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose				0
Foreign exchange and other adjustments			541	541
31 December 2023	**108**	**8**	**8,766**	**8,882**
Due from customers - lombard loans[1]				
1 January 2023	**548**	**10**	**15,891**	**16,449**
New financial assets originated or purchased	721	34		755
Transfers				0
• to stage 1				0
• to stage 2		463	–463	0
• to stage 3				0
Net remeasurement of loss allowance	–43	–58	341	240
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–213	–2	–30	–245
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–5,256	–5,256
Foreign exchange and other adjustments			–647	–647
31 December 2023	**1,013**	**447**	**9,836**	**11,296**
Due from customers - other loans[1]				
1 January 2023	**192**	**5**	**3,212**	**3,410**
New financial assets originated or purchased	121			121
Transfers				0
• to stage 1				0
• to stage 2				0
• to stage 3	–6		6	0
Net remeasurement of loss allowance	–33		629	596
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–84	–5	–1,288	–1,377
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–1,017	–1,017
Foreign exchange and other adjustments	2		–41	–39
31 December 2023	**192**	**0**	**1,501**	**1,694**

[1] By type of collateral.

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

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 2022
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.

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 2023
Appropriate use of loan loss provisions (two customers)			–6,275	–6,275
Bond sale Stage 2		–100		–100
Lombard loans: change from stage 3 to stage 2		439	–439	0
Irrevocable Letter (off balance, 1 customer): change from stage 1 to stage 2	–253	253		0
Other effects	365	–127	–162	76
Reassessment of individual value adjustments			4,763	4,763
Total	**112**	**465**	**–2,113**	**–1,536**

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**

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 2023	Total 2022
Financial assets modified during the period		
Amortised cost before modification		
Net modification 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	2,000	11,124

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 and tools used to manage operational risks.

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.

Controls are periodically assessed for adequacy and effectiveness. The current operational risk situation is reported to the Executive Board and the Board of Directors on a quarterly basis.

Business continuity management (BCM) is a further important sub-area of operational risk management. In summary, BCM denotes a management method that ensures continuity of business activity under crisis conditions, or at least unforeseeable difficult conditions, with the help of a life cycle model. The objective of BCM at VP Bank is to systematically prepare for the management of extraordinary loss events so that critical processes are not interrupted or only temporarily interrupted even in extraordinary situations and contingencies. The BCM strategy, which defines the principles, objectives, responsibilities and structure of the BCM system, serves as the basis. The group-wide crisis organisation is part of the VP Bank organisational structure and becomes operative as soon as a business-critical loss event occurs or a state prevails that could escalate to become business-critical. The members of the crisis organisation are trained at regular intervals.

7. Business risk and strategic 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 (strategic risk). Group Executive Management is responsible for managing business risk. Taking into account the banking environment and the internal corporate 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 non-financial 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 risks 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. VP Bank does not view ESG risks as an independent risk category but rather as a risk driver that can manifest itself in other risk groups or risk categories. The inclusion of ESG risks in the risk taxonomy and in the risk management process reflects the increasing importance of sustainability in the financial sector. 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. Strategic 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

Structure

VP Bank Group modified its organisational structure as of 1 January 2023. The front-office units were split into the segments "Liechtenstein & BVI", "International" (Region Europe & Asia) and "Asset Servicing" owing to the range of services being offered and the market position. The support units remain grouped under "Corporate Center". External segment reporting reflects the organisational structure of VP Bank Group as of 31 December 2023 and the internal reporting to management. These form the basis for assessing the financial performance of the segments and the allocation of resources to them.

Earnings and expenses as well as assets and liabilities are allocated to the business units based on the responsibilities for the clients. 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.

The previous year's figures were aligned accordingly to ensure comparability.

Liechtenstein & BVI

The "Liechtenstein & BVI" business unit encompasses intermediary business, private banking, universal banking and lending business in Liechtenstein as well as private banking and lending business in the British Virgin Islands.

International

The "International" (Region Europe & Asia) business unit encompasses intermediary and private client business in Switzerland, Luxembourg, Singapore and Hong Kong.

Asset Servicing

The "Asset Servicing" business unit encompasses fund management and custodial activities within VP Bank Group. The two fund management companies VP Fund Solutions (Luxembourg) SA and VP Fund Solutions (Liechtenstein) AG, both of which are legally independent entities, handle fund management activities. The custodial departments at VP Bank Ltd, Liechtenstein, and VP Bank (Luxembourg) SA take care of custodial activities.

Corporate Center

The "Corporate Center" business unit encompasses Group Products & Services, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Risk Officer. It is of great importance to banking operations and business development. 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 Corporate Center. The result of the Group's own financial investments, funds transfer pricing and value adjustments from hedging transactions are reported in this segment.

Business segment reporting 2023

in CHF 1,000	Liechtenstein & BVI	International	Asset Servicing	Corporate Center	Total Group
Total net interest income	114,413	75,940	8,695	–65,409	133,639
Total net income from commission business and services	63,092	48,918	31,787	–5,901	137,896
Income from trading activities	14,767	20,182	2,858	47,444	85,251
Income from financial instruments			54	5,984	6,038
Other income	–599	1,430	47	729	1,607
Total operating income	**191,673**	**146,470**	**43,441**	**–17,153**	**364,431**
Personnel expenses	24,891	52,996	11,720	86,164	175,771
General and administrative expenses	4,383	12,061	6,194	61,891	84,529
Depreciation of property, equipment and intangible assets	3,572	7,905	595	33,836	45,908
Credit loss expenses	4,822	332	–3	–200	4,951
Provisions and losses	865	285	757	462	2,369
Operating expenses	**38,533**	**73,579**	**19,263**	**182,153**	**313,528**
Earnings before income tax	**153,140**	**72,891**	**24,178**	**–199,306**	**50,903**
Taxes on income					6,694
Group net income					**44,209**
Segment assets (in CHF million)	4,021	1,410	36	5,982	11,450
Segment liabilities (in CHF million)	5,013	3,004	518	1,808	10,343
Client assets under management (in CHF billion)[1]	18.7	15.2	12.5		46.4
Net new money (in CHF billion)	–0.4	–0.2	0.6		0.0
Headcount (number of employees)	149	300	99	537	1,085
Headcount (expressed as full-time equivalents)	133.7	286.4	91.2	495.9	1,007.2

Segment reporting is subject to the same accounting principles as the consolidated financial statements

[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 2022

in CHF 1,000	Liechtenstein & BVI	International	Asset Servicing	Corporate Center	Total Group
Total net interest income	72,668	44,703	2,458	1,664	121,493
Total net income from commission business and services	67,275	50,200	28,792	–6,686	139,581
Income from trading activities	15,844	15,217	2,728	31,718	65,507
Income from financial instruments			–398	9,760	9,362
Other income		2,145	32	–1,759	418
Total operating income	**155,787**	**112,265**	**33,612**	**34,697**	**336,361**
Personnel expenses	26,882	54,752	9,212	82,798	173,644
General and administrative expenses	4,260	13,648	5,109	53,614	76,631
Depreciation of property, equipment and intangible assets	3,606	8,970	568	27,825	40,969
Credit loss expenses	–2,163	–258		0	–2,421
Provisions and losses	1,830	198	320	0	2,348
Operating expenses	**34,415**	**77,310**	**15,209**	**164,237**	**291,171**
Earnings before income tax	**121,372**	**34,955**	**18,403**	**–129,540**	**45,190**
Taxes on income					5,030
Group net income					**40,160**
Segment assets (in CHF million)	4,066	1,656	37	6,872	12,631
Segment liabilities (in CHF million)	5,687	3,744	645	1,453	11,529
Client assets under management (in CHF billion)[1]	19.3	15.5	11.7		46.4
Net new money (in CHF billion)	–0.6	0.1	1.5		1.1
Headcount (number of employees)	174	278	72	487	1,011
Headcount (expressed as full-time equivalents)	154.4	264.5	66.8	449.3	935.0

Segment reporting is subject to the same accounting principles as the consolidated financial statements

[1] 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
2023				
Total operating income	281,538	67,091	15,802	364,431
Total assets (in CHF million)	8,834	1,706	910	11,450
2022				
Total operating income	230,644	81,851	23,866	336,361
Total assets (in CHF million)	9,899	1,819	913	12,631

The reporting follows the principle of branch accounting.

1 Interest income

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Discount income	7,195	2,269	4,926	217.1
Loan commissions with the character of interest	302	614	–312	–50.8
Interest income from banks	66,816	5,831	60,985	n.a.
Interest income from customers	157,491	91,080	66,411	72.9
Interest income from financial instruments measured at amortised cost	37,051	29,457	7,594	25.8
Interest income from financial liabilities	0	3,647	–3,647	–100.0
Total interest income from financial instruments at amortised cost	**268,855**	**132,898**	**135,957**	**102.3**
Interest-rate instruments	246	–48	294	n.a.
Trading derivatives (forward points)	46,881	30,462	16,419	53.9
Hedge accounting	74	–98	172	175.5
Total other interest income	**47,201**	**30,316**	**16,885**	**55.7**
Total interest income	**316,056**	**163,214**	**152,842**	**93.6**
Interest expenses on amounts due to banks	719	108	611	n.a.
Interest expenses on amounts due to customers	179,159	35,822	143,337	400.1
Interest expenses on medium-term notes	421	210	211	100.5
Interest expenses on debentures issued	1,777	1,777	0	0.0
Interest expenses from financial assets	65	3,578	–3,513	–98.2
Interest expenses on right-of-use assets	276	226	50	22.1
Total interest expenses using the effective interest method	**182,417**	**41,721**	**140,696**	**337.2**
Total net interest income	**133,639**	**121,493**	**12,146**	**10.0**
Fair-value hedges				
Movements arising from hedges	–577	2,022	–2,599	–128.5
• Micro fair-value hedges	–577	2,022	–2,599	–128.5
Movements in underlying transactions	651	–2,120	2,771	130.7
• Micro fair-value hedges	651	–2,120	2,771	130.7
Total hedge accounting[1]	**74**	**–98**	**172**	**175.5**

[1] Hedge ineffectiveness, disclosed in the income statement: further details in note 37.

2 Income from commission business and services

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Commission income from credit business	647	699	–52	–7.4
Asset management and investment business	60,923	64,803	–3,880	–6.0
Brokerage fees	23,519	25,434	–1,915	–7.5
Securities account fees	17,739	20,549	–2,810	–13.7
Fund management fees	56,618	53,568	3,050	5.7
Fiduciary commissions	2,465	839	1,626	193.8
Other commission and service income	19,822	19,115	707	3.7
Total income from commission business and services	**181,733**	**185,007**	**–3,274**	**–1.8**
Brokerage expenses	1,127	1,203	–76	–6.3
Other commission and services-related expenses	42,710	44,223	–1,513	–3.4
Total expenses from commission business and services	**43,837**	**45,426**	**–1,589**	**–3.5**
Total net income from commission business and services	**137,896**	**139,581**	**–1,685**	**–1.2**

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	2023	2022	Veränderung absolut	Veränderung in %
Fees for securities settlement	9,042	8,392	650	7.7
Administration commissions	33,017	36,377	–3,360	–9.2
Management fees	10,659	10,914	–255	–2.3
Brokerage fees	13,802	16,426	–2,624	–16.0
Securities account fees	4,313	4,406	–93	–2.1
Administration fees	4,243	4,631	–388	–8.4
All-in fees	16,017	16,597	–580	–3.5
Miscellaneous fees	2,847	3,437	–590	–17.2
Asset management and investment business	**60,923**	**64,803**	**–3,880**	**–6.0**

3 Income from trading activities

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Securities trading[1]	–5,152	–3,239	–1,913	–59.1
Interest income from trading portfolios	0	143	–143	–100.0
Foreign currency	89,844	67,697	22,147	32.7
Banknotes, precious metals and other	559	906	–347	–38.3
Total income from trading activities	**85,251**	**65,507**	**19,744**	**30.1**

[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	2023	2022	Variance absolute	Variance in %
Income from financial instruments at fair value	6,206	8,980	–2,774	–30.9
Income from financial instruments at amortised cost (foreign exchange)	–168	382	–550	–144.0
Total income from financial instruments	**6,038**	**9,362**	**–3,324**	**–35.5**
Income from financial instruments at fair value				
Income from FVTPL assets	–1,234	813	–2,047	–251.8
Interest income from FVTPL financial instruments	356	818	–462	–56.5
Dividend income from FVTPL financial instruments	1,165	1,298	–133	–10.2
Dividend income from FVTOCI financial instruments	5,919	6,051	–132	–2.2
thereof from FVTOCI financial instruments sold	0	71	–71	–100.0
Total	**6,206**	**8,980**	**–2,774**	**–30.9**
Income from financial instruments at amortised cost (foreign exchange)				
Revaluation gains/losses on financial instruments at amortised cost	0	382	–382	–100.0
Realised gains/losses on financial instruments at amortised cost	–168	0	–168	0.0
Total	**–168**	**382**	**–550**	**–144.0**

5 Other income

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Income from real estate	149	104	45	43.3
Income from joint venture companies	–1	0	–1	0.0
Miscellaneous other income[1]	3,611	695	2,916	419.6
Miscellaneous other expenses[2]	–2,152	–381	–1,771	–464.8
Total other income	**1,607**	**418**	**1,189**	**284.4**

[1] Includes in 2023 CHF 2.4 million from early termination of a lease liability as well as CHF 0.4 million from a reimbursement.
[2] Includes in 2023 CHF –1.8 million from legal expenses.

6 Personnel expenses

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Salaries and wages	148,839	144,403	4,436	3.1
Social contributions required by law	13,228	12,392	836	6.7
Contributions to pension plans / defined-benefit plans	8,367	11,962	–3,595	–30.1
Contributions to pension plans / defined-contribution plans	2,839	2,994	–155	–5.2
Other personnel expenses	5,631	5,894	–263	–4.5
Capitalised personnel expenses[1]	–3,133	–4,001	868	21.7
Total personnel expenses	**175,771**	**173,644**	**2,127**	**1.2**

[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	2023	2022	Variance absolute	Variance in %
Occupancy expenses	3,883	2,950	933	31.6
Insurance	937	945	–8	–0.8
Professional fees	20,637	18,835	1,802	9.6
Financial information procurement	9,207	9,241	–34	–0.4
Telecommunication and postage	1,384	1,466	–82	–5.6
IT systems	34,893	29,624	5,269	17.8
Marketing and public relations	4,890	4,120	770	18.7
Capital taxes	811	751	60	8.0
Other general and administrative expenses	7,887	8,699	–812	–9.3
Total general and administrative expenses	**84,529**	**76,631**	**7,898**	**10.3**
Fees invoiced by the audit firm	2,036	1,596	440	27.5
thereof the audit of the annual financial statements	673	607	66	10.9
thereof other audit or assurance services	872	810	62	7.7
thereof tax advisory services	64	156	–92	–58.8
thereof other services	426	23	403	n.a.

8 Depreciation of property, equipment and intangible assets

in CHF 1,000	Note	2023	2022	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	22	14,829	15,728	–899	–5.7
Depreciation and amortisation of intangible assets	23	31,079	25,241	5,838	23.1
Total depreciation and amortisation		**45,908**	**40,969**	**4,939**	**12.1**

9 Valuation allowances, provisions and losses

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Decrease/increase credit allowances[1]	4,951	–2,421	7,372	304.5
Legal and litigation risks	450	1,000	–550	–55.0
Other provisions and losses	1,919	1,348	571	42.4
Total valuation allowances, provisions and losses	**7,320**	**–73**	**7,393**	**n.a.**

[1] Including currency effects.

10a Taxes on income

in CHF 1,000	2023	2022
Domestic		
Current taxes	9,182	5,956
Deferred taxes	–3,773	–1,544
Foreign		
Current taxes	–131	457
Deferred taxes	1,416	161
Total current taxes	9,051	6,413
Total deferred taxes	–2,357	–1,383
Total taxes on income	**6,694**	**5,030**

The Group's effective payments for domestic and foreign income taxes amounted to CHF 8.9 million in 2023 (previous year: CHF 11.6 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:

	2023	2022
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	2023	2022
Income before income tax		
Domestic	18,441	33,214
Foreign	32,462	11,976
Taxes on income using an assumed average charge	**7,635**	**6,779**
Reasons for increased/decreased taxable income		
Effect on tax free income / effect on non taxable expenses	–1,265	–2,667
Difference between actual and assumed tax rates	2,822	1,158
Lower tax charges as a result of changes in laws or taxation agreements	0	–2
Tax income unrelated to accounting period	–1,036	57
Previously unrecognized tax losses now utilised	–1,462	–295
Total income tax	**6,694**	**5,030**

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 2023
Deferred tax assets					
Property, equipment and intangible assets	6,541	472	0	0	7,013
Valuation allowances for credit risks	704	0	0	0	704
Tax loss carry-forwards[1]	2,430	1,756	0	0	4,186
Defined-benefit pension plans	1,217	–379	1,078	0	1,916
Financial instruments	167	–13	–106	0	48
Other	670	–186	0	0	484
Total deferred tax assets	**11,729**	**1,650**	**972**	**0**	**14,351**
Offsetting	–3,427	849	59	0	–2,519
Total deferred tax assets after offsetting	**8,302**	**2,499**	**1,031**	**0**	**11,832**
Deferred tax liabilities					
Property, equipment and intangible assets	1,647	–630	0	0	1,017
Financial instruments	59	0	0	0	59
Financial instruments directly offset within shareholders' equity	24	–10	–4	0	10
Valuation allowances for credit risks	23	–4	0	0	19
Other	2,975	–59	0	0	2,916
Total deferred tax liabilities	**4,728**	**–703**	**–4**	**0**	**4,021**
Offsetting	–3,427	849	59	0	–2,519
Total deferred tax liabilities after offsetting	**1,301**	**146**	**55**	**0**	**1,502**

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 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.

The deferred taxes are due to temporary differences resulting from different valuations between the IFRS and statutory financial statements.

in CHF 1,000	2023	2022
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	0	220
Total	**0**	**220**

10c Tax assets and liabilities

in CHF 1,000	Note	31.12.2023	31.12.2022
Tax assets			
Amounts receivable arising on current taxes on income		31	230
Deferred tax assets	10b	11,832	8,302
Total tax assets		**11,863**	**8,532**
Tax liabilities			
Liabilities arising on current taxes on income		5,424	5,783
Deferred tax liabilities	10b	1,502	1,301
Total tax liabilities		**6,926**	**7,084**

10d Tax effects on other comprehensive income

in CHF 1,000	Amount before tax	Tax yield / tax expenses	31.12.2023 Amount net of tax
Changes in foreign-currency translation differences	–6,962	0	–6,962
Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0
Changes in value of FVTOCI financial instruments	2,724	–102	2,622
Actuarial gains/losses from defined-benefit pension plans	–8,783	1,078	–7,705
Total comprehensive income in shareholders' equity	**–13,021**	**976**	**–12,045**

			31.12.2022
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**

11 Earnings per share

	31.12.2023	31.12.2022
Consolidated earnings per share of VP Bank Ltd, Vaduz		
Group net income (in CHF 1,000)[1]	44,209	40,160
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	432,185	467,581
Less weighted average number of treasury shares B	351,084	349,461
Weighted average number of registered shares A (undiluted)	5,582,815	5,547,419
Weighted average number of registered shares B (undiluted)	5,653,083	5,654,706
Total weighted average number of shares (registered shares A)	6,148,124	6,112,889
Undiluted consolidated earnings per registered share A	7.19	6.57
Undiluted consolidated earnings per registered share B	0.72	0.66
Diluted consolidated earnings per share of VP Bank Ltd, Vaduz		
Group net income (in CHF 1,000)[1]	44,209	40,160
Dilution effect number of registered shares A[2]	26,107	26,549
Number of shares used to compute the fully diluted consolidated net income	6,174,231	6,139,438
Diluted consolidated earnings per registered share A	7.16	6.54
Diluted consolidated earnings per registered share B	0.72	0.65

[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

	2023	2022
Approved and paid dividend of VP Bank Ltd, Vaduz		
Dividend (in CHF 1,000) for the financial year 2022 (2021)	33,077	33,077
Dividend per registered share A	5.00	5.00
Dividend per registered share B	0.50	0.50
Payout ratio (in %)	76.1	60.0
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 2023	33,077	
Dividend per registered share A	5.00	
Dividend per registered share B	0.50	
Payout ratio (in %)[1]	69.5	

[1] Dividend per registered share A / group net income per registered share A.

13 Cash and cash equivalents

in CHF 1,000	31.12.2023	31.12.2022
Cash on hand	19,508	30,474
At-sight balances with national and central banks	1,591,475	2,178,286
Expected credit loss	–24	–27
Total cash and cash equivalents	**1,610,959**	**2,208,733**

14 Receivables arising from money market papers

in CHF 1,000	31.12.2023	31.12.2022
Money market paper (qualifying for refinancing purposes)	170,902	197,004
Expected credit loss	–8	–11
Total receivables arising from money market papers	**170,894**	**196,993**

15 Due from banks and customers

in CHF 1,000	Note	31.12.2023	31.12.2022
By type of exposure			
Due from banks – at-sight balances		549,599	465,812
Due from banks – term balances		804,271	1,074,211
Valuation allowances for credit risks	16	–87	–94
Due from banks		**1,353,783**	**1,539,929**
Mortgage receivables		3,288,612	3,199,908
Other receivables		2,200,778	2,582,100
Valuation allowances for credit risks	16	–21,872	–23,097
Due from customers		**5,467,518**	**5,758,911**
Total due from banks and customers		**6,821,301**	**7,298,840**
Due from customers by type of collateral			
Mortgage collateral		3,305,469	3,193,705
Other collateral		1,911,437	2,146,092
Without collateral		272,484	442,211
Subtotal		**5,489,390**	**5,782,008**
Valuation allowances for credit risks		–21,872	–23,097
Total due from customers		**5,467,518**	**5,758,911**

16 Allowances for credit risk

The detailed information on credit risk is disclosed in the section “Risk management of VP Bank Group” (→ pages 138 et seqq.).

17 Trading portfolios

in CHF 1,000	31.12.2023	31.12.2022
Debt securities valued at fair value		
Total	0	0
Equity securities / investment-fund units valued at fair value		
Total	0	0
Other	213	172
Total trading portfolios	**213**	**172**

18 Derivative financial instruments

31.12.2023 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Swaps	24	353	32,000
Total interest-rate instruments 31.12.2023	**24**	**353**	**32,000**
Foreign currencies			
Forward contracts	6,423	10,719	611,286
Combined interest-rate/currency swaps	13,882	71,148	3,551,399
Options (OTC)	20,588	20,612	959,641
Total foreign currencies 31.12.2023	**40,893**	**102,479**	**5,122,326**
Equity securities/indices			
Options (OTC)	491		567,374
Options (Exchange-traded)		904	3,197
Total equity securities/indices 31.12.2023	**491**	**904**	**570,571**
Precious metals			
Forward contracts	5	5	2,732
Options (OTC)	547	547	19,083
Total precious metals 31.12.2023	**552**	**552**	**21,815**
Total derivative financial instruments 31.12.2023	**41,960**	**104,288**	**5,746,712**

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.

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**

19 Financial instruments at fair value

in CHF 1,000	31.12.2023	31.12.2022
Debt instruments		
Exchange-listed	4,182	6,591
Non-exchange-listed	1	1
Total	**4,183**	**6,592**
Equity shares / investment fund units		
Exchange-listed	6,004	13,115
Non-exchange-listed	42,591	35,124
Total	**48,595**	**48,239**
Equity shares, through other comprehensive income (FVTOCI)		
Exchange-listed	127,074	121,587
Non-exchange-listed	2,341	3,122
Total	**129,415**	**124,709**
Structured products		
Exchange-listed	391	473
Total	**391**	**473**
Total financial instruments at fair value	**182,584**	**180,013**

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	31.12.2023	31.12.2022
Debt instruments		
Exchange-listed	2,372,730	2,437,944
Expected credit loss	–1,047	–1,294
Total financial instruments at amortised cost	**2,371,683**	**2,436,650**

21 Joint venture

in CHF 1,000	2023	2022
Balance at the beginning of the financial year	**24**	**24**
Additions	–1	0
Value impairments	0	0
Balance as of balance sheet date	**23**	**24**

Details of companies reflected in the consolidation using the equity method

Name	Registered office	Activity	Share capital	Capital held in % 31.12.2023	31.12.2022
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 2023
Acquisition cost						
Balance on 01.01.2023	38,375	197,617	3,177	22,314	22,905	284,387
Additions	6,210	653	189	1,642	1,038	9,732
Disposals/derecognitions[2]	–8,815	–115		–144	–12,844	–21,918
Foreign-currency translation	–612			–354	–62	–1,028
Other adjustments	–85					–85
Balance on 31.12.2023	**35,073**	**198,155**	**3,366**	**23,458**	**11,037**	**271,088**
Accumulated depreciation and amortisation						
Balance on 01.01.2023	–22,159	–142,783	–25	–16,315	–18,788	–200,069
Depreciation and amortisation	–5,241	–5,631	–6	–1,857	–2,269	–15,004
Valuation allowances	0					0
Disposals/derecognitions[2]	8,815	115		144	12,844	21,918
Foreign-currency translation	276			201	47	524
Balance on 31.12.2023	**–18,309**	**–148,299**	**–31**	**–17,827**	**–8,166**	**–192,631**
Net book values on 31.12.2023	**16,764**	**49,856**	**3,335**	**5,631**	**2,871**	**78,457**

[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 2023
Acquisition cost			
Balance on 01.01.2023	36,461	1,914	38,375
Additions	6,007	203	6,210
Disposals/derecognitions	–8,728	–87	–8,815
Foreign-currency translation	–604	–8	–612
Other adjustments	0	–85	–85
Balance on 31.12.2023	**33,136**	**1,937**	**35,073**
Accumulated depreciation and amortisation			
Balance on 01.01.2023	–20,913	–1,246	–22,159
Depreciation and amortisation	–4,922	–319	–5,241
Valuation allowances	0	0	0
Disposals/derecognitions	8,728	87	8,815
Foreign-currency translation	276	0	276
Balance on 31.12.2023	**–16,831**	**–1,478**	**–18,309**
Net book values on 31.12.2023	**16,305**	**459**	**16,764**

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**

Additional information regarding property and equipment

in CHF 1,000	2023	2022
Fire insurance value of real estate	167,565	157,075
Fire insurance value of other property and equipment	43,588	43,747
Fair value of other real estate	3,335	3,152

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 2023
Acquisition cost				
Balance on 01.01.2023	235,803	56,720	53,670	346,193
Additions	18,625			18,625
Disposals/derecognitions	–17,938			–17,938
Foreign-currency translation	–395			–395
Balance on 31.12.2023	**236,095**	**56,720**	**53,670**	**346,485**
Accumulated amortisation				
Balance on 01.01.2023	–178,334	–41,905	–35,302	–255,541
Depreciation and amortisation	–26,470	–4,609		–31,079
Impairment				0
Disposals/derecognitions	17,938			17,938
Foreign-currency translation	383			383
Balance on 31.12.2023	**–186,483**	**–46,514**	**–35,302**	**–268,299**
Net book values on 31.12.2023	**49,612**	**10,206**	**18,368**	**78,186**

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		–1,008		–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**

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. 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 2023 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	31.12.2023	31.12.2022
Value-added taxes and other tax receivables	6,241	9,371
Prepaid retirement pension contributions	0	240
Settlement accounts	16,363	9,867
Miscellaneous other assets[1]	1,884	2,791
Total other assets	**24,488**	**22,269**

[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	4–4.9999% Interest rate	Total
2024	3,571	426	866	0	0	4,862
2025	3,546	4,270	875	954	45	9,689
2026	12,808	1,854	46	9	0	14,718
2027	4,952	937	46	842	0	6,777
2028	938	4,396	200	0	0	5,534
2029	96	10,040	0	0	0	10,136
2030	142	30	0	0	0	172
2031	76	40	93	0	0	209
2032	117	790	-0	0	0	907
2033	0	0	0	0	0	0
Total 31.12.2023	**26,246**	**22,783**	**2,126**	**1,805**	**45**	**53,005**
Total 31.12.2022	33,372	3,787	4,021	0	0	41,180

The average payment of interest as at 31 December 2023 was 0.9 per cent (previous year: 0.5 per cent).

26 Debentures, VP Bank Ltd, Vaduz

Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	in CHF 1,000 Total 31.12.2023	Total 31.12.2022
2015	CH0262888941	0.875	CHF	07.10.2024	100,000	100,043	100,098
2019	CH0461238880	0.600	CHF	29.11.2029	155,000	154,985	154,983
Total					**255,000**	**255,028**	**255,081**

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	31.12.2023	31.12.2022
Value-added taxes and other tax receivables	8,314	15,197
Accrued retirement pension contributions	13,047	7,062
Other long-term employee benefits[1]	3,065	3,201
Settlement accounts	25,346	26,908
Miscellaneous other liabilities[2]	15,846	23,339
Total other liabilities	**65,618**	**75,707**

[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 2023
Carrying value at the beginning of the financial year	303	1,000	719	0	2,022
Utilisation in accordance with purpose		–93	–19		–112
New provisions charged to income statement	485	450	262		1,197
Provisions releases to income statement	–504		–152		–656
Reclassification		–1,000	1,000		0
Foreign-currency translation differences and other adjustments	–32		–40		–72
Carrying value at the end of the financial year	**252**	**357**	**1,770**	**0**	**2,379**
Maturity of provisions					
• within one year					2,155
• over one year					224

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

29 Share capital

	31.12.2023 No. of shares	Nominal CHF	31.12.2022 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

	31.12.2023 No. of shares	in CHF 1,000	31.12.2022 No. of shares	in CHF 1,000
Registered shares A at the beginning of the financial year	**454,784**	**47,763**	**488,934**	**51,350**
Purchases	2	0	0	0
Sales	–38,171	–4,008	–34,150	–3,587
Balance of registered shares A as of balance sheet date	**416,615**	**43,755**	**454,784**	**47,763**
Registered shares B at the beginning of the financial year	350,769	5,457	348,869	5,440
Purchases	1,500	13	1,900	17
Sales	–100	–1	0	0
Balance of registered shares B as of balance sheet date	**352,169**	**5,469**	**350,769**	**5,457**

31 Assets pledged or assigned to secure own liabilities and assets subject to retention of title

in CHF 1,000	31.12.2023		31.12.2022	
	Market value	Actual liability	Market value	Actual liability
Securities	736,825	0	633,802	0
Money market papers	0	0	0	0
Other	4,032	1,911	1,778	0
Total pledged assets	**740,857**	**1,911**	**635,580**	**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	31.12.2023	31.12.2022	Variance absolute	Variance in %
Property and equipment				
Right of use – buildings and premises	16,305	15,548	757	4.9
Right of use – motor vehicles	459	668	–209	–31.3
Total assets	**16,764**	**16,216**	**548**	**3.4**
Remaining duration of up to 1 year	4,884	5,544	–660	–11.9
Remaining duration of 1 to 5 years	13,550	15,125	–1,575	–10.4
Remaining duration of over 5 years	0	0	0	0.0
Total lease liabilities	**18,434**	**20,669**	**–2,235**	**–10.8**

Leases in the profit and loss statement

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Net interest income				
Interest expense on lease liabilities	276	226	50	22.1
Expenses relating to leases of low-value assets	488	317	171	53.9
Depreciation of property and equipment				
Depreciation and impairment on right-of-use assets	5,241	5,507	–266	–4.8

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.

In the case before the High Court of Justice in London, the court 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 2023
Assets					
Cash and cash equivalents	1,343,392	497	263,143	3,927	1,610,959
Receivables arising from money market papers		66,821		104,073	170,894
Due from banks	250,015	434,353	193,655	475,760	1,353,783
Due from customers	4,125,394	591,137	503,352	247,635	5,467,518
Trading portfolios				213	213
Derivative financial instruments	18,852	4,484	4,315	14,309	41,960
Financial instruments at fair value	75,844	10,020	91,139	5,581	182,584
Financial instruments at amortised cost	609,983	941,790	790,597	29,313	2,371,683
Joint venture companies	23				23
Property and equipment	72,007	5,585		865	78,457
Intangible assets	78,021	165			78,186
Tax receivables			31		31
Deferred tax assets	11,823			9	11,832
Accrued liabilities and deferred items	30,730	14,003	10,709	1,840	57,282
Other assets	18,036	1,275	2,372	2,805	24,488
Total assets 31.12.2023	**6,634,120**	**2,070,130**	**1,859,313**	**886,330**	**11,449,893**
Liabilities and shareholders' equity					
Due to banks	225,805	12,703	34,533	20,202	293,243
Due to customers – savings and deposits	421,576		719		422,295
Due to customers – other liabilities	2,438,351	3,527,226	2,035,054	1,082,139	9,082,770
Derivative financial instruments	81,525	3,836	4,596	14,331	104,288
Medium-term notes	48,406	2,002	2,597	0	53,005
Debenture issues	255,028				255,028
Tax liabilities	4,461			963	5,424
Deferred tax liabilities	1,502				1,502
Accrued liabilities and deferred items	35,357	12,427	4,371	5,034	57,189
Other liabilities	35,605	19,142	9,744	1,127	65,618
Provisions	1,751	241	164	223	2,379
Total liabilities	**3,549,367**	**3,577,577**	**2,091,778**	**1,124,019**	**10,342,741**
Total shareholders' equity	**1,030,682**	**71,396**	**0**	**5,074**	**1,107,152**
Total liabilities and shareholders' equity 31.12.2023	**4,580,049**	**3,648,973**	**2,091,778**	**1,129,093**	**11,449,893**

34 Balance sheet per currency (continued)

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
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**
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**

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 2023
Assets						
Cash and cash equivalents	1,609,048	1,911				1,610,959
Receivables arising from money market papers			170,894			170,894
Due from banks	549,599		783,144	21,040		1,353,783
Due from customers	185,477	107,804	3,944,842	895,634	333,761	5,467,518
Trading portfolios	213					213
Derivative financial instruments	41,960					41,960
Financial instruments at fair value	53,145				129,439	182,584
Financial instruments at amortised cost			371,860	1,380,553	619,270	2,371,683
Joint venture companies					23	23
Property and equipment	77,592			865		78,457
Intangible assets	78,186					78,186
Tax receivables	31					31
Deferred tax assets	486			11,346		11,832
Accrued liabilities and deferred items	57,282					57,282
Other assets	23,741	747				24,488
Total assets 31.12.2023	**2,676,760**	**110,462**	**5,270,740**	**2,309,438**	**1,082,493**	**11,449,893**

35 Maturity structure of assets and liabilities (continued)

in CHF 1,000	At sight	Callable	1 year	Due within 1 to 5 years	Over 5 years	Total 2023
Liabilities						
Due to banks	293,243					293,243
Due to customers – savings and deposits		422,295				422,295
Due to customers – other liabilities	4,086,816	2,435,511	2,559,665	778		9,082,770
Derivative financial instruments	104,288					104,288
Medium-term notes			4,862	36,719	11,424	53,005
Debenture issues				100,043	154,985	255,028
Tax liabilities	5,424					5,424
Deferred tax liabilities				1,502		1,502
Accrued liabilities and deferred items	57,189					57,189
Other liabilities	65,300		318			65,618
Provisions	2,155			224		2,379
Total liabilities 31.12.2023	**4,614,415**	**2,857,806**	**2,564,845**	**139,266**	**166,409**	**10,342,741**

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					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
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**

36 Classification of assets by country or groups of countries

	31.12.2023 in CHF 1,000	Proportion in %	31.12.2022 in CHF 1,000	Proportion in %
Liechtenstein and Switzerland	6,840,801	59.7	7,846,051	62.1
Rest of Europe	2,188,439	19.1	2,283,388	18.1
North America	902,365	7.9	753,538	6.0
Other countries	1,518,288	13.3	1,748,084	13.8
Total assets	**11,449,893**	**100.0**	**12,631,061**	**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 31.12.2023	Fair value 31.12.2023	Variance	Carrying value 31.12.2022	Fair value 31.12.2022	Variance
Assets						
Cash and cash equivalents	1,611	1,611	0	2,209	2,209	0
Receivables arising from money market papers	171	171	0	197	197	0
Due from banks	1,354	1,354	0	1,540	1,540	0
Due from customers	5,468	5,499	31	5,759	5,744	–15
Trading portfolios	0	0	0	0	0	0
Derivative financial instruments	42	42	0	59	59	0
Financial instruments at fair value	183	183	0	180	180	0
of which designated on initial recognition	0	0	0	0	0	0
of which mandatory under IFRS 9	53	53	0	55	55	0
of which recognised in other comprehensive income with no effect on net income	129	129	0	125	125	0
Financial instruments at amortised cost	2,372	2,290	–82	2,437	2,270	–167
Subtotal			**–51**			**–182**
Liabilities						
Due to banks	293	293	0	179	179	0
Due to customers	9,505	9,442	63	10,834	10,677	157
Derivative financial instruments	104	104	0	90	90	0
Medium-term notes	53	53	0	41	40	1
Debentures issued	255	243	12	255	230	25
Subtotal			**75**			**183**
Total variance			**24**			**1**

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 customers, medium-term notes, bonds

In determining the fair value of amounts due from banks, due from 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.

Fair value hedges (hedging of interest-rate risk)

in CHF 1,000 31.12.2023	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	0	289	Derivative financial instruments

Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period[1]	–577

[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	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 31.12.2023	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	33,444	0	–356	0	Due from customers
of which active hedge relationships	31,641	0	–359	0	Due from customers
of which closed hedge relationships (client receivables)	1,803	0	3	0	Due from customers

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

Maturity of interest-rate swaps

in CHF million	1 year	Due within 1 to 5 years	Over 5 years	Total 2023
Fair value hedges				
Hedging of interest-rate risk				
Interest-rate swaps	10	22	0	32

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

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 or items 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 31.12.2023
Assets				
Cash and cash equivalents	1,611			1,611
Receivables arising from money market papers	171			171
Due from banks		1,354		1,354
Due from customers		5,499		5,499
Trading portfolios	0			0
Derivative financial instruments		42		42
Financial instruments at fair value	129	49	4	183
Financial instruments at amortised cost	2,290			2,290
Liabilities				
Due to banks		293		293
Due to customers		9,442		9,442
Derivative financial instruments		104		104
Medium-term notes		53		53
Debentures issued	243			243

There were no reclassifications in the 2023 financial year. Level 3 decreased mainly due to current values.

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			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

Level 3 financial instruments in CHF million	2023	2022
Balance sheet		
Holdings at the beginning of the year	6.9	28.7
Investments	0.0	0.0
Disposals	–0.1	–21.8
Losses recognised in the income statement	–2.4	0.0
Total book value at balance sheet date	**4.4**	**6.9**
Income on holdings at balance sheet date		
Unrealised losses recognised in income from financial instruments	–2.4	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 2023 or 31 December 2022.

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 international 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

31.12.2023 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	41,960		41,960	18,365		23,594
Collateral deposited for transactions with derivatives	49,342		49,342	44,177		5,165
Total assets	**91,302**	**0**	**91,302**	**62,542**	**0**	**28,759**

31.12.2023 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	104,288		104,288	18,365	37,701	48,222
Collateral received from transactions with derivatives			0			0
Total liabilities	**104,288**	**0**	**104,288**	**18,365**	**37,701**	**48,222**

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	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**

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	2023	2022
Remuneration of the members of the Board of Directors[1, 2]		
Remuneration due in the short term	1,141	1,083
Share-based payment[3]	381	362
Remuneration of the members of Group Executive Management[2]		
Remuneration due in the short term	4,005	3,726
Post-employment benefits	436	448
Other long-term remuneration due	176	383
Remuneration due upon termination of contract of employment	72	
Share-based payments[4]	986	765

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 0.6 million in 2023 (previous year: CHF 0.7 million). As at 31 December 2023, the Board of Directors, Group Executive Management, persons closely associated with them (excluding qualifying parties) as well as the pension funds held 39,205 registered shares A of VP Bank Ltd, Vaduz (previous year: 43,161 registered shares A).

Loans to related companies and persons developed as follows (from an effective date perspective):

in CHF 1,000	2023	2022
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	2023	2022
Mortgages and loans at the beginning of the financial year	5,519	4,365
Additions	1,500	1,154
Repayments	–2,135	0
Mortgages and loans at the end of the financial year	**4,884**	**5,519**

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 53.923 million (previous year: CHF 57.269 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. Among 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 2023 financial year amounted to CHF 2.8 million (previous year: CHF 3.0 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, a partner pension and an orphan’s 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 longevity 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 2023 by independent actuaries using the projected unit credit method. The fair value of plan assets as of 31 December 2023 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:

	31.12.2023	31.12.2022
Discount rate	1.52%	2.25%
Rate of future salary increases	1.75%	1.75%
Rate of future pension increases	0.00%	0.00%
Lump sum payments at retirement	40.00%	37.50%
Actuarial fundamentals	BVG 2020 generation-tables	BVG 2020 generation-tables
Life expectancy at the age of 65, in years		
Year of birth	**1958**	**1957**
men	22.82	22.70
women	24.59	24.48
Year of birth	**1978**	**1977**
men	25.07	24.97
women	26.58	26.49

The amounts recognised in the income statement and in equity capital can be summarised as follows:

Pension costs

in CHF 1,000	2023	2022
Pension expenses recognised in income statement		
Service cost		
• current service cost	9,209	11,708
• past service cost incl. effects from curtailments	–1,030	0
• plan settlements	0	0
Net interest expenses	–52	20
Administrative costs	240	234
Total pension cost expenses of the period	**8,367**	**11,962**
Revaluation components recognised in comprehensive income		
Actuarial gains/losses		
Result of changes to demographic assumptions	–104	0
Result of changes to financial assumptions	21,483	–69,182
Experience adjustments	–1,974	7,526
Return on plan assets (excluding amounts in net interest expenses)	–8,253	49,816
Changes in asset ceiling	–2,369	2,317
Total expenses recognised in comprehensive income	**8,783**	**–9,523**
Total pension cost	**17,150**	**2,439**

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	2023	2022
Present value of defined-benefit obligations at the beginning of the financial year	321,810	375,873
Current service cost	9,209	11,708
Employee contributions	7,348	6,908
Interest expenses on present value of pension obligations	7,144	1,110
Actuarial gains/losses	19,405	–61,656
(Gains)/losses from curtailment	0	0
Transfer of assets through compensation	–1,030	0
Transition pension plan	0	18
Plan settlement	0	0
Pension payments financed by plan assets	–8,576	–12,151
Balance at the end of the financial year	**355,310**	**321,810**

Movement in plan assets

in CHF 1,000	2023	2022
Plan assets at the beginning of the financial year	317,305	360,775
Employee contributions	7,348	6,908
Employer contributions	10,925	10,733
Interest income on plan assets	7,248	1,090
Return on plan assets (excluding amounts under interest income)	8,253	–49,816
Acquisitions	0	0
Transfer of assets through compensation	0	0
Pension payments financed by plan assets	–8,576	–12,151
Administrative costs	–240	–234
Balance at the end of the financial year	**342,263**	**317,305**

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	31.12.2023	31.12.2022
Present value of pension obligations financed through a fund	355,310	321,810
Market value of plan assets	–342,263	–317,305
Lack / excess of funding	**13,047**	**4,505**
Present value of pension obligations not financed through a fund	0	0
Unrecognised assets	0	2,317
Active deferral of pension costs	**0**	**240**
Recognised pension obligations	**13,047**	**7,062**

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	31.12.2023	31.12.2022
Equity shares	125,250	114,814
thereof quoted market prices (Level 1)	125,250	114,814
Bonds	128,470	115,562
thereof quoted market prices (Level 1)	128,470	115,562
Alternative financial investments	34,858	34,961
thereof quoted market prices (Level 1)	8,435	8,287
Real estate	26,708	25,021
thereof quoted market prices (Level 1)	15,085	13,561
Qualifying insurance papers	9,682	9,242
Cash equivalents	14,705	18,063
Other financial investments	2,590	–358
Total	**342,263**	**317,305**
• thereof quoted market prices (Level 1)	277,240	252,224

The pension funds hold shares in VP Bank Ltd, Vaduz, with a market value of CHF 1.4 million (previous year: CHF 1.4 million). In 2023, a loss of CHF 15.5 million was recorded on the assets (previous year: a gain of CHF –48.7 million.). The expected employer contribution for 2024 amounts to CHF 11.2 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	31.12.2023	31.12.2022
Current actively insured employees	263,191	236,002
Pensioners	92,119	85,808
Total	**355,310**	**321,810**

The term of obligations amount to approximately 13.1 years (previous year: 12.6 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 relating to lump sum payments at retirement are stated at 500 basis points. 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		31.12.2023		31.12.2022	
	Variance	0.25%	–0.25%	0.25%	–0.25%
Discount rate		–10,195	10,748	–8,663	9,433
Interest on pension capital accounts		2,638	–2,580	2,337	–2,276
Rate of future salary increases		1,237	–1,263	1,098	–1,107
Pension indexation (pensions cannot be reduced)		6,349	0	5,422	0
Variance		5.00%	–5.00%	5.00%	–5.00%
Lump sum payments at retirement		–1,097	1,096	–295	293
Variance		+1 year	–1 year	+1 year	–1 year
Life expectancy		6,601	–6,650	5,424	–5,447

Other employee benefits payable in the long term

in CHF 1,000	2023	2022
Balance at the beginning of the financial year	3,201	3,444
Expenses financial year	277	119
Acquisitions	0	0
Employee payments	–410	–364
Exchange differences	–3	2
Balance at the end of the financial year	**3,065**	**3,201**

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. 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		Annual average rates	
	31.12.2023	31.12.2022	2023	2022
USD/CHF	0.8417	0.9252	0.89902	0.95513
EUR/CHF	0.9297	0.9874	0.97166	1.00462
SGD/CHF	0.6380	0.6898	0.66929	0.69242
HKD/CHF	0.1078	0.1185	0.11483	0.12197
GBP/CHF	1.0729	1.1129	1.11722	1.17895

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 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 19,433 shares (previous year: 16,827 shares) were subscribed at a preferential price in 2023. Share issue expenses in 2023 were CHF 0.9 million (previous year: CHF 0.8 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 section "Compensation report" (→ page 111 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.

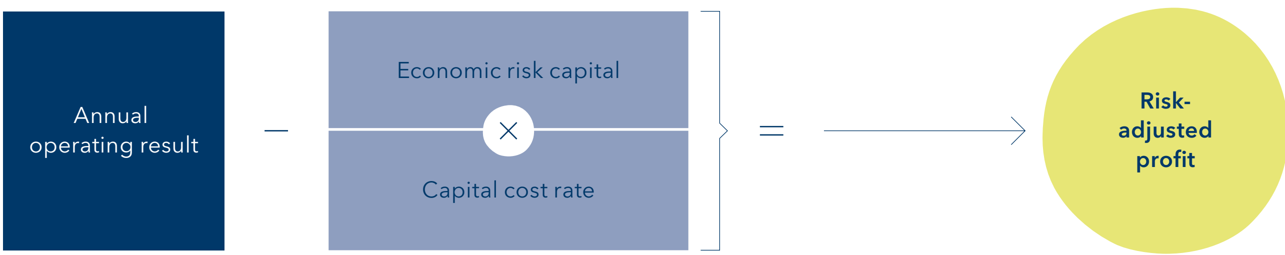
The total amount of variable compensation is determined within a range known as the "value share" and is based primarily on the net profit of VP Bank Group. The Board of Directors makes a facts-based assessment of the total amount of variable compensation and can adapt the amount. In times of adverse 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 26 October 2023, the compensation payable to Group Executive Management consists of the following components:

1. A fixed base salary; this is contractually agreed between the Board of Directors and individual members. In addition to the base salary, VP Bank pays proportionate contributions to the management insurance scheme and the pension fund.
2. A Performance Share Plan (PSP); this is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd and promotes long-term commitment in the form of equity

Calculation of the risk-adjusted profit



shares. At the end of the five-year plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of equity shares. This vesting multiple is determined from the weighting of an average group net income and the average net new money over the first three years of the plan period. Once the equity shares have been transferred, they remain blocked for one year.
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.

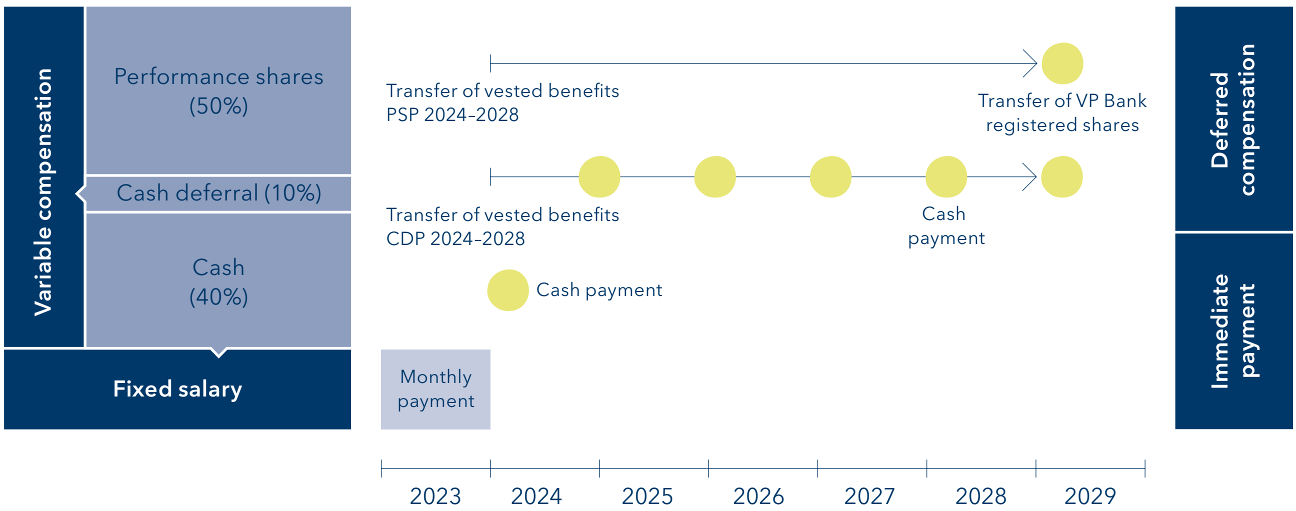
3. A Cash Deferral Plan (CDP) is a long-term management participation in the form of cash distributions. The payout is distributed pro rata over five years.
Until the relevant time of transfer of payout, the Board of Directors reserves the right to reduce or suspend the allocated vested cash benefits in the case of defined occurrences and in extraordinary situations. The share of the cash deferral makes up 10 per cent of total variable performance-related compensation.
4. An immediate cash compensation (STI), the share of which amounts to 40 per cent of total variable performance-related compensation.

The Board of Directors determines the planning parameters of the variable profit-sharing (PSP, CDP, STI) and their amount annually. The target share of total compensation varies in accordance with function and market customs.

In order to comply with regulatory requirements, a Restricted Share Plan (RSP) may also be used in individual justified cases to implement special retention measures, to compensate for loss of benefits at previous employers or for any severance payments. The RSP will be paid out annually in fifths over a scheduled duration of five years in the form of registered shares A.

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 key management.

Instruments of variable compensation



Management equity-sharing plan (LTI)

Number	2023	2022	Variance in %
Balance of entitlements at the beginning of the year	26,549	22,774	16.6
New entitlements	18,002	21,656	–16.9
Changes in entitlements as a result of allocation	–14,219	–12,505	13.7
Changes in entitlements as a result of expiration	–788	–3,019	–73.9
Changes in entitlements as a result of changes in factors	–3,437	–2,357	45.8
Balance of calculated entitlements at the end of the year	26,107	26,549	–1.7

in CHF 1,000	2023	2022	Variance in %
Personnel expenses recorded over vesting period for allocated management sharing plan	1,874	1,867	0.4
Fair value of management sharing plan at date of allocation	1,394	1,182	18.0
Personnel expenses for management sharing plan expenses for reporting period	1,326	1,897	–30.1
Accrual for management sharing plan in equity at the end of the year	2,631	3,180	–17.3

44 Consolidated off-balance-sheet transactions

in CHF 1,000	31.12.2023	31.12.2022
Contingent liabilities		
Credit guarantees and similar	22,590	21,953
Performance guarantees and similar	87,917	90,948
Irrevocable commitments	0	0
Other contingent liabilities	0	0
Total contingent liabilities	**110,507**	**112,901**
Credit risks		
Irrevocable facilities granted	148,537	92,768
Total credit risks	**148,537**	**92,768**
Fiduciary transactions		
Fiduciary deposits[1]	678,216	653,665
Total fiduciary transactions	**678,216**	**653,665**
Exposure to credit risk on loan commitments and financial guarantee contracts	–252	–303

[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
31.12.2023					
Contingent liabilities	23,204	23,696	2,570	61,037	110,507
Credit risks	83	80,634	42,284	25,536	148,537
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

Securities lending and repurchase and reverse-repurchase transactions

in CHF 1,000	31.12.2023	31.12.2022
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	288,980	413,416
of which securities where the unlimited right to sell on or pledge has been granted	213,197	318,509
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	290,890	426,289
of which securities which have been resold or repledged	75,783	94,907

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	31.12.2023	31.12.2022	Variance absolute	Variance in %
Analysis of client assets under management				
Assets in self-administered investment funds	10,181.7	9,987.0	194.7	1.9
Assets in discretionary asset management accounts	4,245.6	4,560.1	–314.5	–6.9
Other client assets under management	31,924.5	31,898.8	25.7	0.1
Total client assets under management (including amounts counted twice)	**46,351.9**	**46,445.9**	**–94.1**	**–0.2**
of which amounts counted twice	1,622.4	1,958.3	–335.9	–17.2
Change of assets under management				
Total client assets under management (including amounts counted twice) at the beginning of the financial year	46,445.9	51,276.6	–4,830.7	–9.4
of which net new money	27.3	1,050.4	–1,023.1	–97.4
of which change in market value	–116.3	–5,630.7	5,514.4	n.a.
of which other effects[1]	–5.1	–250.3	245.2	n.a.
Total client assets under management (including amounts counted twice) as of balance sheet date	**46,351.9**	**46,445.9**	**–94.1**	**–0.2**
Custody assets	**4,703.4**	**5,837.2**	**–1,133.8**	**–19.4**
Total client assets				
Total client assets under management (including amounts counted twice)	46,351.9	46,445.9	–94.1	–0.2
Custody assets	4,703.4	5,837.2	–1,133.8	–19.4
Total client assets	**51,055.3**	**52,283.2**	**–1,227.9**	**–2.3**
Net new money	**27.3**	**1,050.4**	**–1,023.1**	**–97.4**

[1] Includes assets of sanctioned Russian clients reclassified as custody assets.

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, BankO) and the internal guidelines of VP Bank Group.

Assets in self-administered funds
This item includes the assets of all managed and administered investment funds of VP Bank Group.

Assets in discretionary asset management accounts
The calculation of assets in discretionary asset management accounts 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.

Accounts counted twice
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.

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 2023, the consolidated balance sheet as at 31 December 2023, 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 124 – 190) give a true and fair view of the consolidated financial position of VP Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union and comply with Liechtenstein law.

Basis for opinion

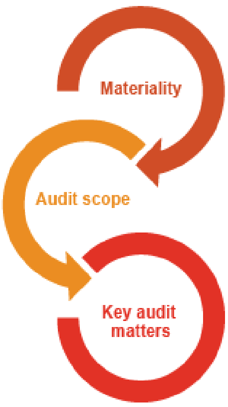
We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

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 2,564,000

Our audit (“full scope”) included three Group companies and covered 80 % of earnings before income tax. In addition, specific audit procedures were performed for one other Group company which covers additional 2 % 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 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 2,564,000
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.

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 2023, the VP Bank Group reported due from customers in the amount of CHF 5.467 billion, of which 0.40 % were assessed as impaired. Due from customers is the Group's largest asset and about 60.2 % are backed by mortgages, 34.8 % by other collateral provided by customers (i.e., mainly in the form of Lombard loans) and 5.0 % are provided without collateral.	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.

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 132 and 133 (Principles underlying financial-statement reporting), page 167 (Notes to the consolidated financial statements: 15 Due from banks and customers) and pages 147 to 157 (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 risks

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, VP Bank Group has recorded provisions for legal risks of CHF 0.36 million. The VP Bank Group is exposed to legal risks as it operates in a regulatory and legal environment. The completeness and valuation of provisions for legal risks involves significant scope for judgement. We therefore consider the audit of the accounting for provisions for legal risks to be a key audit matter. The VP Bank Group assesses legal 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 risks in the course of our 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions 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 consolidated financial statements, the Board of Directors is responsible for assessing the VP Bank Group'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 either intends to liquidate VP Bank Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 VP Bank Group's internal control system.
- 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 VP Bank Group'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 consolidated 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 VP Bank Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the VP Bank Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors respectively its committees 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 Board of Directors respectively its committees 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 Board of Directors respectively its committees, we determine those matters that were of most significance in the audit of the consolidated 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 28 April 2023. 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 Board of Directors respectively its committees 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 consolidated financial statements (pages 122 to 123) as at 31 December 2023 comply with Liechtenstein law and the articles of incorporation. Further, the Group's annual report accords with the consolidated financial statements and, in our opinion, does not contain any material inaccurate information.

We further confirm that the consolidated financial statements comply with Liechtenstein law and the articles of incorporation, and we recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Roman Berlinger	Patrick Wiech
Liechtenstein Certified Public Accountant Auditor in charge	

Zurich, 8 March 2024


› Science & Research

Support for science and research

Taking sustainability into account is of special concern to us. It provides added value to us as a bank as well as to our clients and investors. This is why we need talented individuals for our shared future.

Sustainability as part of the corporate strategy

Sustainability is an important pillar in our business strategy. It is the key to ensuring the long-term success of VP Bank Group and at the same time to creating added value for all stakeholders.

Acting responsibly, sustainably and with foresight are key elements in the implementation of our business strategy. For this reason, we systematically integrate sustainability criteria into all business processes. In that way, we want to have a positive impact on society and the environment while at the same time making an active contribution to sustainable development in the finance industry.

Based on its business strategy, VP Bank developed the ambitious Sustainability Plan 2026. It contains the key objectives that VP Bank intends to achieve by 2026. An essential part of this plan calls for systematically integrating sustainability factors into the investment and advisory process.

VP Bank's Best Paper Award

For many years, the Department of Finance & Economics at the University of Liechtenstein has held a workshop on the topic of "Sustainable Finance", during which international researchers are able to submit their papers on the subject.

Together with representatives of VP Bank, the findings of the best submitted papers are presented and discussed. The best paper is honoured with the "VP Bank Best Paper Award" and prize money of CHF 2,000.

In their 2020 paper "Aggregate Confusion: The Divergence of ESG Ratings", the authors, Florian Berg, Julian Kölbel and Roberto Rigobon, determined that rating results can vary due to a lack of clear definitions and fundamental disagreement about the underlying sustainability data.

The paper's findings reinforced our decision to develop our own benchmark for sustainable investments in the form of the VP Bank Sustainability Score. As a result, VP Bank does not use any standard ESG ratings but instead continually addresses the question of which sustainability aspects are particularly relevant in order to identify opportunities and risks. The use of ESG ratings as a risk indicator helps to familiarise a broad investor base with the topic of sustainability. This is yet another example of how we benefit from working with talented individuals in science and research.

Dr Julian Kölbel

Assistant Professor of Sustainable Finance, University of St. Gallen / Best Paper Award winner

"The support of VP Bank is extremely valuable for up-and-coming academics. To begin with, a prize piques your curiosity and is an incentive to turn in good work. That's what makes the annual conference at the University of Liechtenstein such a worthwhile event each year. And if you are lucky enough to win the Best Paper Award, this provides a boost to your desire to forge ahead and become even better.

I've been Assistant Professor of Sustainable Finance for one year now, and I am grateful that VP Bank is providing me – and the academic community in the area of sustainable finance – with such enthusiastic support."

// The support of VP Bank is extremely valuable for up-and-coming academics. //

Read this page online
vpbank.com/science-research

06 › Financial Report 2023 of VP Bank Ltd, Vaduz

Annual report of VP Bank Ltd, Vaduz

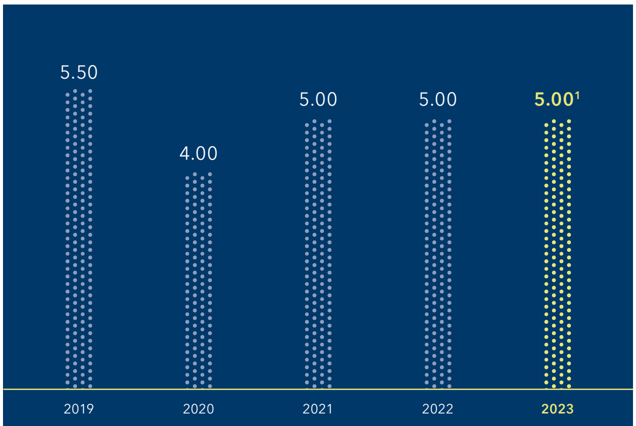
The annual report of VP Bank Ltd is largely evident from the consolidated annual report of VP Bank Group.

As of the balance sheet date, VP Bank Ltd, Vaduz, held in total 416,615 registered A shares and 352,169 registered B shares (previous year: 454,784 registered A shares and 350,769 registered B shares). This equates to a capital share of approximately 6.8 per cent (previous year: 7.4 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 26 April 2024 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	31.12.2023	31.12.2022	Variance absolute	Variance in %
Cash and cash equivalents	1,069,574	1,632,057	–562,483	–34.5
Due from banks	1,232,451	1,481,799	–249,348	–16.8
• maturing daily	591,853	495,082	96,771	19.5
• other receivables	640,598	986,717	–346,119	–35.1
Due from customers	4,636,924	4,809,857	–172,933	–3.6
of which mortgage receivables	3,042,252	2,947,305	94,947	3.2
Debentures and other interest-bearing securities	2,306,909	2,366,458	–59,549	–2.5
• money-market papers	170,895	196,994	–26,099	–13.2
from public-sector issuers	170,895	168,193	2,702	1.6
from other issuers	0	28,801	–28,801	–100.0
• debt securities	2,136,014	2,169,464	–33,450	–1.5
from public-sector issuers	481,085	486,821	–5,736	–1.2
from other issuers	1,654,929	1,682,643	–27,714	–1.6
Equity shares and other non-interest-bearing securities	148,538	153,368	–4,830	–3.1
Participations	56	56	0	0.0
Shares in affiliated companies	172,013	172,013	0	0.0
Intangible assets	49,520	56,715	–7,195	–12.7
Property and equipment	57,265	62,068	–4,803	–7.7
Treasury shares	38,680	41,854	–3,174	–7.6
Other assets	65,062	69,795	–4,733	–6.8
Accrued receivables and prepaid expenses	38,639	29,219	9,420	32.2
Total assets	**9,815,631**	**10,875,259**	**–1,059,628**	**–9.7**

Liabilities

in CHF 1,000	31.12.2023	31.12.2022	Variance absolute	Variance in %
Due to banks	2,320,119	2,620,537	–300,418	–11.5
• maturing daily	888,560	1,410,690	–522,130	–37.0
• with agreed duration or term of notice	1,431,559	1,209,847	221,712	18.3
Due to customers	6,086,732	6,880,234	–793,502	–11.5
• savings deposits	401,430	502,403	–100,973	–20.1
• other liabilities	5,685,302	6,377,831	–692,529	–10.9
maturing daily	4,119,288	5,387,475	–1,268,187	–23.5
with agreed duration or term of notice	1,566,014	990,356	575,658	58.1
Securitised liabilities	308,005	299,180	8,825	2.9
• debentures issued	308,005	299,180	8,825	2.9
of which medium-term notes	53,005	44,180	8,825	20.0
Other liabilities	127,680	107,493	20,187	18.8
Accrued liabilities and deferred items	39,923	32,707	7,216	22.1
Provisions	5,543	5,842	–299	–5.1
• tax provisions	1,602	2,259	–657	–29.1
• other provisions	3,941	3,583	358	10.0
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	605,807	603,415	2,392	0.4
• legal reserves	239,800	239,800	0	0.0
• reserves for treasury shares	38,680	41,854	–3,174	–7.6
• other reserves	327,327	321,761	5,566	1.7
Balance brought forward	116,421	130,809	–14,388	–11.0
Net income for the year	29,048	18,689	10,359	55.4
Total liabilities and shareholders' equity	**9,815,631**	**10,875,259**	**–1,059,628**	**–9.7**

Off-balance-sheet transactions

in CHF 1,000	31.12.2023	31.12.2022	Variance absolute	Variance in %
Contingent liabilities	**79,840**	**83,913**	**–4,073**	**–4.9**
Credit risks	**138,954**	**79,394**	**59,560**	**75.0**
• irrevocable facilities granted	138,954	79,394	59,560	75.0
Derivative financial instruments				
• positive replacement values	40,189	57,691	–17,502	–30.3
• negative replacement values	101,664	89,137	12,527	14.1
• contract volumes	5,814,583	8,252,816	–2,438,233	–29.5
Fiduciary transactions	**388,598**	**524,521**	**–135,923**	**–25.9**

Income statement

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Interest income	201,639	97,830	103,809	106.1
of which from interest-bearing securities	34,258	27,523	6,735	24.5
of which from trading transactions	0	143	–143	–100.0
Interest expense	194,811	50,092	144,719	288.9
Net interest income	**6,828**	**47,738**	**–40,910**	**–85.7**
Current income from securities	**64,711**	**23,264**	**41,447**	**178.2**
• shares and other non-interest-bearing securities	7,084	7,349	–265	–3.6
of which from trading transactions	0	0	0	0.0
• participations	2	2	0	7.4
• shares in affiliated companies	57,625	15,913	41,712	262.1
Income from commission business and services	81,566	85,764	–4,198	–4.9
• commission income from credit business	657	634	23	3.5
• commission income from securities and investment business	68,350	72,694	–4,344	–6.0
• commission income from other services	12,559	12,436	123	1.0
Commission expenses	13,072	14,484	–1,412	–9.8
Net income from commission business and services	**68,494**	**71,280**	**–2,786**	**–3.9**
Income from financial transactions	**113,642**	**78,430**	**35,212**	**44.9**
of which from trading transactions	118,306	81,753	36,553	44.7
Other ordinary income	**19,263**	**13,099**	**6,164**	**47.1**
• income from real estate	221	167	54	32.2
• other ordinary income	19,042	12,932	6,110	47.3
Total net operating income	**272,938**	**233,811**	**39,127**	**16.7**
Operating expenses	**191,568**	**179,462**	**12,106**	**6.7**
• personnel expenses	121,828	116,891	4,937	4.2
• general and administrative expenses	69,740	62,571	7,169	11.5
Gross income	**81,370**	**54,349**	**27,021**	**49.7**
Depreciation and amortisation of intangible assets and property and equipment	33,866	26,075	7,791	29.9
Other ordinary expenses	10,914	7,150	3,764	52.6
Valuation allowances on receivables and increases in provisions for contingent liabilities and credit risks	9,206	7,770	1,436	18.5
Income from release of valuation allowances on receivables and from the release of provisions for contingent liabilities and credit risks	3,930	7,027	–3,097	–44.1
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	**31,314**	**20,381**	**10,933**	**53.6**
Extraordinary income	0	0	0	0.0
Extraordinary expenses	0	0	0	0.0
Taxes on income	1,208	766	442	57.8
Other taxes if not included in above items	1,058	927	131	14.1
Net income for the year	**29,048**	**18,689**	**10,359**	**55.4**

Appropriation of profit

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Net income for the year	29,048	18,689	10,359	55.4
Retained earnings brought forward	116,421	130,809	–14,388	–11.0
Retained earnings	**145,469**	**149,498**	**–4,029**	**–2.7**
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	**112,392**	**116,421**	**–4,029**	**–3.5**

The Board of Directors proposes that the profit be distributed as follows (in CHF):	
At the disposal of the annual general meeting	145,469,146.35
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	**112,392,062.85**

Information regarding business activities and headcount

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 2023 VP Bank Ltd had 681.1 individuals under its employment (previous year: 645.3).

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, disclosures on risk management

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 s ome 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 (OTC) contracts 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 2023 financial year.

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 seq.).

Analysis of collateral

in CHF 1,000	Mortgage collateral	Other collateral	Without collateral	Total
Loans				
Due from customers	35,757	1,307,566	251,349	1,594,672
Mortgage receivables	3,024,595	10,345	7,312	3,042,252
• Residential property	2,205,497	10,043	2,972	2,218,512
• Office and business premises	92,656	0	377	93,033
• Commercial and industrial premises	669,058	302	3,608	672,968
• Other	57,384	0	355	57,739
Total loans, 31.12.2023	**3,060,352**	**1,317,911**	**258,661**	**4,636,924**
Total loans, 31.12.2022	2,937,632	1,457,796	414,429	4,809,857
Off-balance-sheet transactions				
Contingent liabilities	104	23,650	56,086	79,840
Irrevocable facilities granted	7,658	12,564	118,732	138,954
Total off-balance-sheet transactions, 31.12.2023	**7,762**	**36,214**	**174,818**	**218,794**
Total off-balance-sheet transactions, 31.12.2022	4,597	60,307	98,403	163,307

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, 31.12.2023	**46,694**	**31,628**	**15,066**	**15,066**
Total value-impaired loans, 31.12.2022	47,768	30,961	16,807	16,807

Trading portfolios of securities and precious metals

in CHF 1,000	Carrying value 31.12.2023	Carrying value 31.12.2022	Acquisition cost 31.12.2023	Acquisition cost 31.12.2022	Market value 31.12.2023	Market value 31.12.2022
Trading portfolios of securities and precious metals						
Debt securities	0	0	0	0	0	0
• listed on a stock exchange (traded on a recognised market)	0	0	0	0	0	0
• not listed	0	0	0	0	0	0
of which own bonds and medium-term notes	0	0	0	0	0	0
Equity shares	26	27	25	26	26	27
of which equity shares in the treasury	26	27	25	26	26	27
Precious metals	213	172	211	172	213	172
Total	**239**	**199**	**236**	**198**	**239**	**199**
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)	40,165	57,450			40,165	57,450
Negative replacement values of derivative financial instruments in trading portfolios (other liabilities)	101,312	88,498			101,312	88,498
Total	**141,477**	**145,948**			**141,477**	**145,948**
Portfolios of securities and precious metals in current assets (excluding trading portfolios)						
Debt securities	2,306,909	2,366,458	2,461,136	2,395,102	2,236,457	2,218,877
Equity shares	187,192	195,195	247,870	249,612	217,831	216,253
of which equity shares in the treasury	38,654	41,827	54,455	57,577	39,569	42,990
Total	**2,494,101**	**2,561,653**	**2,709,006**	**2,644,714**	**2,454,288**	**2,435,130**
of which repo-eligible securities	758,187	648,111	794,247	652,153	736,440	604,117
of which exchange-listed securities	2,454,324	2,527,849	2,646,479	2,588,705	2,406,422	2,393,863

Disclosures on treasury shares included in current assets (excluding trading portfolios)

in numbers / in CHF 1,000	Number 2023	2022	Carrying value 2023	2022
Registered shares A				
Balance at the beginning of the year	**454,784**	**488,934**	**38,817**	**43,767**
Purchase	2		0	
Disposals	–38,171	–34,150	–3,622	–3,220
Valuation allowances				–1,730
Appreciation			436	
Balance at the end of the year	**416,615**	**454,784**	**35,631**	**38,817**
Registered shares B				
Balance at the beginning of the year	**347,737**	**345,837**	**3,010**	**3,192**
Purchase	1,500	1,900	13	17
Disposals				
Valuation allowances				–199
Appreciation				
Balance at the end of the year	**349,237**	**347,737**	**3,023**	**3,010**

Participations and shares in affiliated companies

in CHF 1,000	Carrying value 31.12.2023	Carrying value 31.12.2022
Participations		
without quoted market value	56	56
Total participations	**56**	**56**
Shares in affiliated companies		
without quoted market value[1]	172,013	172,013
Total shares in affiliated companies	**172,013**	**172,013**

[1] In the 2023 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	Currency	31.12.2023 Corporate capital	Percentage ownership	Currency	31.12.2022 Corporate capital	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	43,000	100%
VP Bank (BVI) Ltd, Tortola (bank)	USD	10,000	100%	USD	10,000	100%

The carrying value of affiliated banks included under shares in affiliated companies amounts to CHF 165.8 million (previous year: CHF 165.8 million).

Overview of investments

in CHF 1,000	Acqui-sition cost	Cumulative deprecia-tion to date	Carrying value 31.12.2022	Financial year 2023 Invest-ments/ additions	Divest-ments	Depr. and amorti-sation	Foreign-currency translation	Carrying value 31.12.2023
Total participations (minority participations)	105	–49	56					56
Total shares in affiliated companies	173,105	–1,092	172,013					172,013
Total intangible assets (excluding goodwill)	230,799	–174,084	56,715	18,625		–25,806	–14	49,520
Real estate								
• bank premises	197,616	–143,518	54,098	653		–5,630		49,121
• other real estate	3,740	–542	3,198	219		–46	–3	3,368
Other property and equipment	32,012	–27,240	4,772	2,467	–10	–2,384	–69	4,776
Total property and equipment	233,368	–171,300	62,068	3,339	–10	–8,060	–72	57,265
Fire-insurance values of real estate			155,500					165,900
Fire-insurance values of other property and equipment			33,349					33,284

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	31.12.2023	31.12.2022
Total minimum commitments arising from operating leases	**6,737**	**6,292**

Operating expenses include CHF 2.977 million from operating leasing as at 31 December 2023 (previous year: CHF 2.600 million).

Assets pledged or assigned to secure own or third-party liabilities and assets subject to retention of title

in CHF 1,000	31.12.2023	31.12.2022
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	764,200	683,088
Effective liabilities		
Securities lending/borrowing and repurchase transactions		
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions		
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions		
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	288,980	413,416
of which securities for which an unconditional right has been granted to sell on or repledge	213,197	318,509
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	290,890	426,289
of which securities repledged or sold on	75,783	94,907

Liabilities to own retirement pension plans

in CHF 1,000	31.12.2023	31.12.2022
Due to customers	17,477	21,870
Securitised liabilities	200	200
Other liabilities	2,850	115
Total liabilities to own retirement pension plans	**20,527**	**22,185**

Outstanding debenture issues

in CHF 1,000	Interest rate in %	Year of issue	Maturity	Nominal amount 31.12.2023	Nominal amount 31.12.2022
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 01.01.2023	Utilisation in accordance with purpose	Recoveries, overdue interest, forex diff.	Provisions charged to income statement	Provisions released to income statement	Balance on 31.12.2023
Valuation allowances for default risks						
• Individual valuation allowances	16,807	6,275	198	5,112	1,070	14,772
• Individual valuation allowances made on lump-sum basis			-23	562	245	294
• Lump-sum valuation allowances	2,019		-90	2,741	2,353	2,317
• Individual valuation allowances made on lump-sum basis for country risks	62			17	9	70
Provisions for contingent liabilities and credit risks	299		-32	218	237	248
Provisions for taxes and deferred taxes	2,259	1,811	-55	1,208		1,602
Other provisions	3,284	1,168	-11	1,615	27	3,693
Total valuation allowances and provisions	**24,729**	**9,253**	**-12**	**11,473**	**3,940**	**22,996**
minus: valuation allowances	18,887					17,453
Total provisions as per balance sheet	**5,842**					**5,543**
Provisions for general banking risks	**63,150**					**63,150**

Company capital

in CHF 1,000	31.12.2023 Total par value	Number	Capital entitled to dividends	31.12.2022 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	31.12.2023 Par value	Share in % of par value	Share of voting rights in %	31.12.2022 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	6,441	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	2023
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	41,854
Other reserves	321,761
Provisions for general banking risks	63,150
Retained earnings	149,498
Total shareholders' equity at the beginning of the financial year	**929,266**

Statement of changes in shareholders' equity (continued)

in CHF 1'000	2023
Other appropriations / releases from reserves (–)	2,392
Dividends and other distributions from net income of the previous year[1]	–33,077
Net income/loss (–) for the financial year	29,048
Total shareholders' equity at the end of the financial year	**927,629**
of which	
Subscribed and paid-up capital	66,154
Capital reserves	47,049
Legal reserves	239,800
Reserve for treasury shares	38,680
Other reserves	327,327
Provisions for general banking risks	63,150
Retained earnings	145,469

[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	1,069,574							1,069,574
Due from banks	591,851		478,062	162,538				1,232,451
Due from customers	3,494	88,608	2,840,416	595,467	832,050	276,889		4,636,924
of which mortgage receivables	1,040	9,038	1,505,862	457,799	792,182	276,331		3,042,252
Trading portfolios of securities and precious metals	239							239
Portfolios of securities and precious metals in current assets (excluding trading portfolios)	191,349		118,402	376,261	1,213,505	594,584		2,494,101
Other assets	329,061		791				52,489	382,342
Total assets, 31.12.2023	**2,185,568**	**88,608**	**3,437,671**	**1,134,266**	**2,045,555**	**871,473**	**52,489**	**9,815,631**
Total assets, 31.12.2022	5,033,942	86,308	3,705,866	937,722	716,664	337,461	57,295	10,875,259
Liabilities and provisions								
Due to banks	888,773	654,878	490,165	263,493	22,811			2,320,119
Due to customers	2,369,532	2,151,186	1,304,863	260,374	778			6,086,732
• savings deposits		401,430						401,430
• other liabilities	2,369,532	1,749,756	1,304,863	260,374	778			5,685,302
Securitised liabilities			295	104,567	36,719	166,424		308,005
• debentures issued			295	104,567	36,719	166,424		308,005
of which medium-term notes			295	4,567	36,719	11,424		53,005
Provisions (excluding provisions for general banking risks)	5,543							5,543
Other liabilities	165,994		1,609					167,603
Total liabilities, 31.12.2023	**3,429,841**	**2,806,063**	**1,796,932**	**628,434**	**60,308**	**166,424**		**8,888,002**
Total liabilities, 31.12.2022	5,508,640	2,300,985	1,409,846	410,719	158,535	157,267		9,945,993

Debentures and other interest-bearing securities which mature in the following financial year	494,663
Issued debentures which mature in the following financial year	104,862

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	31.12.2023	31.12.2022
Receivables from and payables to participations, affiliated companies and qualifying participants		
Receivables from participations		
Payables to participations	50	51
Receivables from affiliated companies	60,972	45,833
Payables to affiliated companies	2,030,161	2,455,417
Receivables from qualifying participants		1,011
Payables to qualifying participants	73,087	115,763
Loans to governing bodies		
Members of Group Executive Management and parties related thereto	3,364	4,249
Members of the Board of Directors and parties related thereto[1]	1,520	1,270

[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 0.626 million in 2023 (previous year: CHF 0.683 million).

Balance sheet by domestic and foreign origin

in CHF 1,000	31.12.2023 Domestic	Foreign	31.12.2022 Domestic	Foreign
Assets				
Cash and cash equivalents	1,066,003	3,571	1,628,119	3,938
Due from banks	886,954	345,497	1,217,140	264,659
Due from customers	3,637,800	999,124	3,661,483	1,148,374
of which mortgage receivables	2,967,681	74,571	2,865,448	81,857
Debentures and other interest-bearing securities	350,640	1,956,269	394,429	1,972,029
Equity shares and other non-interest-bearing securities	67,785	80,753	66,909	86,459
Participations	35	21	35	21
Shares in affiliated companies	96,000	76,013	96,000	76,013
Intangible assets	49,355	165	56,643	72
Property and equipment	55,887	1,378	61,936	132
Treasury shares	38,680		41,854	
Other assets	36,939	28,123	34,026	35,769
Accrued receivables and prepaid expenses	16,824	21,815	15,588	13,631
Total assets	**6,302,902**	**3,512,729**	**7,274,162**	**3,601,097**
Liabilities and shareholders' equity				
Due to banks	597,027	1,723,092	1,066,305	1,554,232
Due to customers	3,786,575	2,300,157	4,496,304	2,383,930
• savings deposits	330,128	71,302	420,282	82,121
• other liabilities	3,456,447	2,228,855	4,076,022	2,301,809
Securitised liabilities	308,005		299,180	
Other liabilities	79,447	48,233	67,095	40,398
Accrued liabilities and deferred items	21,771	18,152	22,301	10,406
Provisions	4,060	1,483	5,174	668
Provisions for general banking risks	63,150		63,150	
Share capital	66,154		66,154	
Capital reserves	47,049		47,049	
Income reserves	605,807		603,415	
• legal reserves	239,800		239,800	
• reserves for treasury shares	38,680		41,854	
• other reserves	327,327		321,761	
Balance brought forward	116,421		130,809	
Net income for the year	29,048		18,689	
Total liabilities and shareholders' equity	**5,724,514**	**4,091,117**	**6,885,625**	**3,989,634**

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	31.12.2023 Absolute	Share in %	31.12.2022 Absolute	Share in %
Assets				
Liechtenstein/Switzerland	6,302,902	64.2	7,274,162	66.9
Europe (excluding Liechtenstein/Switzerland)	1,586,861	16.2	1,527,786	14.0
North America	661,657	6.7	652,453	6.0
Asia	732,242	7.5	854,997	7.9
Caribbean	419,708	4.3	445,401	4.1
Other	112,261	1.1	120,460	1.1
Total assets	**9,815,631**	**100.0**	**10,875,259**	**100.0**

Balance sheet by currency

in CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1,061,348	244	4,125	3,857	1,069,574
Due from banks	448,948	320,594	180,399	282,510	1,232,451
Due from customers	3,958,008	310,234	199,683	168,999	4,636,924
of which mortgage receivables	2,979,684	3,154	11,393	48,021	3,042,252
Debentures and other interest-bearing securities	593,940	856,383	752,512	104,074	2,306,909
Equity shares and other non-interest-bearing securities	66,051	9,467	68,900	4,120	148,538
Participations	35		21		56
Shares in affiliated companies	172,013				172,013
Intangible assets	49,355	165			49,520
Property and equipment	55,887	1,378			57,265
Treasury shares	38,680				38,680
Other assets	41,227	4,750	2,110	16,975	65,062
Accrued receivables and prepaid expenses	17,610	11,746	7,948	1,335	38,639
Total on-balance-sheet assets	**6,503,102**	**1,514,961**	**1,215,698**	**581,870**	**9,815,631**
Delivery claims arising from foreign-exchange spot, forward and option transactions	389,163	2,522,476	1,144,756	1,652,019	5,708,414
Total assets, 31.12.2023	**6,892,265**	**4,037,437**	**2,360,454**	**2,233,889**	**15,524,045**
Total assets, 31.12.2022	8,134,865	4,354,798	3,898,218	2,659,796	19,047,677
Liabilities and shareholders' equity					
Due to banks	494,007	1,116,643	304,086	405,383	2,320,119
Due to customers	2,458,825	1,903,840	1,129,718	594,349	6,086,732
• savings deposits	400,711		719		401,430
• other liabilities	2,058,114	1,903,840	1,128,999	594,349	5,685,302
Securitised liabilities	303,405	2,002	2,598		308,005
Other liabilities	87,226	17,552	7,780	15,122	127,680
Accrued liabilities and deferred items	19,750	14,110	1,481	4,582	39,923
Provisions	4,176	241	163	963	5,543
Provisions for general banking risks	63,150				63,150
Share capital	66,154				66,154
Capital reserves	47,049				47,049
Income reserves	605,807				605,807
• legal reserves	239,800				239,800
• reserves for treasury shares	38,680				38,680
• other reserves	327,327				327,327
Balance brought forward	116,421				116,421
Net income for the year	29,048				29,048
Total on-balance-sheet liabilities	**4,295,018**	**3,054,388**	**1,445,826**	**1,020,399**	**9,815,631**
Delivery obligations arising from foreign-exchange spot, forward and option transactions	2,663,935	1,065,668	850,584	1,341,319	5,921,506
Total liabilities, 31.12.2023	**6,958,953**	**4,120,056**	**2,296,410**	**2,361,718**	**15,737,137**
Total liabilities, 31.12.2022	8,169,341	4,383,320	3,865,396	2,660,130	19,078,187
Net position per currency	**-66,688**	**-82,619**	**64,044**	**-127,829**	

Contingent liabilities

in CHF 1,000	31.12.2023	31.12.2022	Variance absolute	Variance in %
Contingent liabilities				
Credit guarantees and similar	69,726	75,051	–5,325	–7.1
Performance guarantees and similar	10,114	8,862	1,252	14.1
Other contingent liabilities	0	0	0	0.0
Total contingent liabilities	**79,840**	**83,913**	**–4,073**	**–4.9**

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				24	353	32,000
Futures						
Foreign exchange / precious metals						
Forward contracts	8,919	17,132	1,000,015			
Combined interest-rate/currency swaps	12,511	65,033	3,233,273			
Options (OTC)	18,244	18,242	1,523,473			
Equity instruments/Indices						
Futures						
Options (OTC)	491	491	22,625			
Options (exchange-traded)		413	3,197			
Total prior to consideration of netting agreements, 31.12.2023	**40,165**	**101,312**	**5,782,583**	**24**	**353**	**32,000**
Total prior to consideration of netting agreements, 31.12.2022	57,450	88,498	8,206,816	241	639	46,000

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 179 et seq.).

Fiduciary transactions

in CHF 1,000	31.12.2023	31.12.2022	Variance absolute	Variance in %
Fiduciary transactions				
Fiduciary deposits	388,598	524,521	-135,923	-25.9
• Fiduciary deposits with third-party banks	274,588	360,107	-85,519	-23.7
• Fiduciary deposits with affiliated banks and finance companies	114,010	164,414	-50,404	-30.7
Fiduciary loans	0	0	0	0.0
Other fiduciary transactions of financial nature	0	0	0	0.0
Total fiduciary transactions	**388,598**	**524,521**	**-135,923**	**-25.9**

Information on the income statement

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Income from trading activities				
Gains from securities	174	70	104	148.3
Gains from trading derivatives	-1,453	-1,223	-230	18.8
Gains from foreign-exchange transactions	119,057	82,043	37,014	45.1
Gains from trading in banknotes	68	382	-314	-82.4
Gains from precious metals	461	481	-20	-4.0
Total income from trading activities	**118,306**	**81,753**	**36,553**	**44.7**

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Personnel expenses				
Salaries and wages	101,752	98,219	3,533	3.6
Social security costs and staff retirement pensions and assistance costs	19,094	18,041	1,053	5.8
of which for staff retirement pensions	16,780	15,864	916	5.8
Other personnel expenses	982	631	351	55.6
of which internally produced and capitalized assets	-3,133	-4,001	867	-21.7
Total personnel expenses	**121,828**	**116,891**	**4,937**	**4.2**

The remuneration of the Board of Directors and the Executive Board is disclosed under "Compensation paid to Members of the Board of Directors" (→ page 110 et seq.).

Information on the income statement (continued)

in CHF 1,000	2023	2022	Variance absolute	Variance in %
General and administrative expenses				
Occupancy expenses	3,184	3,501	–317	–9.1
Expenses for IT, equipment, furniture, motor vehicles and other installations	32,353	27,185	5,168	19.0
Other operating expenses	34,203	31,885	2,318	7.3
Total general and administrative expenses	**69,740**	**62,571**	**7,169**	**11.5**

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Other ordinary expenses				
Losses and differences	730	856	–126	–14.8
Other ordinary expenses[1]	10,184	6,294	3,890	61.8
Total other ordinary expenses	**10,914**	**7,150**	**3,764**	**52.6**

[1] 2023: Of which CHF 5.8 million resulting from service agreements with subsidiaries and CHF 4.4 million from legal costs.
2022: Of which CHF 6.2 million resulting from service agreements with subsidiaries.

in %	2023	2022	Variance absolute	Variance in %
Return on capital[1]	**0.28**	**0.17**	**0.11**	**64.7**

[1] Net income / average balance sheet total.

in CHF 1,000	2023	2022	Variance absolute	Variance in %
Other ordinary income				
Income from real estate	221	167	54	32.2
Other ordinary income[1]	19,042	12,932	6,110	47.3
Total other ordinary income	**19,263**	**13,099**	**6,164**	**47.1**

[1] 2023: Of which CHF 12.9 million resulting from service agreements with subsidiaries, CHF 3.0 million from a third party reimbursement for legal costs and CHF 2.6 million from the release of accruals for onerous contracts for renting.
2022: Of which CHF 12.5 million resulting from service agreements with subsidiaries.

Other assets and liabilities

in CHF 1,000	31.12.2023	31.12.2022	Variance absolute	Variance in %
Other assets				
Precious metals	213	172	41	24.2
Unsettled derivative financial instruments (positive replacement values)	40,189	57,691	–17,502	–30.3
• Trading positions	40,165	57,450	–17,285	–30.1
• Liquidity positions	24	241	–217	–90.0
Compensation accounts	289	348	–59	–17.0
Settlement accounts	13,737	6,191	7,546	121.9
Miscellaneous other assets	10,634	5,393	5,241	97.2
Total other assets	**65,062**	**69,795**	**–4,733**	**–6.8**
Other liabilities				
Accounts for disbursement of taxes and fees	3,966	3,776	190	5.0
Unsettled derivative financial instruments (negative replacement values)	101,664	89,137	12,527	14.1
• Trading positions	101,312	88,498	12,814	14.5
• Liquidity positions	352	639	–287	–44.8
Compensation accounts	0	209	–209	–100.0
Settlement accounts	20,601	12,431	8,170	65.7
Miscellaneous other liabilities	1,449	1,940	–491	–25.3
Total other liabilities	**127,680**	**107,493**	**20,187**	**18.8**

Income and expense analysed by permanent establishment

in CHF 1,000	2023 Domestic	2023 Foreign	2022 Domestic	2022 Foreign
Interest income	181,386	47,909	85,833	18,665
Interest expenses	185,323	36,818	46,848	9,907
Current income from securities	64,711		23,264	
Income from commission business and services	72,854	8,872	77,754	8,171
Commission expenses	11,075	2,159	12,919	1,729
Income from financial transactions	102,731	11,266	74,254	4,158
Other ordinary income	20,834	2	14,866	
Operating expenses	171,987	21,357	161,460	19,771
Other ordinary expenses	10,905	9	7,117	33

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 85 persons as at 31 December 2023 (31 December 2022: 79 persons). On a consolidated basis, total operating income in the 2023 financial year amounts to the equivalent of CHF 16.172 million (previous year: CHF 17.380 million) and earnings before tax to CHF –4.255 million (previous year: CHF -0.380 million). The unit received the equivalent of CHF 0.116 million in government subsidies in the 2023 financial year (previous year: CHF 0.128 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 2023, 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 205 to 222) give a true and fair view of the consolidated financial position of the Company as at 31 December 2023 and its financial performance for the year then ended in accordance with Liechtenstein law.

Basis for opinion

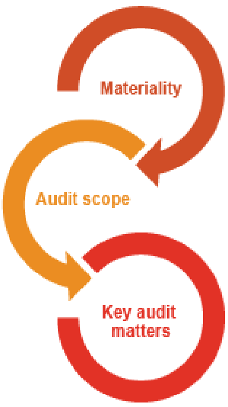
We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

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 1,456,000

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 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 1,456,000
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.

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 2023, the Company reported due from customers in the amount of CHF 4.637 billion, of which 0.35 % were assessed as impaired. Due from customers is the Company's largest asset and about 66.0 % are backed by mortgages, 28.4 % by other collateral provided by customers (i.e., mainly in the form of Lombard loans) and 5.6 % are provided without collateral. 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. The accounting principles applied to due from customers and the methods used to identify default risk, to determine	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. 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.

the need for impairment and to evaluate collateral are described in the annual report. Please refer to page 210 (Principles of accounting and valuation) and page 212 (Notes regarding the balance sheet and income statement: Analysis of collateral).	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 risks

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, the Company has recorded provisions for legal risks of CHF 0.36 million. The Company is exposed to legal risks as it operates in a regulatory and legal environment. The completeness and valuation of provisions for legal risks involves significant scope for judgement. We therefore consider the audit of the accounting for provisions for legal risks to be a key audit matter. The Company assesses the legal 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 211 (Principles of accounting and valuation) and page 215 (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 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 Board of Directors respectively its committees 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 Board of Directors respectively its committees 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 Board of Directors respectively its committees, 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 28 April 2023. 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 Board of Directors respectively its committees 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 204) as at 31 December 2023 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, and we recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Roman Berlinger

Liechtenstein Certified Public Accountant
Auditor in charge

Patrick Wiech

Zurich, 8 March 2024

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

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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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Agenda 2024

Annual results	12 March 2024
Annual general meeting of shareholders	26 April 2024
Dividend payment	3 May 2024
Semi-annual results	20 August 2024


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