ART EXPERIENCE

ANNUAL REPORT 2021

Out of Office: 25 years of VP Bank Art Foundation. To mark the anniversary, the art is leaving its customary location at the VP Bank offices and going on tour for the first time.

SHAREHOLDER INFORMATION

VP Bank Group at a glance

- Founded in 1956
- Third-largest bank in Liechtenstein
- Over 1,000 employees
- Listed on SIX Swiss Exchange
- "A" rating from Standard & Poor's
- Six locations worldwide in key financial centres (Vaduz, Zurich, Luxembourg, Singapore, Hong Kong, Tortola/BVI)
- Focus on asset management for intermediaries and private individuals
- International fund competence centre

Goals for Strategy 2026

- Profit: Group net income of CHF 100 Mio. until 2026
- Growth: net new money >4 % p.a. over the cycle
- Profitability: profit margin >15 bps and cost/income ratio 70% until 2026
- Stability: tier 1 ratio >20 % over the cycle

AGENDA 2022

Annual results	8 March 2022
Annual general meeting of shareholders	29 April 2022
Dividend payment	5 May 2022
Semi-annual results	17 August 2022

MASTER DATA

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

ABOUT THE CONTENT

In 2021, the VP Bank Art Foundation celebrated its 25th year of existence. The Art Foundation is based on VP Bank's sustained commitment to culture. On the occasion of this anniversary, the wider public was given access to VP Bank Art Foundation's collection as part of an exhibition at the Kunstmuseum Liechtenstein in Vaduz. This annual report presents seven artists and the focus of their work. Let yourself be moved by striking impressions from the collection and discover exciting works of modern art that can be viewed at the VP Bank offices, thus also turning art into an experience at the workplace.

You can find further information about the artists and the VP Bank Art Foundation in the online report available at report.vpbank.com and on our website.

THE COMPLETE ANNUAL REPORT IS ALSO AVAILABLE ONLINE AND CAN BE DOWNLOADED AS A PDF:

Annual report 2021
report.vpbank.com/en

RACHEL LUMSDEN / "Silent inhabitants: Kriechstrom" (detail see p. 3), 2006

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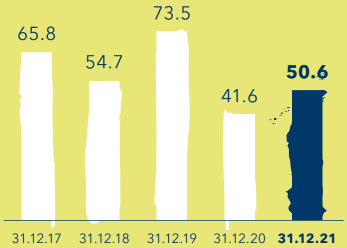
Our financial year 2021

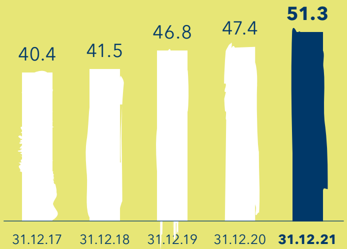
NET INCOME / CHF million

+21.7%



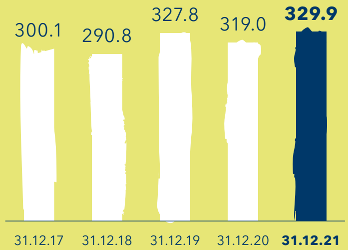
CLIENT ASSETS[1] / CHF billion

+8.1%



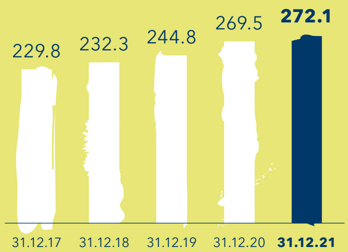
TOTAL OPERATING INCOME / CHF million

+3.4%



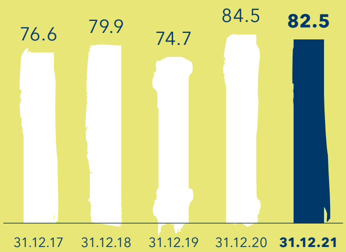
OPERATING EXPENSES / CHF billion

+1.0%



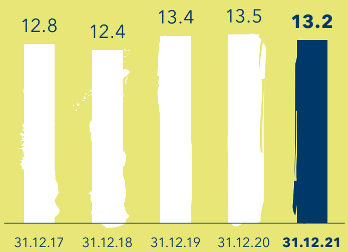
COST/INCOME RATIO[2] / in %

-2.3%



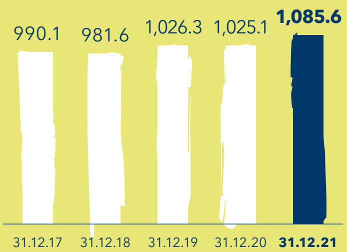
TOTAL ASSETS / CHF billion

-2.4%



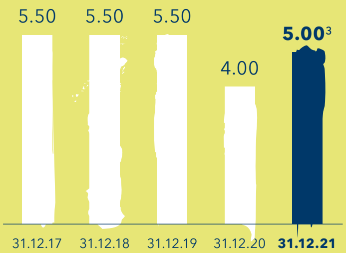
TOTAL SHAREHOLDERS' EQUITY / CHF million

+5.9%



DIVIDEND[3] / CHF

+25%



SHARE PRICE PERFORMANCE[4]

[1] Client assets under management excl. cudstody assets
[2] Operating expenses / total operating income
[3] Proposal to the annual general meeting
[4] VP Bank registered shares A (in CHF)

KEY FIGURES OF VP BANK GROUP

	2021	2020	Variance in %
KEY INCOME STATEMENT DATA IN CHF MILLION[1, 2]			
Total net interest income	110.0	113.6	–3.1
Total net income from commission business and services	156.5	140.0	11.8
Income from trading activities	50.0	56.6	–11.7
Income from financial instruments	11.5	7.9	45.0
Total operating income	329.9	319.0	3.4
Operating expenses	272.1	269.5	1.0
Group net income	50.6	41.6	21.7
KEY BALANCE-SHEET DATA IN CHF MILLION[1, 2]			
Total assets	13,196.4	13,523.4	–2.4
Due from banks	1,688.9	1,784.3	–5.3
Due from customers	6,237.3	6,281.5	–0.7
Due to customers	11,458.7	11,511.7	–0.5
Total shareholders' equity	1,085.6	1,025.1	5.9
Equity ratio (in %)	8.2	7.6	8.5
Tier 1 ratio in accordance with Basel III (in %)	22.4	20.8	7.5
Leverage ratio in accordance with Basel III (in %)	7.6	7.1	7.0
Liquidity coverage ratio in accordance with Basel III (in %)	160.2	179.4	–10.7
Total client assets under management in CHF million	**51,276.6**	**47,437.1**	**8.1**
On-balance-sheet customer deposits (excluding custody assets)	11,439.7	11,539.1	–0.9
Fiduciary deposits (excluding custody assets)	415.8	401.1	3.7
Client securities accounts	39,421.2	35,496.9	11.1
Custody assets in CHF million	**7,495.3**	**7,442.6**	**0.7**
Total client assets in CHF million	**58,771.9**	**54,879.7**	**7.1**
Business volumes in CHF million[3]	**57,513.9**	**53,718.6**	**7.1**
Net new money in CHF million	**276.9**	**1,382.5**	**–80.0**
KEY OPERATING INDICATORS[2]			
Return on equity (in %)[1, 4]	4.9	4.1	
Cost/income ratio strategy 2020 (in %)[5]	71.7	69.3	
Cost/income ratio strategy 2026 (in %)[6]	82.5	84.5	
Headcount (expressed as full-time equivalents, excluding student apprentices)[7]	938.5	917.1	
Total operating income per employee (in CHF 1,000)	351.5	347.9	
Total operating expenses per employee (in CHF 1,000)[8]	251.9	241.0	
Group net income per employee (in CHF 1,000)	54.0	45.4	
KEY INDICATORS RELATED TO SHARES OF VP BANK IN CHF[1]			
Group net income per registered share A[9]	8.33	6.90	
Group net income per registered share B[9]	0.83	0.69	
Dividend per registered share A[10]	5.00	4.00	
Dividend per registered share B[10]	0.50	0.40	
Dividend yield registered share A (in %)	5.2	3.6	
Payout ratio registered share A (in %)	60.0	58.0	
Total shareholders' return on registered shares A (in %)[11]	–10.18	–24.19	
Shareholders' equity per registered share A on the balance-sheet date	178.62	169.93	
Shareholders' equity per registered share B on the balance-sheet date	17.42	16.44	
Quoted price per registered share A	96.60	112.00	
Quoted price per registered share B	9.70	11.20	
Highest quoted price per registered share A	125.00	167.20	
Lowest quoted price per registered share A	93.20	99.00	
Market capitalisation (in CHF million)[12]	639	741	
Price/earnings ratio per registered share A	11.59	16.23	
Price/earnings ratio per registered share B	11.64	16.23	
Rating Standard & Poor's	**A/Negative/A-1**	**A/Negative/A-1**	

1 The reported key data and operating indicators are computed and reported on the basis of the share of the net profit and shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz.
2 Details in the notes to the consolidated income statement and consolidated balance sheet.
3 Assets under management and due from customers.
4 Net income / average shareholders' equity less dividend.
5 Total operating expenses (without depreciation and amortisation, valuation allowances, provisions and losses) / total operating income.
6 Total operating expenses / total operating income.
7 In accordance with legal requirements, apprentices are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
8 Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / headcount.
9 Based on the weighted average number of shares (registered share A) (note 11).
10 Subject to approval by the annual general meeting.
11 Price change compared to previous year closing price plus dividend / closing price previous year.
12 Including registered shares B.

The definitions are available at vpbank.com/apm

vpbank.com/apm

DR. THOMAS R. MEIER / left
AND PAUL H. ARNI

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we confirm our fin
targets.

STATEMENT BY THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

Dear Shareholders
Ladies and Gentlemen

COVID-19 had a major impact on the year 2021 as well. In view of the challenging environment, the economy proved to be resilient, and the financial markets trended in a positive direction overall. Nevertheless, uncertainty about the spread and danger of the virus led to increased volatility. Moreover, the markets responded forcefully to emerging uncertainties related to urgent questions of monetary policy. Battling inflation, as well as issues involving energy supply and trends in energy prices, will also be of great importance going forward. Overall, we are experiencing a time of rapid change in terms of geopolitics, technology and social issues. The year 2021 impressively confirmed the challenges that are facing business models, flows of goods, services, as well as forms of working and employment.

For us as a bank, we are witnessing considerable acceleration in digitisation, which at the same time raises key questions about sustainability and the imminent crossover to the first generation of digital natives as drivers of transformation. Examples include remote working, online video consultation and virtual client events, which have now become an integral part of our daily lives. The pandemic brought about new ways of thinking. Nearly the entire financial industry recognised the need for new service and income models that facilitate more flexible products and new value propositions. There is also no doubt about the important role played by automation and data analysis, as well as the required focus on costs and efficiency. These developments serve to confirm the path that we set out on at the start of 2021 with our Strategy 2026 “Seize opportunities”. As a leading Liechtenstein bank for intermediaries and private clients, we have since our founding in 1956 pursued the principle of constantly realigning our outlook toward the future, spotting trends and using change as an opportunity. We are certain that financial stability and innovative power coupled with decisive action create added value for our clients and shareholders. That’s why we launched the new strategy cycle with the goal of combining our key strength in the traditional banking business – providing professional yet personal client advice for all investment-related matters – with the advantages of a digital ecosystem and thus establish VP Bank as an Open Wealth Service pioneer. In the past year, we laid the foundation for this and achieved important initial results.

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Solid financial result

In 2021 VP Bank Group posted a solid result in light of the substantial investments that were made in connection with Strategy 2026. All locations made a positive contribution to earnings. Client assets under management by VP Bank Group rose to CHF 51.3 billion, corresponding to an increase of 8.1 per cent compared with the previous year. This rise was attributable to sustained positive net new money inflows, the acquisition of the client business from Öhman Bank S.A. and the positive market performance. With new money inflow of CHF 2.1 billion, or an increase of 4.3 per cent, in our core businesses, we met our growth target of at least 4.0 per cent for net new money per year, despite a persistently challenging environment. This positive trend was adversely affected by the previously announced strategic repositioning by an institutional fund client, which resulted in a change in net new money of CHF 0.3 billion.

Owing to the very good result from income from commission business and services, operating income rose by 3.4 per cent overall to CHF 329.9 million. Operating expenses increased by 1.0 per cent to CHF 272.1 million, which was attributable to targeted investments and development work in connection with the first phase of the implementation of Strategy 2026. For instance, the development of the Client Solutions business segment and the Asia region caused personnel expenses to rise by 7.3 per cent to CHF 174.0 million. General and administrative expenses increased by CHF 3.5 million to CHF 62.4 million, mainly as a result of investments in IT. Nevertheless, the cost/income ratio improved on the whole, from 84.5 per cent to 82.5 per cent.

All of this resulted in VP Bank Group posting a Group net income of CHF 50.6 million, corresponding to a rise of 21.7 per cent compared with the previous year. VP Bank is very healthy in terms of its capitalisation. With a Tier 1 ratio of 22.4 per cent, it continues to significantly exceed the minimum regulatory requirements, as well as the Bank's own ambitious target of at least 20 per cent. This strong capital base is an expression of VP Bank's resilient and successful business model and offers an ideal starting point for the ongoing development of VP Bank Group.

Existing business expanded further, including venturing into new business areas

Last year saw us reach several milestones and enjoy notable successes. A comprehensive presentation of the strategy and the progress of implementation can be found in the strategy report on pages 36 et seqq.

Our business model is founded on our successful traditional business in the home market and at the five international locations. Our clearly defined regional strategies aim to achieve sustainable, profitable growth at all locations. In the past year, we were able to further expand our important Nordics target market, which comprises Denmark, Norway and Sweden, by acquiring the client business of the private bank Öhman Bank S.A. We are also continuing to see attractive growth potential in Asia. By signing the memorandum of understanding with Hywin Holding and acquiring an equity stake in it, as well as by forming a new management organisation, we created an ideal starting point that will enable us to benefit from the opportunities in this market, which is decisive for worldwide growth in wealth management.

By developing into a leading Open Wealth Service provider, we are ensuring that we will continue to be a reliable partner for our clients in the future. Our solutions and services are designed to be state of the art at all times in terms of financial expertise and technology, and we are growing in concert with the ambitions and needs of our clients. The opening of our core banking system, meaning open IT interfaces for products and services of complementary third-party providers, is the technological basis for this. In addition to investments in our own IT, we also entered into a strategic collaboration with Swisscom in the past year for the operation of the IT infrastructure. The innovation partnership we recently entered into with InvestCloud will enable us to provide personalised wealth management services through ecosystems.

We also ventured into new business areas in 2021, for example with the launch of ORBIT. This gives our professional clients curated access to private market investments – and an initial impression of the many advantages offered by the kinds of comprehensive Open Wealth Services that we strive to provide. Moreover, since last year, we have been able to register ownership claims over real assets digitally on the blockchain and to store them as tokens. We were the first bank in Liechtenstein to successfully tokenise a work of art.

Focus remains on rigorous cost management

The first year of the strategy implementation was marked by development work and the associated investments. After posting initial successes, and with a view toward the investments in this year, the focus is now shifting more strongly toward the operational basis. This is because in addition to growth, a supporting pillar of our Strategy 2026 is increased productivity and efficiency. Therefore, this next phase of the implementation will emphasise the examination of optimisation potentials and scalability options. In this way, we are laying the further groundwork for achieving our strategic objective with a view to 2026.

For 2022, the focus will be on developing business further in our home market of Liechtenstein and at the five international locations. In addition, we will systematically push forward with the activities on the private market that were started with ORBIT and further expand our existing fund business in Liechtenstein and Luxembourg. Our key intention continues to be combining the benefits of technology with tangible added value for our clients. Completing the outsourcing of the IT infrastructure to Swisscom and providing an open IT interface to our core banking system will be important milestones. In addition, we will continue to explore options and innovations in the area of digital assets on a targeted basis.

Confirmation of financial targets

We are on track with the implementation of our Strategy 2026, and we confirm our financial targets. We aim to have achieved a Group net income of CHF 100 million by the end of the 2026 strategy cycle, and we are adhering to the additional quantitative targets: a profit margin of more than 15 basis points, a cost/income ratio of at most 70 per cent by the end of 2026, a Tier 1 ratio of more than 20 per cent and new money growth of 4 per cent per year over the strategy cycle. This financial strategy secures our ability to adequately position solutions and services for our clients on the market. In addition, it enables us to finance the investments and innovations that are needed to achieve these targets from our own resources and to generate an attractive risk-adjusted return for our shareholders.

Proposed dividend

The Board of Directors proposes that the VP Bank annual general meeting of 29 April 2022 approve a dividend pay-out of CHF 5.00 per registered share A and CHF 0.50 per registered share B. At 60 per cent of Group net income, the envisaged dividend pay-out ratio is within the long-term target range of 40 per cent to 60 per cent set by the Board of Directors. The proposed dividend underscores VP Bank's profitability and stability, as well as the effort to provide a dividend yield that is attractive over the long term, which for this year is 5.2 per cent based on the exchange price on 31 December 2021.

Thank you

We would like to extend our thanks to our clients and shareholders for the trust they have placed in us and their loyalty. They give us the foundation we need in order to be able not only to manage fundamental changes but also to strategically exploit them. Just as VP Bank has successfully demonstrated time and again since its founding.

A special thanks is owed to our outstanding employees in Liechtenstein and at the international locations. Their commitment, motivation and flexibility deserve our utmost respect. We are proud to work with such a skilled, talented group of people. This ensures that we are optimally equipped to achieve our strategic objectives together.

Dr Thomas R. Meier
Chairman of the
Board of Directors

Paul H. Arni
Chief Executive
Officer

An idea is worked on through painting until it becomes a picture. Always a challenge that opens up unexpected paths …

Velimir Ilišević often develops a pictorial idea in series.

TEXT / Cornelia Kolb-Wieczorek

Velimir Ilišević's painting is essentially characterised by impressions of nature, by the perception of the landscape and its atmosphere, by changing moods of light, which mostly produce vivid, bright and sometimes dark, dense images. In addition to memories of landscapes, encounters with people and experiences in his old homeland of Yugoslavia – Ilišević has lived in Switzerland since 1989 – produce pictorial reflections that allow the past to radiate into the present. In this way, his vivid and expressive painting shows both landscapes of nature and landscapes of the soul. Emerging from individual memories and experiences of personal as well as general contemporary history, the works are nevertheless so general in their emblematic motifs that they allow the viewer to experience them in a completely free and personal way.

Ilišević's picture titles occasionally point in a certain direction, but they tend to remain more of a literary footnote than a clear interpretative aid. The real context and the clear recognition of what is depicted, iconographic aspects, initially play a secondary role, as the artist is first and foremost concerned with the medium, that is, with painting itself. The ductus and dynamics of the application of paint, composition and proportion, the conquest of the empty, white canvas – this is what primarily moves the passionate painter. Making the artistic appropriation of the picture surface visible as a process, underlined by the often free-form edge of the picture, is just as important as the question regarding the relationship between the figure and the background, which are closely interwoven through a uniform stroke and a certain openness of form.

"Gefrierpunkt" (or freezing point) is the title of the painting shown here, which the artist offers us as a guide for the visual walk through his visual worlds – a title that seems to have an emotional background. The work is part of the series "Flussentlang" (along the river), in which the artist places the Rhine at the centre of his images. The river on which he drifted in an inflatable boat in the summer, while the landscape, boats, bridges and riverbank buildings passed by at the flowing speed of the water, is also a symbol of the passing of time here.

Velimir Ilišević usually works for a longer time on one theme, which he develops in a continuous series. It is not about documentation, but about imagination. It is not what is actually seen that is of interest, but the effect it has had: images full of power and dynamics, full of atmosphere and lively tension, floating motifs in sometimes strong, sometimes subtle colours, lured out of obscurity and lifted into daylight.

Biography and artist's profile of Velimir Ilišević
vpbank.com/velimir-ilisevic-en

TOP IMAGE / "Gefrierpunkt", 2013, Triesen location, ground floor (p. 67, detail see p. 13).

IMAGE, LEFT / Resourceful: instead of colour palettes, the artist uses a variety of pans.

IMAGE, RIGHT / Velimir Ilišević currently works out of a studio in Berlin-Mitte.

CHAPTER 1

VP Bank Group

VP Bank is an internationally oriented banking group. Its core competencies include the development of customised financial solutions for intermediaries and private persons, as well as access to private market investments via a curated ecosystem. In addition, the Group has an international fund competence centre.

VP Bank is one of the largest banks in the Liechtenstein financial centre. In addition to its headquarters in the Principality of Liechtenstein, VP Bank Group is present with offices in five other locations: Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands.

VP Bank Group has a sound balance sheet and a strong capital base. An "A" rating from Standard & Poor's vouches for its financial strength. The registered shares A are listed on SIX Swiss Exchange. VP Bank pursues a dividend policy that is balanced in the long term. As a benchmark, 40 per cent to 60 per cent of Group net income is paid out to shareholders. A large proportion of its share capital is in the hands of three anchor shareholders: "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation, "U.M.M. Hilti-Stiftung" foundation and "Marxer Stiftung für Bank- und Unternehmenswerte" foundation – all of whom guarantee continuity, independence and sustainability.

VP Bank has a workforce of more than 1,000 employees and manages client assets totalling almost CHF 58.8 billion.

Commitment and pioneering spirit for more than 65 years

Founded in 1956 in Vaduz, Liechtenstein, VP Bank has grown steadily from a friendly local bank to become a globally active financial services enterprise.

The Bank's founder, Guido Feger, was a successful entrepreneur and one of Liechtenstein's most important trustees. Right from the start, 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 the last six decades.

In the process, VP Bank has demonstrated that it is not only able to manage fundamental changes in the prevailing framework conditions, but also exploit them for strategic purposes. It has continuously developed innovations and has even been a trail-blazing pioneer. For instance, in 1983 VP Bank became the first company in Liechtenstein to be listed on the stock exchange, thus writing a piece of Liechtenstein financial centre history. Today, the Bank continues to be characterised by its entrepreneurial flexibility, which is also reflected in the current corporate strategy – the aim of becoming an Open Wealth Service pioneer.

The philanthropic activities of VP Bank's founder have as well been continued by the "Stiftung Fürstl. Kommerzienrat Guido Feger" foundation. Moreover, the VP Bank Foundation supports projects, institutions and persons that are prominent in the fields of the environment, arts, education, science and culture as a result of their outstanding efforts. The VP Bank Art Foundation provides support to talented artists who have yet to gain a foothold on the market.

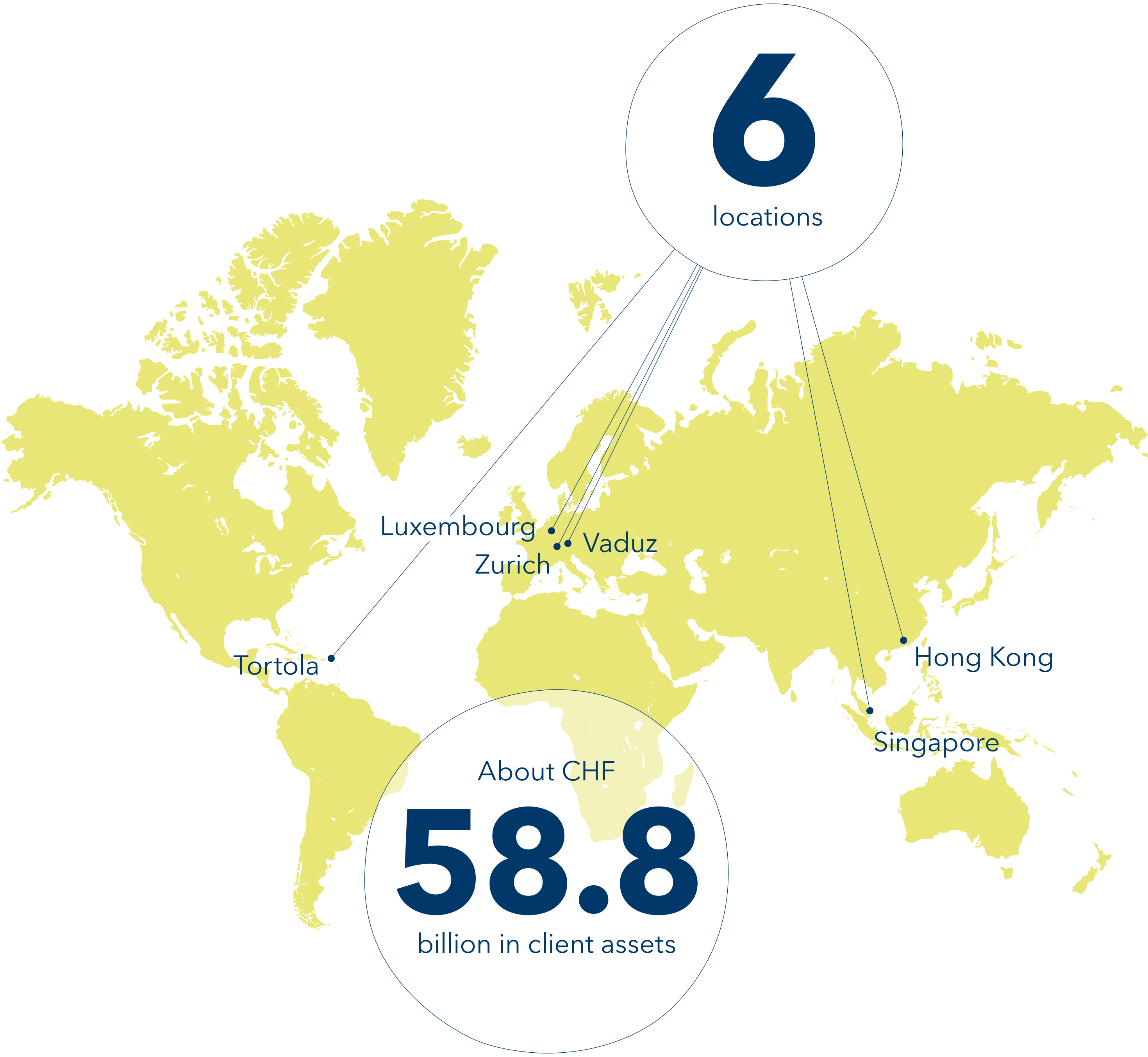
Expertise and consulting

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

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

Private clients also benefit from the Bank's many years of experience in customised consultation, and at the same time, owing to the Bank's international presence, they also receive access to a global network of specialists. Its core competencies consist of customised wealth management, investment consulting, wealth planning and financing.

An international fund competence centre, which manages business with third-party funds, private label funds and the Bank's own funds, rounds out the offering by VP Bank Group.



Founded in
1956

1,012
employees

Our core competencies
- Asset management
- Investment advisory
- Wealth planning
- Financing
- Access to private market investments
- Partner for financial intermediaries
- Fund competence centre

The year of strategy

JANUARY

SUSTAINABLE BANKING /

VP Bank is added to SIX Swiss Exchange's newly launched Sustainability Index.

Other highlights: VP Bank is named Best Private Bank – Intermediary Services at the Asian Private Banker Awards for Distinction 2020 in Singapore.

CHANGES IN GROUP EXECUTIVE MANAGEMENT /

Roger Barmettler is appointed Chief Financial Officer (CFO) as of 1 March 2021.

Other highlights: VP Bank Group reports a stable annual result, signs the United Nations' Principles for Responsible Banking and, after signing a memorandum of understanding to strengthen their strategic partnership, acquires an equity stake of 3.4 per cent in Hywin in Asia.

MARCH

APRIL

ANNUAL GENERAL MEETING /

At the 58th annual general meeting, the shareholders of VP Bank approve all of the proposals of the Board of Directors by a large majority.

Other highlights: VP Bank publishes its first sustainability report according to GRI Standards.

JUNE

INNOVATION PARTNERSHIP /

VP Bank and InvestCloud enter into a partnership to create an innovative Open Wealth Service platform.

Other highlights: WealthBriefingAsia names VP Bank in Singapore Best Boutique Private Bank.

JULY

ENGAGEMENT IN ASIA /

Pamela Hsu Phua is named CEO of VP Bank Asia as of 1 July 2021.

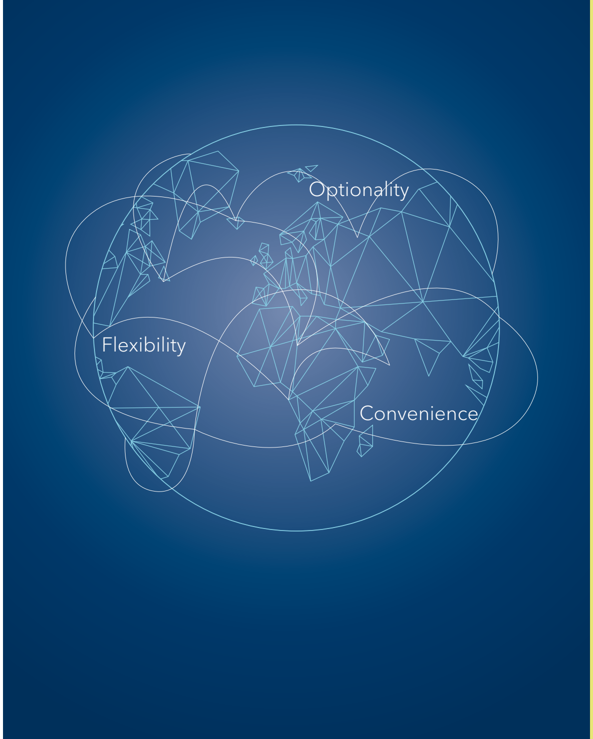
Other highlights: The rating agency Standard & Poor's confirms VP Bank's good "A" rating.

ORBIT /

With ORBIT, VP Bank launches an open investment and structuring platform that provides professional investors with easy access to the asset class of private market investments.

Other highlights: VP Bank reports solid 2021 semi-annual results.

AUGUST



NOVEMBER

ANNIVERSARY OF THE VP BANK ART FOUNDATION /

The VP Bank Art Foundation celebrates its 25th anniversary with an exhibition at the Kunstmuseum Liechtenstein in Vaduz.

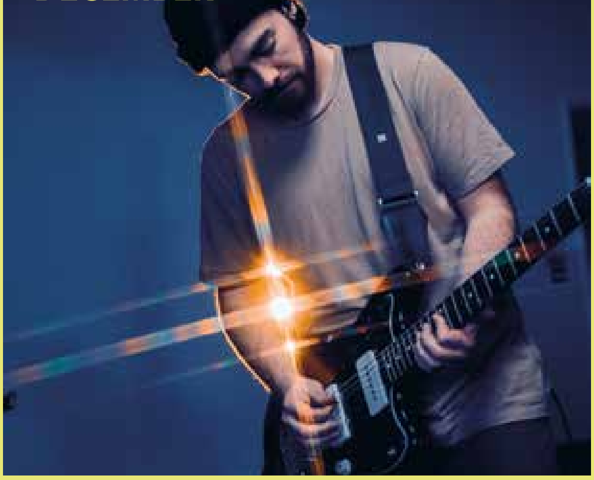
Other highlights: VP Bank becomes the first Liechtenstein bank to successfully tokenise a work of art, laying the groundwork for trading of digital assets. In the annual Fuchsbriefe test, VP Bank receives a "Very good" rating in the areas of advisory consultations and investment proposals.

CHIEF TRANSFORMATION OFFICER /

Dr Marcel Tschanz is appointed Chief Transformation Officer (CTO) of VP Bank Group as of 1 December 2021.

Other highlights: VP Bank signs a memorandum of understanding with Utopia Music Ltd., creating an opportunity for investors to invest in the service sector of the music industry.

DECEMBER



THE COMPLETE REVIEW OF THE YEAR 2021 CAN BE FOUND ONLINE:

2021 in review
vpbank.com/review

VP Bank has a robust organisation that is able to deal with a high level of complexity and a dynamic environment by means of a functional management model. The aim is to ensure optimal knowledge transfer between employees in interactions throughout the Group.

Changes to the organisational structure of VP Bank Group in 2021

IT strategy plays a key role in the vision of an Open Wealth Service pioneer. With this strategic importance in mind, IT has been realigned in the Chief Operating Office. The Core IT Services, Front IT Services, IT Infrastructure & Operations and IT Service Management & Workplace departments now report directly to the Chief Operating Officer as of 1 December 2021 and were raised by one management level on 1 January 2022.

In the Chief Executive Office, Dr Marcel Tschanz took on the newly created role of Chief Transformation Officer on 1 December 2021, reporting directly to the Chief Executive Officer. In this role, he uses agile methods to steer the process of transformation into an international Open Wealth Service pioneer. At the same time, he is responsible for process management in close coordination with all functions of the Bank.

Group Internal Audit underwent a change as of 1 September 2021. Markus Rohner took over the management of this function, in which he reports directly to the Chairman of the Board of Directors, Thomas R. Meier. The previous Head, Nikolaus Blöchlinger, took on a new professional challenge internally.

Changes to the organisational structure of VP Bank's Group companies in 2021

Pamela Hsu Phua took on the newly created role of Chief Executive Officer for all VP Bank activities in Asia on 1 July 2021. In this role, she is responsible for business in Singapore and Hong Kong. Bruno Morel, Chief Executive Officer of VP Bank Ltd Singapore Branch, decided to hand over the reins as of 1 April 2021, and the function was performed on an interim basis by Thomas Rupf. After a

FRONT / Patrick Bont, Tobias Wehrli, Dr Thomas R. Meier, Dr Urs Monstein

REAR / Roger Barmettler, Thomas von Hohenhau, Paul H. Arni

By developing into a leading Open Wealth Service provider, we are ensuring that we will continue to be a reliable partner for our clients in the future.

15-year career at VP Bank, Clare Lam stepped down from her role as Executive Vice President and Head of Hong Kong on 30 September 2021 and has taken on a new role internally. She was succeeded by Reto Marx, formerly Head of Intermediaries & Private Banking at VP Bank in Singapore, on 1 December 2021. With the new overall management for all activities in Asia and the newly established regional management team, the Bank was able to significantly strengthen local know-how and further accelerate the pace of development in the important Asia region.

As of 24 September 2021, Alexander Tsikouras was appointed Chief Financial Officer & Chief Operating Officer Asia and Will Wang was appointed Head of Client Solutions & Strategic Partnerships Asia. These two newly created functions form part of the Asia Management Committee (Asia Manco). The Chief Financial Officer & Chief Operating Officer Asia, based in Singapore, is responsible for driving the bank's strategic financial and operational efficiency, as well as transformation in Asia. The Head of Client Solutions & Strategic Partnerships Asia, based in Hong Kong, plays an active role in engaging with VP Bank's clients and strategic partners as well as identifying and expanding business opportunities in the region.

Effective 16 December 2021, Chris Chee has been appointed as Chief Risk Officer (CRO) Asia. Based in Hong Kong, he is responsible for all risk management strategies and operations, as well as supervising the Bank's legal and compliance functions in Asia. He reports on a regional level to Pamela Hsu Phua (CEO Asia) and functionally to Patrick Bont (CRO of VP Bank Group).

The Board of Directors of VP Fund Solutions (Liechtenstein) AG appointed Wolfdieter Schnee as a new member of the Executive Board as of 1 July 2021. He has retained his existing role as Head of Client Services, thereby strengthening client and frontline issues in the Executive Board, which are important in view of the growth ambitions. Ralf Konrad, the long-serving Chief Executive Officer of VP Fund Solutions (Liechtenstein) AG, decided in November to step down from his position and take on a new challenge outside the Bank. This function was taken over on an interim basis by Wolfdieter Schnee.

VP BANK, VADUZ, HEAD OFFICE

Segment	Area	Head
Board of Directors	Chairman Group Internal Audit	Dr Thomas R. Meier Markus Rohner
Chief Executive Officer	 CEO Office Chief Transformation Office Chief Investment Officer Group Human Resources	Paul H. Arni Dr Rolf Steiner Dr Marcel Tschanz Dr Felix Brill Dominique Christen
Intermediaries & Private Banking	 Private Banking Intermediaries Group Product Center VP Bank (Switzerland) Ltd VP Bank (Luxembourg) SA VP Bank Asia VP Bank (BVI) Ltd	Tobias Wehrli Martin Engler Christophe Racine Marcel Fleisch Antony Lassanianos Claus Jørgensen Pamela Hsu Phua Nicholas Clark
Client Solutions	 Direct Private Markets Investments Collective Private Markets Investments CSL Access Partners CSL Legal, Risk & Compliance CSL Operations Fund Client & Investment Services Philanthropy and Impact VP Fund Solutions (Liechtenstein) AG VP Fund Solutions (Luxembourg) SA	Thomas von Hohenhau Thomas von Hohenhau a.i. Donat Wild Philipp Schneider Carmen Gwarek Dr Martin Jonasch Wolfdieter Schnee Céline Wong Wolfdieter Schnee a.i. Torsten Ries
Chief Risk Officer	 Group Legal Services Group Compliance & Operational Risk Group Financial Risk Group Credit Risk Group Information Security	Patrick Bont Stefan Zünd Markus Reinacher Christian Schnegg Arndt Fauser Martin Möbes
Chief Financial Officer	 Group Finance Group Treasury & Execution Group Financial Management & Reporting Corporate Tax	Roger Barmettler Roger Barmettler Claus Hug Robert Kilga Silvia Baltensperger
Chief Operating Officer	 Group Project Management Front IT Services Core IT Services IT Infrastructure & Operations IT Service Management & Workplace Group Operations Client Lifecycle Management Business Process Management Corporate Services	Dr Urs Monstein Dr Urs Monstein a.i. Gernot Schuh Thomas Ritter Georg Farkas Doreen Dietze Jürg Mühlethaler Günter Klemens Thomas Ludescher Andreas Nigg

BRANCH OFFICE

Company	Country	City	Head
VP Bank Ltd Singapore Branch	Singapore	Singapore	Thomas Rupf a.i.

SUBSIDIARIES WITH BANK STATUS

Company	Country	City	Head
VP Bank Ltd	Liechtenstein	Vaduz	Paul H. Arni, Tobias Wehrli, Thomas von Hohenhau, Patrick Bont, Roger Barmettler, Dr Urs Monstein
VP Bank (Switzerland) Ltd	Switzerland	Zurich	Antony Lassanianos, Thomas Westh Olsen, Martin Vetsch
VP Bank (Luxembourg) SA	Luxembourg	Luxembourg	Claus Jørgensen, Romain Moebus
VP Bank (BVI) Ltd	British Virgin Islands	Tortola	Nicholas A. Clark, Sjoerd Koster

WEALTH MANAGEMENT COMPANIES

Company	Country	City	Head
VP Wealth Management (Hong Kong) Ltd	China	Hong Kong	Reto Marx

FUND MANAGEMENT COMPANIES

Company	Country	City	Head
VP Fund Solutions (Liechtenstein) AG	Liechtenstein	Vaduz	Dr Martin Jonasch, Wolfdieter Schnee
VP Fund Solutions (Luxembourg) SA	Luxembourg	Luxembourg	Torsten Ries, Ralf Funk, Dr Uwe Stein

REPRESENTATIVE OFFICES

Company	Country	City	Head
VP Bank Ltd Hong Kong Representative Office	China	Hong Kong	Reto Marx

Organisational structure as of 31.12.2021

Chairman of the Board of Directors
Dr Thomas R. Meier

- Group Internal Audit

Chief Executive Officer
Paul H. Arni

- CEO Office (incl. Group Communications & Marketing) / Group Human Resources / Chief Investment Officer / CTO (Transformation & Process Management)

Intermediaries & Private Banking
Tobias Wehrli

- IPB Office / Private Banking Liechtenstein / Intermediaries Liechtenstein / Group Product Center / VP Bank (Switzerland) Ltd / VP Bank (Luxembourg) SA / VP Bank Asia / VP Bank (BVI) Ltd

Client Solutions
Thomas von Hohenhau

- CSL Office / Direct Private Markets Investments / Collective Private Markets Investments / CSL Access Partners / CSL Legal, Risk & Compliance / CSL Operations / Fund Client & Investment Services / Philanthropy and Impact / VP Fund Solutions (Liechtenstein) AG / VP Fund Solutions (Luxembourg) SA

Chief Risk Officer
Patrick Bont

- CRO Office / Group Legal Services / Group Information Security / Group Compliance & Operational Risk / Group Credit Risk / Group Financial Risk

Chief Financial Officer
Roger Barmettler

- Group Finance / Group Treasury & Execution / Group Financial Management & Reporting / Corporate Tax

Chief Operating Officer
Dr Urs Monstein

- Group Project Management / Core IT Services / Front IT Services / IT Infrastructure & Operations / IT Service Management & Workplace / Group Operations / Client Lifecycle Management / Business Process Management / Corporate Services

The assignment of the organisational units in the segment reporting is set out on page 102 ff.

Organisational chart as of 31.12.2021

2021 was marked by a strong hope of overcoming the coronavirus pandemic. This hope was realised in some respects, but not in others.

World economy 2021

The year got off to a bumpy start in Europe, with the economic consequences of SARS-CoV-2 due to lockdowns weighing on growth as the year got under way. Both in the Eurozone and in Switzerland, gross domestic product once again went into reverse. The US economy, on the other hand, benefited from large-scale fiscal stimulus and was able to post strong growth in the first three months of the year.

The spring and summer months were marked by a slowdown in the spread of the virus. The warmer temperatures and vaccination campaigns were not only beneficial for health, but also helped the service sector to catch up significantly. Economic growth in 2021 was therefore driven essentially by the service sector, as global manufacturing suffered from acute material shortages. This gave rise to a unique circumstance in that despite full order books, industry was unable to significantly increase its output and even experienced a decline in production. The manufacturing sector was even a burden at times. Industry was therefore unable to offer opposition to the rapidly rising rate of infections at the end of 2021 and the service sector that was suffering again as a result. The risk of recession in Europe increased again in the final quarter of 2021 as a result, while the US economy continued to grow strongly at the end of the year thanks to a lower rate of new infections.

Material shortages, combined with higher commodity prices, for oil and gas in particular, led to a significant increase in inflation rates. In the USA, but also in Germany for example, inflation rates were higher than they had been for 30 years. Even if consumer price increases should be significantly lower once again in 2022, the risk of second-round effects and a firming inflation trend has increased. This is precisely why the US Federal Reserve decided to tighten monetary policy. Monthly securities purchases were curtailed starting in November and will expire in March 2022. Then the first interest rate hike can be expected. The European Central Bank (ECB) has at least verbally heralded the turnaround in interest rates, only the Swiss National Bank (SNB) is still keeping a low profile.

Equity markets in 2021

Whereas the global stock markets made a homogeneous start to the year, a clear division emerged between industrialised nations and emerging markets from February 2021 onwards. While China significantly dampened its capital market through intensive regulatory measures, many emerging markets had great difficulty dealing with the economic consequences of the global pandemic. The challenges faced by Western industrialised nations lay mainly in supply chain disruption, which led to historically high producer prices, but also to cuts in production, especially in the manufacturing sector. State intervention, together with low interest rates, helped to mitigate the economic impact.

On the capital markets, the subsequent unusual rise in inflation and the expansion of negative real yields once again forced a shift in attractiveness towards equities. Markets in the USA, Europe and Switzerland saw price gains of between 20 and 25 per cent, while emerging markets closed the year with a negative return.

The renewed sharp increase in the spread of the virus, accompanied by a new and highly contagious variant, caused stronger price fluctuations in the fourth quarter. Once again, pressure was felt in particular by those companies whose business models were strongly impacted by lockdown measures. Many companies, however, demonstrated a high level of agility and the resulting robust profit developments during the final quarters. This also ensured that market participants began to look ahead towards 2022 – with a belief that the most difficult economic challenges had been overcome, and that a constructive new financial year was in sight.

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

Number of shares, market capitalisation and trading volume

VP Bank's registered shares A are listed on the SIX Swiss Exchange; the registered shares B are not listed. The number of VP Bank's listed registered shares A remained unchanged at 6,015,000 in 2021. The market capitalisation of registered shares A combined with the market value of registered shares B, with a year-end value of CHF 639 million, was approximately 14 per cent below the 2020 value (CHF 741 million).

On SIX Swiss Exchange where they are listed, VP Bank shares had a trading volume of 688,658 shares in 2021, representing average daily volume of 2,711 shares.

VP Bank share price trend

VP Bank shares had a solid start to the year, and by early March they were outperforming the local bank index. But as investor sentiment towards small-cap stocks soured, this outperformance quickly evaporated, and by mid-summer, the shares were trading in parallel to the index. As the appetite of investors for the banking sector waned, a phase of underperformance set in. The recovery of the share price in October came to an end in the following month, since investors had become risk-averse on account of macro-economic concerns, and as a result, VP Bank shares closed the year in the negative. (➔ Chart 1).

The high was reached on 8 March 2021 at CHF 125.00, and the low on 20 December 2021 at CHF 93.20. The average share price was CHF 108.13, and shares closed 2021 at CHF 96.60. Taking into account the dividend payment of CHF 4.00, VP Bank generated a return of –10.2 per cent in 2021, which is around 6 percentage points below the return on the Swiss Bank Index (➔ Chart 2).

Dividends

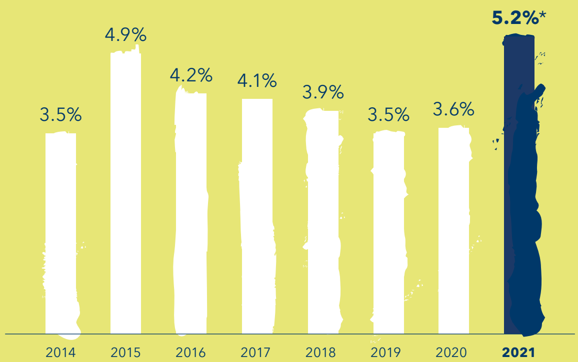
VP Bank strives to maintain a steady dividend approach, with a goal of paying out 40 per cent to 60 per cent of Group net income to shareholders. In May 2021, VP Bank paid a dividend of CHF 4.00 per registered share A, representing a dividend yield of 3.6 per cent at the time. For May 2022, it is proposing a dividend of CHF 5.00 per registered share A, which corresponds to a dividend yield of 5.2% as of year-end 2021 (➔ Chart 3).

vpbank.com/
share

SHARE PRICE PERFORMANCE 2017 TO 2021 / in CHF

SPI BANK INDEX / indexed, dividends reinvested

DIVIDEND YIELD PERFORMANCES OF VP BANK SHARES / calculated based on closing price at end of prior year



* Assumption: dividend of CHF 5.00

Bonds

VP Bank Ltd placed a total of three bonds in 2015 and 2019. For information on terms, interest rates and maturities, please refer to note 26 (➔ page 163).

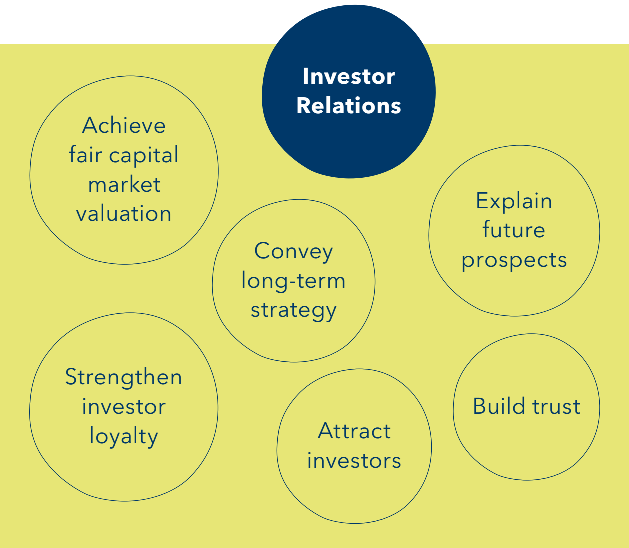
Investor Relations

VP Bank views Investor Relations (IR) as a value-determining factor for the company and its shareholders. IR therefore constitutes a key part of the Bank's strategic overall communication.

The primary goal of VP Bank's investor relations efforts is to establish and cultivate relationships with current and potential shareholders and other participants in the capital markets, to communicate a true and fair picture of the Group in an open and ongoing dialogue, to strengthen trust, to increase the willingness of investors to make investments, to clarify future potential and thereby to achieve a fair capital market valuation.

The focal points of IR include holding discussions with analysts and investors, disclosing ad hoc information regarding business issues of relevance under securities law, producing the company's annual and interim reports, releasing the related financial results and organising the annual general meeting of shareholders. In order to strengthen IR efforts, a new role will be created effective 1 April 2022, which will report directly to the CFO.

INVESTOR RELATIONS GOALS



In 2021, VP Bank's management attended numerous meetings of investors and analysts as individuals and groups and also participated in several roadshows and investor conferences, most of which were held virtually due to the coronavirus pandemic. Analyst meetings were held following the presentation of the annual and interim results.

Annual reports

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

The continuing development of VP Bank Group's annual report in accordance with international trends and legal requirements is taken seriously. VP Bank Group's Annual Report 2020 received a total of seven international awards, recognising the outstanding quality of the VP Bank's communications policy and again demonstrating its creative design prowess. VP Bank Group's annual report was awarded number 3 in the HarbourClub and Bilanz's Swiss Annual Report Rating. With a superb jury comprising design experts and financial professionals, this rating is the most important in Switzerland, and the largest of its kind.

VP Bank was also thrilled to receive additional awards at the famous "ARC Awards" in the US. Its Annual Report 2020 received Gold for the online edition and Silver for the print edition, with VP Bank coming out on top against 1,875 submissions from 27 countries. The ARC Awards have been given out in the US for 35 years, and it is the world's largest competition held exclusively for annual reports.

VP Bank also received a Gold Award for its printed report and for its online version at the 20th League of American Communications Professionals (LACP) Vision Awards in the US, featuring around 500 participants from 20 countries. It also received a Gold Award for the print edition at the 2021 Galaxy Awards, as well as a Silver Stevie Award for the 2020 online report at the 18th annual International Business Awards. The winners of the Stevie Awards were chosen from more than 3,700 nominations submitted by organisations from 65 countries.

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

Annual general meeting

At VP Bank's 58th ordinary annual general meeting on 30 April 2021 in Vaduz, the shareholders approved all of the resolutions proposed by the Board of Directors.

Because of the ban on gatherings due to the coronavirus pandemic, voting took place electronically and by postal mail. Shareholders were able to follow the annual general meeting via live stream on the VP Bank website. Presentations and minutes can be viewed at www.vpbank.com / Investor Relations / General meeting of shareholders.

The next ordinary annual general meeting will be held on 29 April 2022.

VP Bank ratings

VP Bank maintains regular contact with analysts and informs them continuously as regards business developments in order to ensure the most accurate assessment possible.

VP Bank is one of the few private banks in Liechtenstein and Switzerland to be rated by an international rating agency. The rating agency Standard & Poor's (S&P) confirmed the solid "A" rating (A/Negative/A–1) for VP Bank on 17 July 2021 and thus that the strategic measures taken were correct. The rating report recently cited the Bank's very strong capitalisation, stable client and shareholder structure and solid refinancing item as the primary reasons for this rating.

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

VP Bank shares are also followed by analysts from MIRABAUD Securities LLP (recommendation: buy), Research Partners AG (recommendation: buy), Zürcher Kantonalbank (recommendation: overweight) and Kepler Cheuvreux (recommendation: buy). Recommendations as of February 2022.

Calendar	
Publication of 2021 annual results	Tuesday, 8 March 2022
59th ordinary annual general meeting	Friday, 29 April 2022
Ex-dividend date	Tuesday, 3 May 2022
Dividend record date	Wednesday, 4 May 2022
Dividend payment date	Thursday, 5 May 2022
Publication of 2022 interim results	Wednesday, 17 August 2022

VP Bank share details	
Registered shares A, listed on the SIX Swiss Exchange	
Listed shares	6,015,000
Free float	50.15 %
SIX symbol	VPBN
Bloomberg ticker	VPBN
Reuters ticker	VPBN.S
Securities number	31 548 726
ISIN	LI0315487269

2021 share data	
High (8 March 2021)	125.00
Low (20 December 2021)	93.20
Closing price (30 December 2021)	96.60
Average price	108.13
Market capitalisation in CHF millions	639
Group net income per registered share A	8.33
Price/earnings ratio per registered share A	11.59
Dividend per registered share A (proposed)	5.00
Dividend yield net in %	5.2
Standard & Poor's rating	A (A/Negative/A–1)

Further information on VP Bank's capital structure and core shareholders can be found in the section "Corporate governance" (➔ page 74 ff.).

Contact

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www.vpbank.com / Investor Relations

I don’t wait for inspiration. I want a picture to emerge on the canvas, not in my head. It’s always an adventure because you never know exactly where you will end up.

Rachel Lumsden studied painting at the Royal Academy Schools. She lives in Liechtenstein and works in her studio in Arbon in Switzerland. INTERVIEW / Anna Walser

Where are you exhibiting this year?

Many people talk about 2022 as a hyper year, because everything that was cancelled or postponed during the pandemic will now take place. This year, some of my works will be shown at the Kunsthaus Glarus, the Kunsthalle Schaffhausen and the Kunsthaus Pasquart in Biel, as well as at the Galerie Bernard Jordan in Paris and the Coleman Project Space in London, where I will also be moving into a residency studio this summer.

What are your connections to London?

I think if London were not currently so dominated by Boris Johnson, COVID-19 and the aftermath of Brexit, you might find me regularly in the Barbican canteen. I studied painting in London at the Royal Academy Schools. London was a great city until the three plagues I mentioned before. It’s still a large, if decent, city now.

You now live in Schaan, Liechtenstein. Why Schaan of all places?

I live on a street called “Im Malarsch”. Quite funny for a painter. Why did I end up there? Ask my husband. Fortunately for me, there are a lot of crows there.

You also painted crows for your “Les jeux sont fait”. Coincidence?

In fact, I did two paintings with crows – before I got interested in and close to crows. Crows are just as playful and destructive as people. I suspect that both of us are very similar.

Where do you find your inspiration?

I’m not picky or fussy about that. But before I can paint something, I must have seen it first. Something that triggers a response in me without me having to know why. I then try to explore that in the painting.

The COVID-19 pandemic is a challenge in many respects. How do you experience this moment in time?

A really big hole opened up for me when everything was cancelled in the art world. As an artist, I want my paintings to interact with the audience. And when that doesn’t happen, it’s a problem. So, I sat down and wrote a book on figurative painting in the meantime. It is a manifesto, ironic and narrative, and yet also a serious statement.

Which is your own favourite work?

I do not have a favourite. I love all my paintings. One is cheeky, another is thoughtful, and a third is a drama queen. I stand by all the paintings that come out of my studio.

What were your thoughts when you learned that your art was to be displayed in a bank?

I thought it was fantastic. Visibility is very important for artists, whether in a museum or in a bank.

What happens in your work “Armchair Thriller”?

That’s a mystery. I painted an armchair, and the viewer’s imagination is supposed to sit in it. It can be assumed that not only chocolates were eaten in that room, but that something happened. But what? It’s a thriller!

Biography and artist’s profile of Rachel Lumsden
vpbank.com/rachel-lumsden-en

TOP IMAGE / "Armchair Thriller", 2012, Vaduz main building, first floor. According to Rachel Lumsden, the viewer is allowed to figure out for themselves what exactly is happening in the armchair.

IMAGE, RIGHT / For Rachel Lumsden, research and experimentation only prepare her for the moment when she puts paint on canvas with a brush.

IMAGE, LEFT / "Les jeux sont fait", 2009 (detail see p. 31), Triesen location, ground floor. The artist was inspired by storybook illustrations.

CHAPTER 2

Corporate strategy

VP Bank's Strategy 2026 builds on its strong existing business and develops it further in a targeted manner. In addition to this, it also opens up new forward-looking business opportunities. With an open platform for investment-related services, traditional banking will in future be combined with the advantages of digital ecosystems. In this approach, VP Bank is thus pursuing its vision of becoming an international Open Wealth Service pioneer.

1 / Business model

International representation with local roots

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

VP Bank also has an international fund competence centre that encompasses business with third-party funds, private label funds and in-house funds. The fund-related services range from setting up funds through to fund administration, risk management, custodian services, UCITS or AIFMD compliant management companies, distribution support, fund brokerage and portfolio management.

Business segments

Intermediaries

Intermediaries include professional financial service providers, in particular trustees, external asset managers and family offices. VP Bank focuses on medium-sized and large partners, offering them a comprehensive service platform. Business with intermediaries is a strategic focus area, and the Bank invests accordingly in the continuous expansion of its range of services. With the exception of the British Virgin Islands (BVI), this business segment is represented at all locations.

Wealthy Individuals

VP Bank is an experienced partner for wealthy private individuals. Its core competencies consist of customised wealth management, investment consulting, wealth planning and financing. Sustainability in all investment and advisory processes plays a decisive role in this regard. Key services are provided in all locations, and holistic advisory services are provided at select locations.

Retail & Commercial Banking in Liechtenstein

In the Bank's home market of Liechtenstein, business with intermediaries and wealthy private clients is supplemented by retail business and corporate client business. This business segment is an important element of the Group-wide earnings mix, including basic banking services and the financing of real estate and business ventures. Products and services are sold on a mix of digital channels as well as through personal consultation.

Client Solutions

Forward-looking business opportunities are developed through the Client Solutions division, which brings together the associated specific know-how such as structuring expertise, an extensive network and digital capabilities. With ORBIT, this includes building a curated ecosystem and hence systematic access to private market investments, digitising previously unbankable assets such as art, or creating added value from data analysis. With the development and expansion of the service, Client Solutions is bolstering VP Bank's attractiveness significantly as a wealth management service provider for existing client segments and attracting new target groups such as pension funds, insurance companies and private banks. Client Solutions also includes the established international fund competence centre.

Regions

VP Bank Group's services are offered in key financial centres through its home market of Liechtenstein and its five international locations in Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands. Each location focuses on its specific target markets, allowing the respective market opportunities to be served in a focussed manner and with offers tailored to local requirements.

The defined target markets for Europe include Liechtenstein, Switzerland, Germany, Luxembourg, some markets in Central Europe and the Nordics markets (Denmark, Norway, Sweden). In Asia, the focus is on Singapore, Hong Kong, Indonesia, Malaysia, Thailand, the Philippines and China.

Responsibility for market development lies with the respective locations, with coordination provided through the Group. The Nordics region and Germany are served from Luxembourg and Switzerland. The Zurich location is responsible for market development of Central and Eastern Europe.

The goal of VP Bank Group is to grow in its target markets on a profitable and sustainable basis. Regional strategies that are tailored to growth opportunities provide support for this.

Liechtenstein is the location of the VP Bank Group head office. Founded in 1956, the location in the Vaduz offers services relating to private banking and the intermediaries business. In Liechtenstein and the adjacent region, these services are complemented by Retail & Commercial Banking. All services of the key staff and the back office are located at the head office in Liechtenstein and are controlled by means of the functional management in the Group companies. In addition to the Bank, VP Bank Group in Liechtenstein also operates VP Fund Solutions (Liechtenstein) AG, which, as a one-stop shop, has been offering comprehensive fund-related services for more than 20 years.

Since 1988, VP Bank has been represented in **Zurich** by its subsidiary VP Bank (Switzerland) Ltd, which offers a state-of-the-art service platform for intermediaries and comprehensive advice for wealthy individuals. The core competencies are wealth management and investment advisory services for private and institutional investors, support for external asset managers and the lending business. The target markets of Germany and Central and Eastern Europe are managed from Zurich. Germany has traditionally been a target market for VP Bank for many years. VP Bank takes advantage of the opportunities afforded by an EU passport in Switzerland. This exemption allows VP Bank (Switzerland) Ltd, with the head office in Liechtenstein acting as an intermediary, to actively attract clients in Germany and to subsequently provide cross-border management services to these clients.

Luxemburg is a financial centre for international investors. VP Bank (Luxembourg) SA offers cross-border wealth management services to wealthy individuals in Scandinavia (Denmark, Norway and Sweden) as well as a state-of-the-art e-banking platform, comprehensive fund solutions and ESG products and services to intermediaries. This enables the Bank to position itself as the preferred partner for Scandinavian asset managers and their clients. Founded in

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 a completely new service environment.

Business segments

Intermediaries

Comprehensive, seamlessly integrated wealth management 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.

Wealthy Individuals

Personalised and holistic wealth management services, building on our traditional strength and the use of the Open Wealth Service platform.

Retail & Commercial Banking

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

Client Solutions

Curated access to private market investments, fund services, new asset classes, philanthropy and partner ecosystems through our ORBIT platform.

Strategic focuses

Evolve	Scale	Move
Driving the existing business forward	Enhanced effectiveness, scaling and cost discipline	Opening up new business opportunities
Frontline Excellence	Process Management	Client Solutions
Investing for Change	Platform Foundation	Data Analytics
Location Strategy	Project Athene	Digital Assets

Fundament

Enable

Building the foundation for the future

Financial Steering Framework | People Strategy | Risk Robustness

1988, the Luxembourg location has also had a fund competence center in the form of VP Fund Solutions (Luxembourg) SA since 1993.

The Asian region is a market with great growth opportunities, including for VP Bank. VP Bank has been represented in Hong Kong since 2006 and in Singapore since 2008. In Asia, this provides a growing number of intermediaries with a state-of-the-art service platform, and wealthy private clients with advisory services in wealth management. The partnership with recognised Chinese financial services provider Hywin Wealth International, which operates out of Hong Kong, also offers an opportunity to further accelerate our business activities in this attractive region, without expanding our own physical presence.

VP Bank has been represented by a subsidiary in the **British Virgin Islands** (BVI) since 1995. VP Bank (BVI) Ltd offers credit financing and mortgages on local real estate in addition to traditional banking services. In the BVI, VP Bank acts as a top-notch real-estate financier and as a partner to international investors and family office networks.

2 / Strategy 2026 – Seize opportunities

Strategy 2026 "Seize opportunities" continues to focus on profitable, sustainable growth.

The strategy builds on successful existing business with intermediaries and private clients, which is being developed in a targeted manner. The regional strategies are aimed at achieving growth in the home market and at all five international locations in a focussed approach based on the respective local strengths. In doing so, VP Bank remains true to the principle of always looking to the future and using change as an opportunity.

Wealth management needs new ideas and business models to remain successful in the future. The key drivers in this regard are the accelerated transformation due to technological change, the core issues concerning sustainability and the upcoming shift to the first generation of digital natives. The value chains of financial service providers are being reorganised and client needs are becoming more individual. Combining the traditional wealth management business with the benefits of digital ecosystems is therefore at the heart of VP Bank's strategic development. By combining trustworthy and competent advice with open platforms and ecosystems, VP Bank is focussing on expanding its existing business model and on additional income sources it regards as decisive for a successful future in wealth management.

Strategy 2026 therefore pursues the goal of establishing VP Bank as an international Open Wealth Service pioneer. This will result in the creation of a completely new concept of service. In future, clients will choose from a set of modular options that will include services that not only VP Bank provides, but also those on offer from complementary third-party service providers. They will be able to do this in a user-friendly way, seamlessly across all media, without necessarily having to be a banking or securities account holder with VP Bank. Providing non-clients with access to parts of the offer enables the Bank to increase the available market significantly by tapping into its existing strong network of intermediaries. The long-term personal collaboration we offer through our advisers remains key to this strategy. Wealth is a personal matter, and in these times of a multiplicity of interchangeable options, the Bank continues to attach the highest importance to advice and trust.

VP Bank pursues its goals through clearly defined strategic focus areas. With "Evolve", it builds on its strengths and further develops the existing Group-wide business in the home market and at the international locations. With "Scale", Bank-wide processes and systems are optimised and scaled to create the technical basis for the business model. With "Move", new business opportunities are opened up. This includes, for example, curated access to private market solutions or the digitisation of previously unbankable assets.

Strategic focus areas and initiatives

The implementation of strategic focus areas is based on clearly defined milestones within 13 strategic initiatives.

Evolve

Driving the existing business forward

Frontline Excellence

Investing for Change

Location Strategy

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

Frontline excellence aims to create unique and sustainable client experiences and to provide clients with holistic and forward-looking advice on their specific asset situation. In addition to regular training and coaching, this also includes reviewing existing processes, taking into account increasing regulatory requirements and introducing structured sales instruments and new tools. This is all done with a view to supporting client advisors in an excellent, hybrid advisory process throughout the life cycle of a client relationship.

The systematic consideration of sustainability issues at both bank and investment level is a cornerstone of Strategy 2026. **Investing for Change** aims to offer clients the greatest possible transparency and guidance with regard to the sustainability of their investments. Sustainability is integrated into all investment and advisory processes, and should thus also become the new standard for advisory clients, not only in the discretionary offering. An emphasis is also being placed on the development of new sustainable products and services, such as the Sustainable Plus discretionary mandate launched in October 2021.

With the **location strategy** initiative, the Liechtenstein home market and the international locations are being developed in a targeted manner and in line with local needs. The goal is to achieve growth through a focus on key target markets. Great importance is attached in this context to the expansion of local networks and in-depth market knowledge when recruiting for the relevant positions.

Scale

Enhanced effectiveness, scaling and cost discipline

- Process Management
- Platform Foundation
- Project Athene

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

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

The **Platform Foundation** initiative involves opening up the core banking system and creating the technical basis for the Open Wealth Service platform. In addition, the overall IT architecture is being modernised, with the constant increase in data standardisation playing an important role in this process. Partnerships and the transition to the use of cloud services also form part of this initiative, which also involves working on the design of the workplace of the future.

Project Athene focuses on optimising and scaling Bank-wide processes and internal procedures with a view to improving efficiency and effectiveness and thus controlling cost development in a targeted manner. This initiative is an essential element of the operational basis of the business model.

Move

Exploiting new business opportunities

- Client Solutions
- Data Analytics
- Digital Assets
- Open Wealth Service pioneer

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

Since the creation of the **Client Solutions** business segment in 2020 and the strategic initiative of the same name, structuring, networking and digital competences are gathered in one place. This provides the prerequisites for advancing into new business areas, including simplified access to private market solutions through a curated ecosystem (ORBIT), building new capabilities in asset digitisation and creating value from data analysis.

Data analytics aims to personalise client experiences and enable the transformation to a data-driven business, based on the foundations of a data analysis platform. In addition, partnerships such as the one with the AI Center at ETH Zurich will be established (see chapter on strategic partnerships on page 50).

Digital assets are equipping VP Bank for a blockchain-based future, further underlining the Bank's commitment to digitisation. This initiative created the technical basis for digitising assets that were previously unbankable. As of the end of 2021, VP Bank received the corresponding authorisation from the Liechtenstein Financial Market Authority (FMA), and an artwork was tokenised as part of a first pilot project. This laid the foundation for the systematic use of blockchain-based applications.

Strategy 2026 pursues the vision of establishing VP Bank as an **Open Wealth Service pioneer.** This initiative aims to supplement existing services with complementary third-party providers on the basis of an ecosystem approach.

Enable

Building the foundation for the future

- Financial Steering Framework
- People Strategy
- Risk Robustness

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

The **financial steering framework** will automate the Bank's reporting and improve the corresponding analytical processes. This is intended to support the Bank's financial steering and facilitate a more efficient and effective reporting system overall.

The **People Strategy** aims to support, motivate and inspire employees. Through regular training, targeted employee development, agile working practices, a culture of trust and entrepreneurial thinking, VP Bank empowers employees with their diverse talents to share their knowledge and effectively contribute their skills.

The **risk robustness** initiative is a response to the increasing complexity of legal and regulatory requirements. Compliance approaches, standards and controls are being centralised and standardised throughout the Group and the overall credit organisation is being made more resilient.

The financial targets of Strategy 2026

The interplay of the three strategic focus areas “Evolve”, “Scale” and “Move” (cf. graphic on page 42) gives rise to the financial targets that form part of Strategy 2026. VP Bank is striving to achieve Group net income after taxes of CHF 100 million by 2026. Other targets include a profit margin of more than 15 basis points and a cost / income ratio of at most 70 per cent by the end of 2026, a tier 1 ratio of more than 20 per cent over the strategy cycle and 4 per cent net new money growth per year over the cycle. These financial benchmarks secure the Bank’s ability to adequately position solutions and services in the market. In addition, they will make it possible to finance the investments and innovations that are needed to achieve these targets from the Bank’s own resources and to generate an attractive risk-adjusted return for shareholders.

3 / 2021 review

Evolve

Location strategy

The clearly defined location strategies for each region are aimed at achieving profitable and sustainable growth in the home market and at all five international locations, in line with market circumstances. In January, the purchase of the client business of the **private bank Öhman Bank S.A.** based in Luxembourg was completed. The acquisition of employees and the migration of client assets will contribute significantly to the expansion of activities in the Luxembourg and Scandinavian markets. The signing of a cooperation agreement with **Hywin Wealth Management Co.** and the equity investment in Hywin Holdings Ltd. followed in March as another important step in the development of the Asian business. The targeted expansion of complementary partnerships in this region is an important building block in the development of a new client base. With the **appointment of a new person with overall responsibility** for all activities of VP Bank in Asia in the **new role of CEO VP Bank Asia** and other new staff members who bring with them an extensive local client network, the two locations of Singapore and Hong Kong have been strengthened with additional expertise. In addition to the development of an Asia road map, local management in Hong Kong set up new office premises for VP Bank in November 2021.

Investing for Change

The systematic consideration of sustainability issues at both bank and investment level is a further important key cornerstone of Strategy 2026. The inclusion of VP Bank in the two SIX sustainability indices “SPI ESG” and “SPI ESG Weighted” in February is proof that VP Bank is on the right track. Since the beginning of the year, **sustainability criteria have been an integral part of all investment and advisory processes.** Clients receive transparent information on the sustainability profile of their investments on the basis of the specially developed **VP Bank Sustainability Score**, which has been integrated into all mandates since January and has been shown on all asset statements since March. VP Bank also launched the new Sustainable Plus discretionary mandate in October, and a commitment to sustainability is being implemented systematically at Bank level. VP Bank published a **sustainability report** for the first time in 2021. In addition, VP Bank is a new signatory to the UN Principles for Responsible Investment (PRI) and the UN Principles for Responsible Banking (PRB), and has joined the Net-Zero Banking Alliance (NZBA) to reaffirm its net-zero ambition.

Frontline excellence

In January, the RM Cockpit was introduced as a central tool that provides client advisors with a comprehensive overview of their clients and enables them to provide even more targeted advice. The RM Cockpit also allows processes to function efficiently and the focus to remain on the core competence of providing personal advice against the backdrop of increasingly regulatory requirements.

Scale

Platform Foundation

A system architecture open to products from complementary third-party providers forms the backbone of Strategy 2026, with technology partners playing an important role. With this in mind, VP Bank entered into a strategic cooperation with **Swisscom for the operation of the IT infrastructure** at the beginning of the year. In June, an **innovation partnership with InvestCloud** was also entered into with the aim of creating the technical prerequisites for providing personalised wealth management services through ecosystems. Both the opening up of the core banking system and the activities surrounding the outsourcing of the IT infrastructure are proceeding according to plan.

Move

Digital assets

VP Bank was added to the token and TT service provider register in November, 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. The first **art object was successfully tokenised**, laying the foundation for the widespread use of blockchain-based applications.

Client Solutions

The **ORBIT ecosystem** was launched in August, providing participants with carefully curated access to the previously difficult-to-invest asset class of private market investments. ORBIT represents a significant step towards Open Wealth Services. The Bank's own investment and structuring solutions are combined with the services of innovative partners. For investors, this creates new investment opportunities in growth capital, real estate transactions and alternative credit products, which can be both offered and requested by participants in the ecosystem on a modular basis. Co-investments are also possible thanks to systematic interest management. The use of ORBIT does not require an account or securities account with VP Bank. Access to the investment and structuring platform is thus also open to third parties as well as existing clients.

4 / Outlook for 2022

In the second year of the strategy cycle, VP Bank continues to implement its Strategy 2026 of "Seize opportunities" in a targeted manner and within the framework of the 13 strategic initiatives along a series of milestones.

Evolve

The introduction of a new **advisory tool** at all locations is another important goal in providing comprehensive and profile-oriented advice to a demanding client base. The tool will allow for a flexible and modular expansion of advisory services.

Further areas of focus will include the further development of the **Asia strategy** under the leadership of new management, and the targeted implementation of the respective **location strategies in Europe** and the **BVI**. With the expansion of digital solutions for intermediaries, the catalogue of services for this important client segment is also being further developed.

2026 target: net income of CHF 100 million

Growth	Profitability		Stability
Net new money (in % AUM)	Profit margin (in bps of AUM)	Cost/income ratio[2]	Tier 1 ratio
> 4% p.a.[1]	**> 15 bps**	**70%**	**> 20%**

[1] Over the cycle 2021–2026
[2] Total operating expenses / total net operating income

Scale

Last year – the first phase of our strategy implementation – was all about investments. Following the initial success and looking ahead to the investments of 2022, it is important that the measures planned under "Scale" are continuously pursued. In addition to growth, increasing productivity and digitisation are further focus areas of Strategy 2026. This phase of the strategy implementation will therefore attach great importance to the **examination of optimisation potentials and scalability options.**

An important step in the opening up of the core banking system and thus in the development towards Open Wealth Services will be the **implementation of the integration layer**. This will enable the flexible integration of external services using APIs.

The gradual migration of the **infrastructure to Swisscom** will also be completed in 2022. This step will enable VP Bank to benefit from the high level of expertise of the technology specialist while also exploiting synergies in the use of further innovative technologies and strengthening its cybersecurity.

Under the leadership of the **new Chief Transformation Officer**, who joined VP Bank in December 2021, all processes relating to future client experiences are being systematically reviewed and further developed in an agile approach.

Move

In 2022, "Move" activities will focus on the further development of the platform and systematic market cultivation within the **ORBIT ecosystem** for private market investments.

With the new solutions in the area of **art tokenisation**, VP Bank is only at the beginning of the numerous opportunities that arise on the basis of blockchain technology in conjunction with the unique regulatory environment in Liechtenstein. The services will be systematically taken to market and further expanded in 2022. In the field of art, the aim is to create an ecosystem or network with selected partners. In doing so, VP Bank is underscoring its intention to combine the advantages of technology with tangible added value for its clients, and to develop new sources of income by integrating previously unbankable assets.

Successful tokenisation of a work of art – a first step towards the future of finance as a pioneer in the field of digital assets.

In line with Strategy 2026 – Seize opportunities, one of VP Bank's goals is to take advantage of new business opportunities and develop innovative, professional solutions for its clients. To achieve this goal, the potential areas of application of blockchain technology and, in particular, tokenisation are especially important. A survey of Liechtenstein intermediaries confirmed client demand in this area, and an overwhelming interest in the tokenisation of art in particular.

The global art market is currently valued at around USD 1.7 trillion; USD 50 billion in transactions took place last year alone. While many market participants appreciate art for aesthetic reasons, financial considerations are also a key aspect of acquisition. Wealthy individuals own art not only for emotional reasons, but also, often, for the purposes of asset diversification. Consequently, wealth managers and trustees are increasingly looking to assets that, like works of art, do not fall into traditional, bankable asset categories. This comes with challenges such as a lack of posting in the client's deposit account, or, in the case of a transaction, the necessary involvement of additional intermediaries. Furthermore, in the case of inheritance, these assets often make equal distribution difficult.

All these issues can be resolved by means of tokenisation. The legal framework in Liechtenstein allows ownership claims to art objects to be represented digitally in the form of tokens. On the basis of an innovative IT solution that was created together with reliable partners, VP Bank is now able to not only create tokens, but also directly post them to client portfolios. This makes it possible to establish a holistic overview of assets without requiring costly traditional structures. The fractionability of the tokens means that shared ownership can also be mapped transparently, allowing for a fair division of property in the case of inheritance or joint acquisitions. Furthermore, the work of art is included in various statements and in e-banking, which helps to simplify processes such as taxation or performance calculations.

VP Bank has been registered with the Liechtenstein Financial Market Authority (FMA) as a token creator and token depository since 29 November 2021. Following its inclusion in the TTTA Register, VP Bank successfully tokenised the first physical work of art, thus creating a digital ownership claim on the blockchain over a physical work of art for the first time in Liechtenstein. This means VP Bank is able to tap into art as a new asset class, while at the same time participating in the rapid digitisation of the market at an early stage. Through tokenisation and the associated processes involved in verifying artworks, the Bank has created a foundation for offering further services in this area in the coming year, as well as to establish a corresponding network with qualified partners. With this milestone, VP Bank has taken a pioneering role and tapped into an important niche.

vpbank.com/
digitisation-artwork

OUT OF OFFICE / The work “Wave”, 2011, by Hanna Roeckle, and the works “Hortensien Blau” and “Hortensien Purpur”, both 1988, by Georg Malin, are displayed “Out of Office”, as part of the exhibition of the same name at the Kunstmuseum Liechtenstein.

Unique client experiences – our most important trademark at VP Bank. The irregular circle, which is just as unique and individual as the clients themselves, serves as the main symbol of the Bank's philosophy.

The future belongs to those who move onwards towards their goals. All that matters to VP Bank is helping 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 it also puts this knowledge at the disposal of private clients. In small steps and great strides, the Bank implements innovative and tailor-made solutions in tune with the times – continuously creating unique brand experiences with clarity and confidence, over the course of many years.

Seven core brand messages

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

Dedicated and personal

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

Customised and competent

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

An open-minded partner

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

Simple and fast

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

Forward-looking and safe

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

Where local meets global

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

Inspiring and convincing

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

A brand design based on clarity

Unique and fit for the digital age – VP Bank's design is a reflection of its brand values. With its illustrative style, the Bank has created a signature value in its brand design over the past 20 years.

The key elements of the "Clarity" design concept are illustrations with a strong design, which are used as an instrument to convey the brand messages. The overall appearance is modern, simple and well-suited to a digital approach.

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

Continuous development of the brand and alignment with the current corporate strategy

The brand identity was realigned with the introduction of "Clarity" in 2017. A brand evolves with the needs of clients and the corporate strategy. In view of VP Bank's commitment to constantly reviewing and developing the brand, its brand work follows a "stay-fresh approach" in which the brand is developed on a continuous basis in small steps.

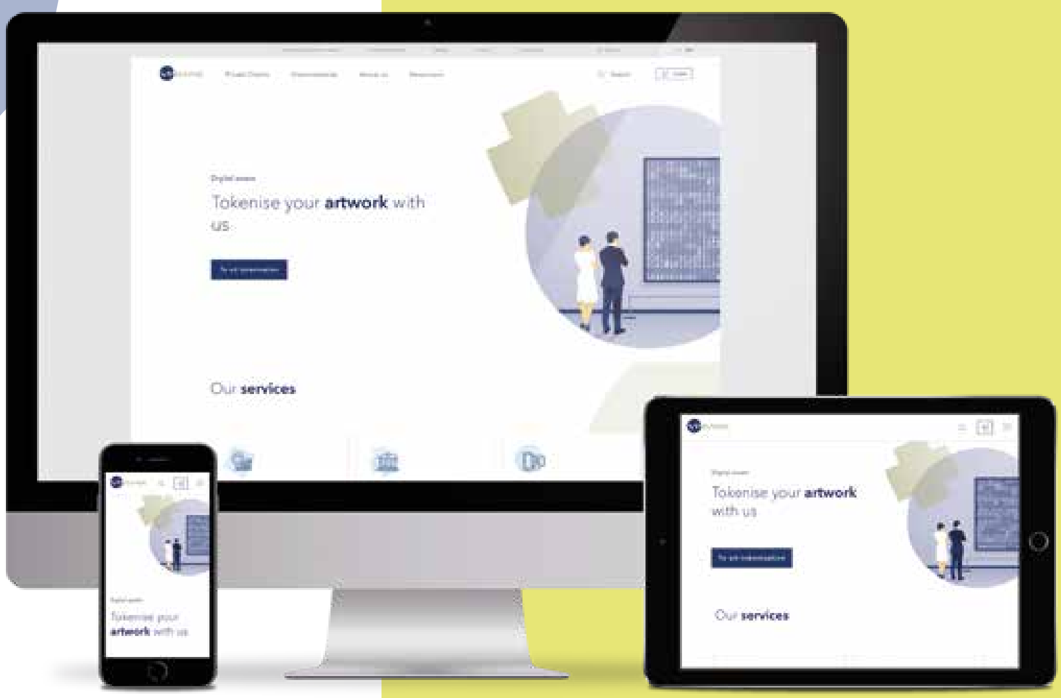
2021 review

The photographic concept was adapted at the beginning of 2021 as part of this development work, with relevant topics such as wealth management, investment consulting and wealth planning being conveyed by means of aesthetically appealing and stylish studio photos. The principle of clarity applies here, too, with the background reduced to a coloured space. This visual reduction also creates a clear link to the world of illustration, which is also presented in a very striking way.

The brochure design was also adapted at the beginning of the year, and is now less cluttered and more visually appealing.

In addition, VP Bank went live with a revised version of its website at the beginning of the year and optimised the user interface design of its client portal.

IMAGE TOP / New brochure design



LOGO TOP / Chinese brand name logo

IMAGE RIGHT / Website in a new look

As part of Strategy 2026, VP Bank launched a new, strategy-based advertising campaign in March 2021. In the typical VP Bank illustration style, various topics from the strategy are illustrated under the motto "Seize opportunities". Topics include access to markets, trend identification, sustainable investment, risk management, data analytics, private market investment and the intermediary business. The same topics were also used for the design of the Annual Report 2020.

Due to the market expansion in the Asian market and the collaboration with Hywin, it was decided in February 2021 to register a Chinese name for VP Bank in several international trademark registers. In China, companies are described according to their values, and the name stands for seizing opportunities, combined with foresight and wisdom.

A sub-brand under the name "VP Client Solutions" was established for the Client Solutions business segment. The market launch took place in August 2021 and was accompanied by various marketing and communication measures.

IMAGES TOP / New photographic concept

IMAGES LEFT / Strategy-based advertising campaign

IMAGE RIGHT / VP Client Solutions website

In an increasingly specialised competitive environment being shaped by rapid technological development coupled with ever-expanding regulatory requirements, partnerships are essential for the further development of innovative services that are closely aligned with client needs. This is why they are a key pillar of VP Bank's strategy.

Partnerships pave the way for VP Bank to counteract rising costs, increase efficiency and foster innovation. For this reason, continually sharing knowledge with other banks and service providers is paramount.

Partnerships for innovation

VP Bank has been an Associated Partner of the **Business Engineering Institute St. Gallen** since 2020. This partnership allows VP Bank to conduct an in-depth exchange with other financial institutions in the field of innovation. In two-year research cycles, application-oriented questions are researched within individual Competence Centers, and the results are made available to all members. Furthermore, VP Bank also receives the latest findings on digitisation success factors and cooperation within ecosystems, as well as access to expert knowledge in the field of innovation management.

To ensure that we continue to have accurate knowledge of changing client needs in the future and can offer tailored solutions, VP Bank relies on data-based artificial intelligence in addition to tried-and-tested personal contacts. This is why VP Bank has worked together closely with the **AI Center, the research centre for artificial intelligence at ETH Zurich,** since 2021. The partnership allows VP Bank to profit from the exchange of knowledge between researchers and company representatives within the AI Center community. This means, among other things, that this knowledge can be integrated directly into internal projects, and that VP Bank receives direct access to talent in the AI community.

In 2021, VP Bank also joined **Synpulse's Open Wealth Association** and the **Swiss Open Wealth Association.** VP Bank took this step in order to explore new business and collaboration models and also to participate in the definition of application programming interface (API) standards. Moreover, these cooperations allow the Bank to participate in the exchange of specialist knowledge in the form of round tables, workshops and white papers, and also to work together with similar organisations in Switzerland and abroad.

Technology partnerships

In conjunction with the new IT strategy, VP Bank made the decision to outsource its IT infrastructure tasks to **Swisscom.** This step is consistent with the technological trends towards increasing standardisation and industrialisation, which are promoted by cloud services in particular. Outsourcing allows VP Bank to benefit from the high level of expertise of the technology specialist in this area. At the same time, synergies arise from the use of additional innovative technologies and the improvement of cyber security measures. However, despite this outsourcing, VP Bank will continue to invest in the development of in-house technological expertise as the implementation of Strategy 2026 requires a consistently high level of internal technological competence.

In June 2021, VP Bank entered a partnership for innovation with **InvestCloud** with the goal of establishing the basis for the provision of personalised wealth management services through ecosystems that are supported by an Open Wealth Service platform.

Partnerships in international wealth management

In the first quarter of 2021, VP Bank concluded a memorandum of understanding for a strategic partnership with **Hywin Wealth Management Co., Ltd.,** in Hong Kong with the aim of meeting the demand of high-net-worth Chinese citizens for sophisticated wealth management services abroad. The strategic partnership includes working together to develop products and services in the area of wealth management and the custody of client funds. The strategic nature of the partnership is underscored by VP Bank's stake in the capital procurement activities of Hywin Holdings Ltd ("Hywin Holdco").

Investment cooperations

In spring 2020, VP Bank entered into a new partnership with **OLZ Ltd.** for its equity funds. OLZ Ltd. serves as a consultant for the portfolio construction of VP Bank Risk Optimised ESG. The portfolio construction requirements have been defined by VP Bank. They include, for example, sustainability requirements that have been derived from the Bank's sustainability philosophy. The funds are managed by VP Fund Solutions (Liechtenstein) AG. Rather than closely following reference indices, or benchmarks, Bern-based OLZ Ltd. takes a systematic, risk-optimised approach based on scientific principles. Their primary focus is on creating portfolios with the lowest possible (expected) risk.

In phases of strong positive or negative market performance, portfolios designed in this way can deviate significantly from well-known indices. In combination with other collective investments, which investors generally already have in their portfolios, this results in more stable returns over the course of the market cycle.

Private market cooperations

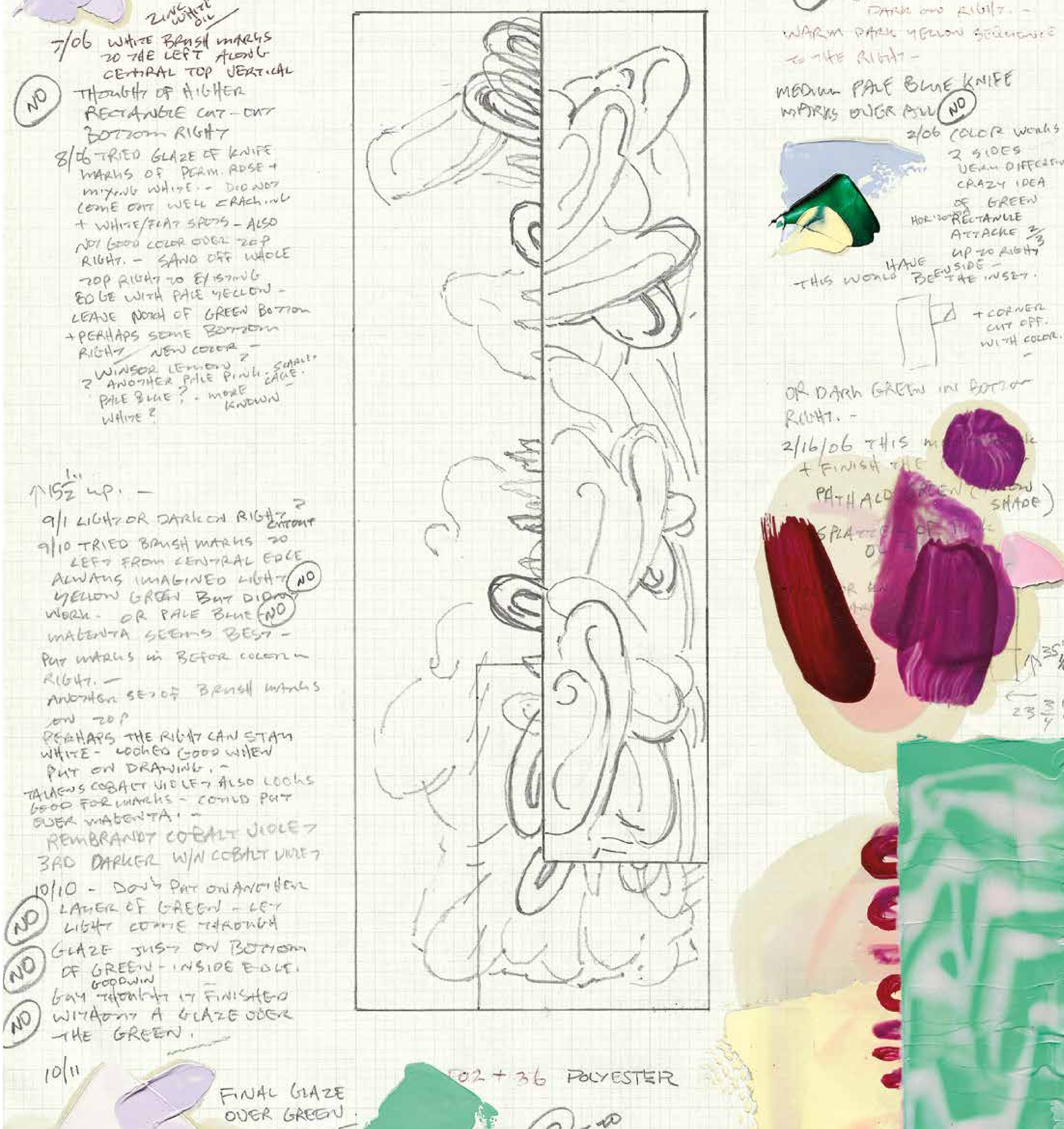
In December 2021, VP Bank Ltd signed a memorandum of understanding with Utopia Music Ltd., creating an opportunity for investors to invest in the service sector of the ever-growing music industry. This reaffirms the Bank's commitment to combining traditional banking with the benefits of digital ecosystems and access to novel investment opportunities to create innovative client experiences.

Other partnerships

Since 2010 VP Bank, together with Liechtensteinische Landesbank (LLB), has worked with an external company for the printing and mailing of account and deposit statements, quarterly and annual reporting and all types of customised bulk mailing and created a joint purchasing company.

Another long-standing partnership exists with a third-party provider for the Group-wide procurement and management of financial information systems at optimised cost and performance. This partnership enables VP Bank to optimise related processes such as operating and contract management, reporting and support while sustainably lowering costs.

Among the results of this partnership was the creation in 2011 of a joint venture with LLB for financial information systems procurement.



I hate the idea that painting is timeless. This removes painting from our world.

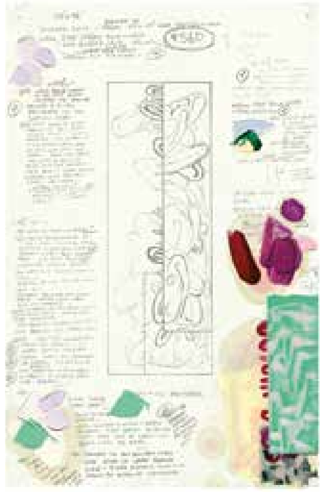
The New York artist David Reed often works with strong colour contrasts.

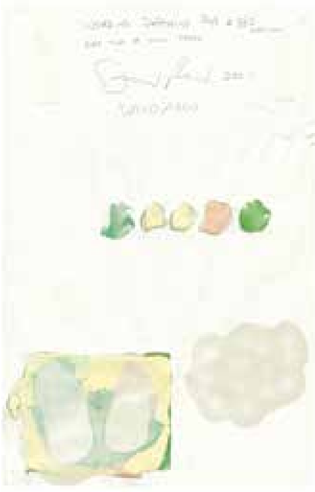
TEXT / Uwe Wieczorek

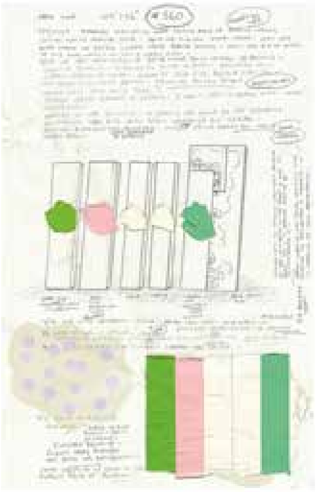
The work of the New York-based artist David Reed is influenced both by the style of abstract expressionism and by the creative means of film and photography. His paintings in the 1960s based on landscapes in the south-west of the United States, which shaped Reed's idea of spatial vastness, draw their power from the impasto of the painting material, the vitality of the colour and the ductus of the brush. It is ultimately this ductus, the stroke of the brush as an elementary identification of painting, that Reed makes the sole subject of his paintings in the 1970s. In a thoroughly minimalist manner, he sets horizontal strokes with red or black paint in a vertical sequence on a white background. Irregular brushstrokes, running paint or splashes are not corrected or removed, but accepted as indications of a painter's creativity. This simultaneously sensual-empirical and conceptual attitude is from then on inherent in all his paintings.

While the severity of the paint application and the composition of the picture increases towards the end of the 1970s, the brushstrokes finally take on an almost baroque vibrancy in the 1980s. He forms mutually penetrating loops with a now three-dimensional effect in contrasting colours on a monochrome background, which often dominate the entire canvas. Here and there, they are overlaid with separate fields, themselves containing loops, whose strict orthogonality counteracts the image dynamics in an organising manner. The structure of the paint depends on whether Reed spreads it on the canvas with a brush or a squeegee, and is either striped or smooth. With a smooth structure, it appears strangely immaterial, as if it had been photographed and then mounted in the picture.

The composition of the picture is subject to increasingly elaborate work processes, which are reflected upon by means of detailed drawings. The careful priming and painting, masking and layering, glazing and sanding, revising and reworking, and finding the final version often takes several years, as was the case with the work presented here, "#560". Like almost all of the artist's paintings, it derives its vitality from the asymmetry of the overlapping pictorial fields of different sizes, from the sweep of the brush and squeegee, from the alternation of partly glossy and partly matt surface areas, from the juxtaposition of surface and illusionistic space, and from the contrast of the colours. Above all, it is them, the colours as such, that David Reed is interested in. By his own admission, they are more important to him than anything else. He pays tribute to them through painting the shape of loops, which are nothing more than loops in the guise of painting.







TOP IMAGE /
David Reed at the exhibition of his works "#705, #696, #703, #706" at Häusler Contemporary, Zurich.

IMAGES 1–4 RIGHT /
The "Working Drawings" (detail from drawing 2 see p. 51) are created as diary-like drawings and document the New York artist's process of creating the large-format paintings.

Biography and artist's profile of David Reed
vpbank.com/david-reed-en

TOP IMAGE / "560", 2007, Triesen location, ground floor
Painting at right by Joseph Marioni, "White Painting", 2002

CHAPTER 3

Stakeholder report

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

Sustainability Plan 2026

VP Bank has developed its Sustainability Plan 2026 in close cooperation with internal and external stakeholders. In order to identify the areas with the greatest potential impact and set appropriate goals, VP Bank spoke with clients, shareholders and employees, held workshops with the Board of Directors and external experts, and carried out a materiality analysis. The plan went into effect on 1 January 2021. The progress that was made in the first year will serve as the basis for achieving future goals.

The sustainability plan includes both products and business activities. Consistent implementation of this strategy is intended to bring about positive change and drive the growth of the company.

For an overview of how VP Bank defines risks and opportunities and how the Bank aims to positively impact society and the environment and balance out any possible negative impacts, refer to chapter 2 of the Sustainability Report 2021.

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 are available on the VP Bank website under Private clients > Sustainable investing. The video with Tobias Wehrli, Head of Intermediaries & Private Banking, explains what VPSS means for VP Bank's client advisory.

VP Bank has made it a goal to offer its clients new investment opportunities in the area of sustainability. To this end, the Bank added risk-optimised ESG equity funds and the Green City Basket in 2020. 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 places emphasis on additional themes such as investing in green bonds or sustainability-related thematic investments.

For further information about sustainable investments, including VP Bank's thematic and impact-oriented investment approach, please refer to chapter 3 of the Sustainability Report 2021.

OUR SUSTAINABILITY PLAN 2026

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

Sustainable corporate governance

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

For more information, please refer to chapter 4 of the Sustainability Report 2021 as well as the "Employees" chapter of this annual report, in which the personnel strategy is described.

Memberships and publications

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

With its Sustainability Report 2021, VP Bank discloses information in accordance with the requirements of PRB and PRI as well as the progress reports required by the UNGC. The report is compiled in accordance with GRI Standards and includes a number of the indicators suggested by the Sustainability Accounting Standards Board (SASB). More recently, the Bank implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and highlighted contributions to the UN SDGs in the report.

For more information on sustainable governance, including detailed information on the above-mentioned standards and guidelines, please refer to chapters 2.5 and 2.6 of the Sustainability Report 2021.

Carbon-neutral 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 in 2020. VP Bank Group has relied on renewable energies for quite some time. For example, solar panels on the roof of the Giessen building in Vaduz have provided the Bank with eco-friendly energy for around 25 years. Further technologies that are used in some of the Bank's branches include LED lighting, motion-sensor lights and various renewable energy sources such as geothermal heat pumps.

For more information about the Bank's CO_2 target and its progress in terms of environmental protection, please refer to chapter 4.2 of the Sustainability Report 2021.

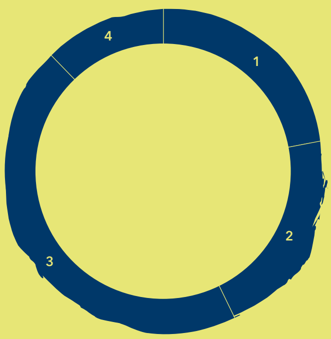
Philanthropy

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 2021, the Foundation awarded funds totalling around CHF 180,000, which were distributed as shown in the figure at right.

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

DISTRIBUTION OF VP BANK FOUNDATION GRANTS

1 / Environment and sustainability **22 %**
2 / Education and science **21 %**
3 / Social and society **45 %**
4 / Art and culture **12 %**



With its client advisory services, VP Bank focuses on personalised, long-term support, transparency, short decision-making paths, agility and tailored, sustainable solutions. The quality of client service and support is regularly assessed by independent specialists.

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

The quality of client service and support is regularly assessed by independent specialists. The VP Bank advisory team once again received very high marks in connection with the Fuchsbriefe "TOPS 2022" test, which was published in Germany. VP Bank was rated "very good" in the categories "Investment proposal" and "Advisory consultation", with an overall rating of "good". A total of 65 banks and investment advisors in German-speaking countries were tested.

This rating is confirmation of the rigorous efforts the Bank has made to strengthen its service and performance culture and to continually optimise the client experience. The independent test rating proves that VP Bank operates at the highest level in terms of advisory standards in an international comparison.

VP Bank's services

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

The Bank's services start with basic services for account and custody management and payments. Private clients moreover receive customised wealth management and investment advice, wealth planning, pension and estate planning, financing and fund solutions.

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

In the wealth management area, the investment strategy is specified as part of a mandate, with investment decisions then being delegated to VP Bank. Clients choose the mandate forms depending on total assets, risk tolerance and now also their sustainability requirements. Since the autumn of 2021, the Bank has offered the Sustainable Plus Mandate. Under this mandate, clients opt for a portfolio with a better sustainability profile as measured by the VP Bank Sustainability Score (VPSS), as well as for investments with a special impact that are used to finance green or social projects (impact bonds). Furthermore, clients can choose areas of special focus that are especially important to them, such as climate protection, renewable energies or health. In sum, wealth management ranges from Fund Mandates to Enhanced Mandates, where additional elements, like volatility, come into play.

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

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

Financial intermediaries and fund providers benefit from a variety of services tailored to their needs. In addition to basic services for account and portfolio management, custodian bank services and order processing, specific services are offered especially for intermediaries for investment advisory services, advice on regulatory issues,

Fuchsbriefe TOPS 2022
Rating category
Investment proposal

Very good

9/10 points

Fuchsbriefe TOPS 2022
Rating category
Advisory consultation

Very good

35/40 points

Fuchsbriefe TOPS 2022
Rating category
Overall ranking

Good

73.5/100 points

integration of sustainability aspects and fund solutions. With its direct execution service, VP Bank provides direct access to trading.

A broad range of digital solutions for sharing data and information makes VP Bank a leading bank for intermediary clients. The continuous development with respect to data interfaces and the modern client portal offer independence, transparency, efficiency and security, as well as round-the-clock electronic access to accounts and custody accounts.

Digitally supported client services

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

In 2021, which continued to be marked by COVID-19 protective measures and the associated restrictions on personal contact, the Bank embedded the newly created digital solutions in client advisory services. In order to continue to ensure individual and personal advisory consultations for clients even under challenging conditions, VP Bank offers the option of advisory consultations via video conferences.

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

A modern client portal developed specifically for VP Bank – the RM Cockpit – was introduced in 2021, and this made it possible to significantly optimise the daily advice and support provided by client advisors to their clients. Work processes that are even more efficient create more time for advising clients and designing customised solutions tailored precisely to client requirements. Through the use of digital tools, client advisors are able to comprehensively address client wishes anywhere and at any time.

By continuously expanding e-banking into a client portal, VP Bank is responding to the changing needs of clients with regard to the degree of digitisation of banking services; in doing so, it is increasing its focus on transparency and accessibility. The opportunities for interaction have been expanded, and the roll-out of the new messaging function enables a faster, more secure communication channel between the client and the Bank. Regardless of whether the client is logged in to the client portal, they can now be notified about the activities on their custody accounts and other accounts at any time. Moreover, during 2022, research publications offering macro-commentaries and investment ideas will be integrated into e-banking.

Structured advisory process

The changing environment of the banking world requires an optimised product and service range. VP Bank's advisory concept therefore involves adapting the business model for traditional investment advice. With its systematic advisory process and ongoing development of services, the Bank has laid the foundation for the investment advisory service of the future.

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

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

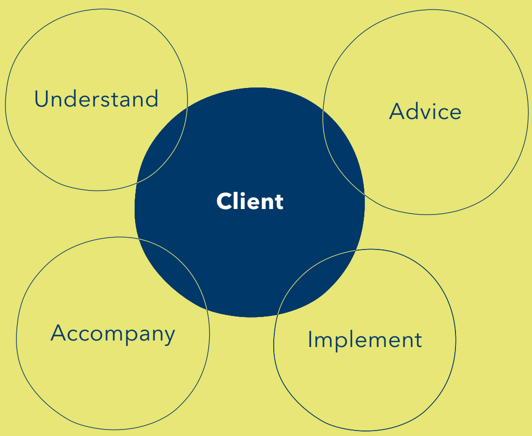
Details on the advisory process can be found in the online annual report. (➔ QR code)

Client feedback

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

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

ADVISORY PROCESS



vpbank.com/
advisory-process

Continuous training for client advisors

Highly trained client advisors are the foundation of excellent support. In addition, the constant addition of new regulatory requirements means that VP Bank needs to train and develop its client-facing employees in a manner consistent with these requirements. VP Bank thus continuously invests in their training and continuing education. All client advisors at the Liechtenstein and Swiss locations have successfully completed the international certification according to the Swiss Association for Quality (SAQ) and are currently in the recertification phase. In addition to ongoing training on technical, economic and regulatory issues, all client advisors throughout the Group also invested between 16 and 26 hours in the past year in further developing their client-focused advisory approach.

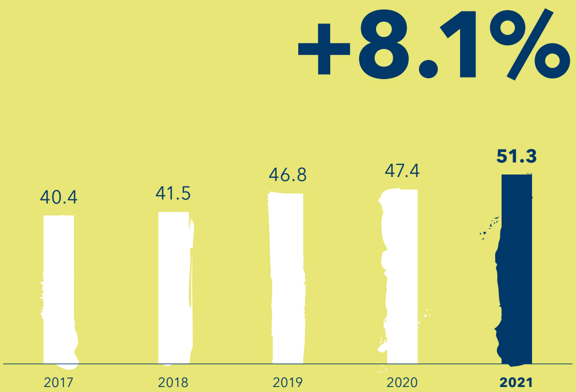
Client assets under management

As at 31 December 2021, VP Bank had client assets totalling CHF 51.3 billion, up 8.1 per cent from the previous year.

It also held another CHF 7.5 billion in custody assets. Client assets under management as of the reporting date totalled CHF 58.8 billion (previous year: CHF 54.9 billion).

Overall, VP Bank Group recorded a gross inflow of new money in 2021 totalling CHF 2.1 billion, or 4.3 per cent. This positive trend was adversely affected by the announced strategic repositioning by an institutional fund client in the amount of approximately CHF 1.8 billion. Thus, net new money amounted to CHF 277 million.

CLIENT ASSETS UNDER MANAGEMENT EXCL. CUSTODY ASSETS / in CHF billion



CLASSIFICATION OF CLIENT ASSETS UNDER MANAGEMENT

in %	31.12.2021	31.12.2020
Analysis by asset class		
Liquidity	24	26
Bonds	14	15
Equities	30	28
Investment funds	28	27
Other	4	4
Total	**100**	**100**
Analysis by currency		
CHF	23	22
EUR	29	30
USD	33	33
Other	15	15
Total	**100**	**100**

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

People Strategy

Enthusiastic employees make for enthusiastic clients. Therefore, the VP Bank People Strategy focuses on promoting the diverse talents of its employees. It is geared to four key priorities:

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.

With these priorities and the associated implementation measures in the context of culture and talent management, VP Bank creates the basis for extraordinary moments – for its employees and thus equally for its clients.

Employee satisfaction

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

In the past, satisfaction and commitment were surveyed at the company every two years. Going forward, an effort will be made to adopt a more agile method for surveying employees.

Targeted support for up-and-coming talent

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

Last year, the development programme for students (support model) and university graduates (career start) was further expanded. These programmes offer attractive first-time jobs at VP Bank. In the "support model", masters-level students can combine theory and practice and gain valuable experience over a 12-to-18month period. In the "career start" programme, bachelors and masters graduates have the opportunity to further their knowledge in selected areas as well as participate in specialised and foreign internships in preparation for a defined target function after 18 months and take their first career step.

Through the graduates programmes and apprenticeship training, VP Bank develops future talent in a targeted manner and thus its corresponding growth from within. At end-2021, VP Bank had 15 young apprentices (previous year: 15) in the sales programme and another 3 studying information technology. In the summer of 2021, six apprentices (previous year: six) successfully completed their final exams. In the graduates programmes at end2021, one student was enrolled in the work-study support model, six graduates Groupwide were in the career start programme and one person was in the bachelors graduate programme. In addition to the support model and the career start programme, the Bank created the visiting analyst programme for university graduates. At end-2021, VP Bank employed six visiting analysts.

vpbank.com/carreer-apprenticeship

Continuous talent development

The year 2021 was marked to a significant extent by the impact of the coronavirus. The main focus was primarily on providing employees and managers with support in the new digital world. This changed situation calls for continuous further development, particularly with respect to the leadership culture and in the form of Group-wide collaboration.

With a view to providing managers with the best possible support, the leadership curriculum took place between September and November 2021. For the first time, all managers throughout the Group met via videoconference in teams that spanned hierarchies, locations and departments in order to exchange ideas and information about opportunities and experiences in connection with the relevant change topics, as well as to collect useful input for daily work. Introduction of the leadership principles (Leading @ VP Bank) made a restart possible on a shared basis. This training course for managers will also be conducted in 2022, ensuring the continuous qualitative development of leadership at VP Bank.

In addition, VP Bank invests in the targeted further development of its talents. For instance, since 2021 employees have had the chance to be nominated for the VP Bank Talent Academy based on a calibration process that takes place once a year. The academy offers enrolees the opportunity to hone their personal strengths by means of various modules, to expand their network and to take part in a hackathon, thereby enhancing their action and method skills. The first class of 20 employees will complete the academy in the spring of 2022. The second class will enter the academy immediately thereafter in 2022.

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

In addition, employees take part in external training courses in order to constantly develop their knowledge and skills. Last year in Liechtenstein, 27 people (previous year: 26) completed a job-related course of studies with a recognised diploma, while another 34 people (previous year: 38) were participating in continuing education at end-2021.

Management by objectives (MbO)

Managing by objectives is part of VP Bank Group's management approach. Each year a recurring process ensures that the objectives set by the Bank for the following year are iterated systematically throughout all levels of the organisation. At the individual level, corresponding objectives and primary tasks are set for individual employees. The employees' activities are thereby systematically oriented, and the achievement of the Bank's objectives is coordinated with those of the individuals. At the start of 2021, the key objectives for all employees and individual employee groups were set Bank-wide for the first time. This ensures that, for example, strategic objectives or compliance requirements are grounded at the Bank in a homogeneous manner.

In addition to periodic location discussions, an interim evaluation is made during the summer months, at which time it is examined whether the achievement of the objectives and the completion of the principal tasks are on course and whether any measures need to be initiated. At the end of the reporting period, the manager assesses and recognises the performance of the employees when determining performance-oriented remuneration. The manager takes into account the achievement of objectives, the satisfactory completion of the principal tasks and, notably, compliance with regulatory provisions, internal rules and client-specific conditions. With the management by objectives process, superiors trust their employees, let them figure out how to do their job and recognise the required individual development measures.

Employee recruitment and exits

Last year, between 20 and 30 positions were advertised per month on average. In particular, specialists in the IT and compliance/tax areas were highly sought after. The Bank has been hiring an increasing number of candidates from outside its immediate vicinity, particularly from Zurich, and this trend continued to grow in 2021. Electronic applicant management has helped to make the management of vacancies more efficient and to speed up the responses to applications.

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

Employees exiting the company also receive professional support. Exit interviews are conducted by both line managers and human resources staff, with exiting employees surveyed using a standardised form. The fluctuation rate for 2021 amounted to 11.5 per cent (previous year: 6 per cent). As was the case in previous years, this was unintended fluctuation, i.e. the exits were initiated by the employees. The main reason was the increased fluctuation in IT as a result of, among other things, the announced outsourcing of the IT infrastructure area to Swisscom. During the challenging phase of the outsourcing project that was started in late 2020, a project team consisting of representatives from line management and the HR department worked together closely to support and advise the affected employees.

Employee retention, remuneration and support

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

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

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

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

Employee representation

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

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

At VP Bank (Luxembourg) SA and VP Fund Solutions (Luxembourg) SA, a joint Works Council represents the employees of both companies. Given the size of the company, the employee delegation comprises 11 elected members, 8 of whom are permanent members and 3 are alternates.

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

The Group Human Resources unit

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

Group Human Resources advises Group Executive Management, senior management and employees, provides suitable instruments and handles a number of subjects. Human Resources plays a pivotal role and ensures that tasks, skills and responsibilities are properly matched up and administered. HR also supports key processes such as recruiting, exits, wage setting, promotions and much more. Employee development is yet another key component of human resources work. VP Bank invests continuously in the technical training of its employees and managers and in 2021 again implemented various internal leadership training programmes.

Employee headcount

As of 31 December 2021, VP Bank Group employed 1,012 people. VP Wealth Management (Hong Kong) Ltd saw its headcount increase by 8 people to 16 employees. The changes at the other locations were minimal.

At end-2021, VP Bank Group had a total of 174 client advisors (full-time equivalents: 168.4).

At VP Bank, client advisors are defined as those employees who are client-facing and manage allocated assets.

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

Number of client advisors	31.12.2021		31.12.2020	
	FTE	HC	FTE	HC
	168.4	174	157	162

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

The average length of service at VP Bank Group fell slightly to 8.5 years at year-end 2021 (previous year: 8.9 years). Particularly as a result of the sharp increase in the number of employees at VP Wealth Management (Hong Kong) Ltd, the average length of service at that location fell to 6 years (previous year: 11.1 years).

EMPLOYEE STATISTICS OF VP BANK GROUP

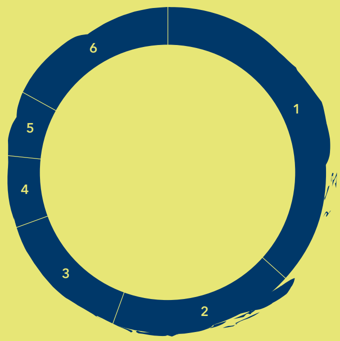
as of 31.12.2021	Men	Women	Total
Number of employees	600	412	1012
Percentage share	59.3	40.7	100
Average age	44	40.9	42.7
Average length of service	8.4	8.7	8.5

as of 31.12.2020	Men	Women	Total
Number of employees	600	390	990
Percentage share	60.6	39.4	100
Average age	43.7	41.2	42.7
Average length of service	8.7	9.1	8.9

As regards nationalities, Swiss employees continue to represent the largest group at 36.8 per cent of the total (previous year: 37.3 per cent), followed by Liechtenstein nationals with 19 per cent (previous year: 20.5 per cent). German employees continue to represent the third-largest group, with 13.9 per cent (previous: 14.2 per cent).

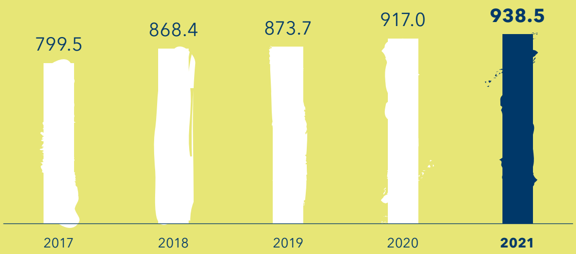
NATIONALITY OF VP BANK GROUP'S EMPLOYEES

1 / Switzerland **36.8%**
2 / Liechtenstein **19.0%**
3 / Germany **13.9%**
4 / Austria **7.2%**
5 / Singapore **6.3%**
6 / Rest of the world **16.8%**



HEADCOUNT OF VP BANK GROUP
/ full-time equivalents

+2.3%



NUMBER OF EMPLOYEES BY LOCATION

as of 31.12.	2021 Employees	2021 Full-time equivalents	2020 Employees	2020 Full-time equivalents	Change Employees	Change full-time equivalents
VP Bank Ltd, Vaduz	604	551.1	605	553.1	–1	-2.0
VP Bank (Switzerland) Ltd	110	101.7	103	94.9	7	6.8
VP Bank (Luxembourg) SA	121	113.4	118	110.2	3	3.2
VP Fund Solutions (Luxembourg) SA	36	32.9	37	33.1	–1	-0.2
VP Bank (BVI) Ltd	14	14.0	13	13.0	1	1.0
VP Wealth Management (Hong Kong) Ltd	16	15.3	8	8.0	8	7.3
VP Bank Ltd Singapore Branch	80	80.0	75	75.0	5	5.0
VP Fund Solutions (Liechtenstein) AG	31	30.0	31	29.7	0	0.3
Total	**1012**	**938.46**	**990**	**917.0**	**22**	**21.4**

In 2021, the battle against the pandemic was one of the greatest challenges to confront companies in recent decades.

VP Bank Ltd remained in crisis mode once again in 2021 in order to deal with the ramifications of the coronavirus pandemic. Because of the dynamic situation, Group Crisis Management, consisting of members of all relevant specialist divisions, met regularly in order to analyse the situation and lay the groundwork for decisions by the Group Crisis Board (GCB). The GCB, composed of members of Group Executive Management (GEM), bears overall responsibility for all measures having to do with the coronavirus crisis and makes all necessary decisions. Based on this proven approach, the enacted measures were able to be adapted to meet the situation. VP Bank thus succeeded in managing the issues relating to the pandemic in a targeted manner, while protecting employees and clients and ensuring Bank operations.

Group Crisis Management also continuously monitored the pandemic situation at the VP Bank locations and promptly responded to developments. By participating in workplace testing made available by the Liechtenstein government, VP Bank helped to carry out the extensive testing of workers and thus to disrupt potential chains of infection.

Expansion of the digital infrastructure

The coronavirus crisis gave added impetus to digitisation efforts, resulting in a further expansion of the infrastructure for enabling work from home, provision of online services, and information and communication policy.

For VP Bank, working from home is a key measure for containing the COVID-19 pandemic. At the same time, it is an important tool for ensuring and maintaining operational readiness. As of the end of 2021, an average of up to 75 per cent of employees Group-wide worked from home. The experiences with working from home have been altogether positive, and VP Bank has been able to build on a very solid, flexible infrastructure. The COVID-19 pandemic has clearly demonstrated that more working from home and the related increased use of virtual working options works well, and continues to be a useful complement to working at the office. Consequently, VP Bank employees will also make use of the newly acquired flexibility in the future.

Active, personal client advice remained a key element, notwithstanding the coronavirus. For this reason, our operational distribution processes were strengthened with various online solutions. These include video consultation as an additional channel of communication, online events, and the live streaming of corporate and business events. The "VP Bank Experts" events were also held via web conferences in some cases.

VP Bank is continuously testing new digital concepts for improving the client consultation process. Currently, a project team is working on the introduction of video identification to enable accounts and custody accounts to be opened remotely. We plan to implement this option in 2022.

Transparent and timely communication

Timely and transparent information and communication is particularly crucial in crisis mode – internally in regard to the Bank's own employees, but also externally in regard to clients and the public. Using the Group-wide intranet, the GCB regularly provides information about the current coronavirus situation at the company and about necessary protective measures. An e-mail inbox was established expressly for this purpose, and it serves as a central point of contact for all personal questions that employees might have in connection with the coronavirus. Numerous information sheets and notices were prepared on specific topics, such as workplace testing and vaccinations, and they were continuously updated to reflect current developments. At the start of 2021, all employees and managers were offered "Stay connected" sessions. The aim of the online informational events was to provide the best possible support and assistance when working from home so as to draw employees closer together and strengthen collaborative work.

Well positioned

The measures enacted by VP Bank in 2021 to deal with the COVID-19 pandemic were successful. Processes were optimised, and digital communications and other infrastructure were expanded. We would like to extend our sincere thanks to our employees for their high degree of flexibility and exemplary dedication. VP Bank is well positioned to meet the challenges in 2022.

For 25 years, the VP Bank Art Foundation has been promoting fine art and helping to shape the world of work in a sustainable way through art in the workplace.

Encounters with contemporary art

The establishment of the VP Bank Art Foundation on 19 December 1996 was the logical progression of the Bank's lasting commitment to promoting art and culture, which is also one of the principles of its long-standing principal shareholders. In coordination with the VP Bank Foundation, which was established in 2006 on the occasion of the Bank's 50th anniversary and promotes education, science, culture, the environment and social issues, it is an effective instrument for the specific promotion of the arts.

According to its Articles of Association, the purpose of the non-profit VP Bank Art Foundation is to collect works of visual art, promote the visual arts through acquisitions and academic publications, provide conservational care for the works collected, make loans available for exhibitions, cultivate an appreciation of art in general and, what is particularly characteristic of the role of foundation and collector, exhibit works from the collection on the Bank's premises.

When the Foundation was established, the Bank, as the founder, also handed over the existing art collection that had been built up with great care by the Bank's then General Manager Dr Heinz Batliner, along with capital in line with the Foundation's objectives. The Foundation receives annual contributions from the Bank, which also ensures the conservational framework for the care of the collection.

Collection policy with a focus on quality

The Foundation has defined a clear collection policy based on its defined goals and financial framework, and has pursued this policy over the years. Purchases were focussed increasingly on original works, and works of modern art from 1950 to the present day, with abstract painting, complemented by sculptures, forming the main part of the collection. The collection comprises both international and regional art of high quality.

Hans Brunhart is Chairman of the Foundation's Board of Trustees. The collection is looked after with meticulous care by Annett Höland, a qualified curator. She also has the task of implementing the key specific feature of the Foundation's goals, namely to promote encounters with "art in the workplace" by employees and clients. Through the Foundation's art collection, VP Bank also defines its corporate culture in cultural terms by bringing art to the worlds of work and business, not as a contrast but as an asset in terms of quality of life.

vpbank.com/
artfoundation

Walking through the premises of VP Bank, art is encountered in offices and meeting rooms, hallways or stairwells, where it has to hold its own against the everyday business environment with its screens, photocopiers, filing cabinets and water coolers. The spatial conditions of VP Bank's premises play a deciding role in the selection and placement of the works and influence the acquisition policy.

The construction of the new Triesen Service Centre in 2004 with its architectural concept provided the VP Bank Art Foundation with new possibilities for the presentation of large-format works. The purchases made for this purpose also generated interest in the VP Bank Art Foundation as a lender. The VP Bank Art Foundation was able to attract attention through loans to renowned establishments in Switzerland and abroad, such as the Pinakothek der Moderne in Munich, the Gemeente Museum in The Hague, the Kunstmuseum Thurgau and the Kunsthaus Centre d'art Pasquart in Biel.

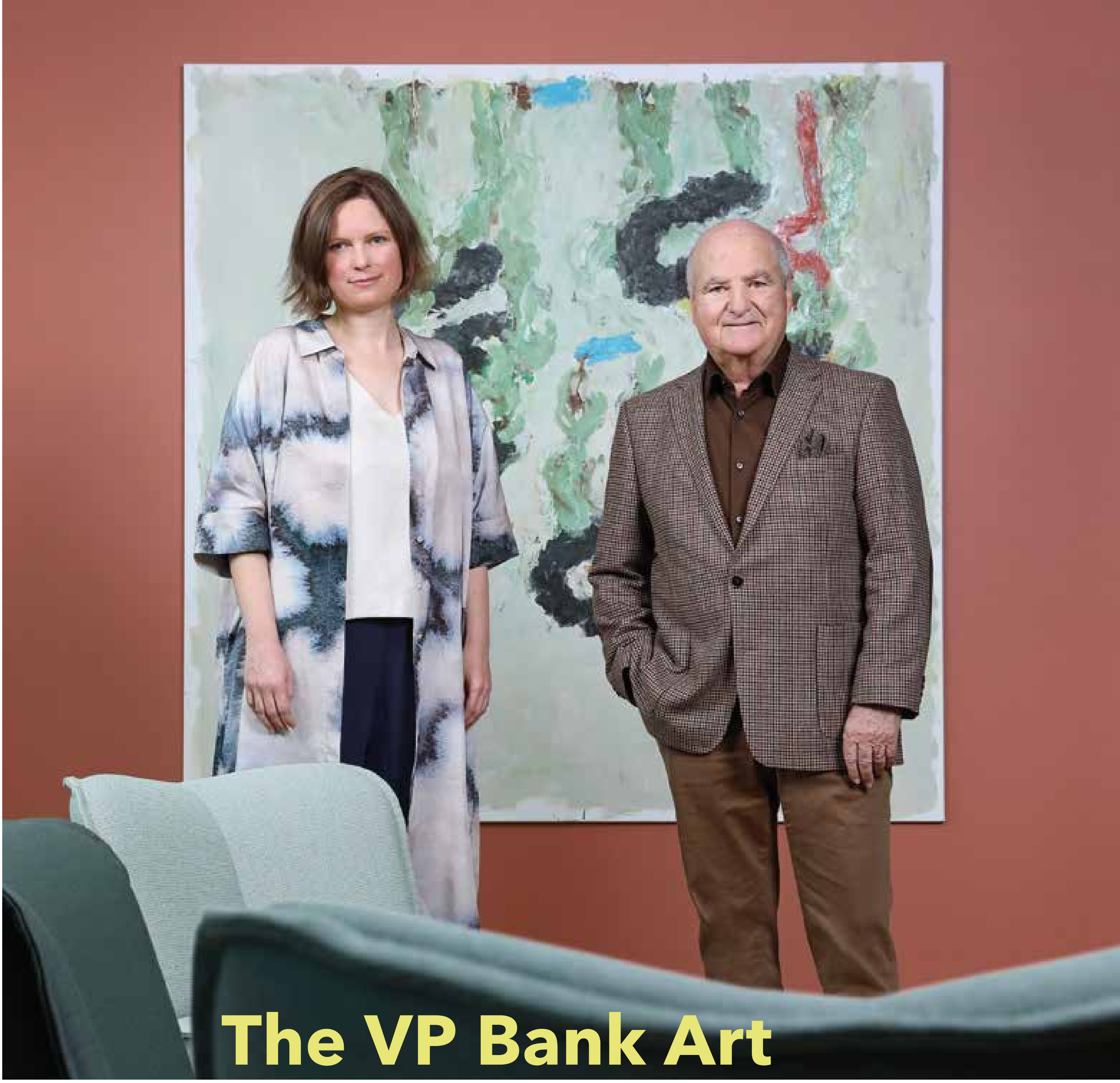
The exhibition "Out of Office. 25 Years of the VP Bank Art Foundation" at the Liechtenstein Museum of Fine Arts was a special highlight. On the occasion of the anniversary, a representative selection of works from the collection was shown for the first time outside the premises of VP Bank in a museum. The exhibition was curated by Christiane Meyer-Stoll and Henrik Utermöhle and is part of a series of exhibitions of private collections from Liechtenstein. The opening event took place in the context of the museum's grand reopening the after a closure of several weeks, and presents the collection to a wider public.

Further expansion in the future

The activities of the VP Bank Art Foundation, which are based on the Foundation's goals, will continue to focus on supporting artists through the acquisition of works in the future. The aim will be to further expand the collection and increase its diversity in terms of the age and gender of the artists. As in the past 25 years, it will continue to be important in the future to take into account the spatial changes in the working world and make it a meaningful and appealing environment for experiencing art.

Since its inception, the VP Bank Art Foundation has pursued its goal of integrating art into the world of work. In line with this underlying approach, artists will increasingly be invited to collaborate directly within the framework of direct commissions or art on building projects. In this way, the VP Bank Art Foundation would like to give artists the opportunity to help shape the world of work beyond the painting on the wall.

To mark its 25th anniversary, the VP Bank Art Foundation published an art catalogue in March 2022 entitled "ART – WORK. 25 Years VP Bank Art Foundation", showcasing the works from the collection.



ANNETT HÖLAND / left
AND HANS BRUNHART

The VP Bank Art Foundation helps to shape the world of work in a sustainable way through art in the workplace.

VP Bank Ltd, Vaduz, is constituted as a joint-stock company under Liechtenstein law. It is the parent company of VP Bank Group. The competent supervisory body in the country of its registered office is the Liechtenstein Financial Market Authority (FMA).

As the registered shares A of the parent company are listed on the SIX Swiss Exchange, VP Bank is also subject to the rules and regulations issued by SIX on the basis of the legislation pertaining to stock exchanges, in particular, the Swiss Federal Act of 19 June 2015 on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA). The business activities of VP Bank Group are supervised by the local competent authorities of each country in which the Group is active through subsidiary companies, branches and/or representative offices.

General information

In Liechtenstein, the activities of VP Bank Ltd are subject primarily to the Act of 21 October 1992 on Banks and Securities Firms (Banking Act, BankA) and the Ordinance of 22 February 1994 on Banks and Securities Firms (Banking Ordinance, BankO). The Banking Act lays down the framework for the supervisory activities of the FMA. The latter – together with the external banking-law auditors, who must in turn possess a licence from the FMA and are also under its supervision – constitutes the main pillar of the Liechtenstein system of supervision.

Under the Banking Act, banks and securities firms in Liechtenstein can offer a comprehensive array of financial services. The Law of 11 December 2008 on Professional Due Diligence to Combat Money Laundering, Organised Crime and Terrorist Financing (Due Diligence Act, DDA) and its related Ordinance of 17 February 2009 (Due Diligence Ordinance, DDO) – in conjunction with the provision on money laundering contained in Art. 165 of the Liechtenstein Criminal Code – constitute the relevant legal basis governing the entire financial services sector in Liechtenstein subject to the due diligence requirements. These were revised on repeated occasions and comply with international requirements and standards.

Within the scope of its business activities, and the financial services offered by it, VP Bank Ltd must observe, in particular, the following laws and related ordinances:

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

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

Federal Act on Financial Services (FinSA)

In principle, the Financial Services Act, which came into force in Switzerland on 1 January 2020, pursues the same goals as MiFID II with regard to investor protection, but it is not identical. VP Bank (Switzerland) Ltd complies with the requirements of FinSA as of 1 January 2022 by implementing, with some exceptions, the more stringent EU Directive on Markets in Financial Instruments (MiFID II). However, the new FinSA legislation affects not only VP Bank (Switzerland) Ltd but also the servicing of Swiss-domiciled clients of VP Bank Ltd and VP Bank (Luxembourg) SA.

Payment Accounts Directive

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

- Right to access a payment account with basic functions (so-called "basic account") in order to guarantee access to a payment account (keyword "financial inclusion") by all legitimate consumers

- Transparency and comparability of fees for payment accounts (fee information and fee overview as well as a website with comparative details)
- Provision of payment account exchange services by banks

The EU Directive has been implemented in Liechtenstein through the creation of the new Payment Accounts Law (PAL) of 30 September 2021. This is expected to enter into force at the same time as the corresponding EEA acquisition decision (expected in 2022, exact date not yet known).

Mortgage Credit Directive (MCD)

The Mortgage Credit Directive (Directive 2014/17/EU, MCD) took effect in the EU on 20 March 2014 and complements the existing guidelines on consumer protection, misleading and comparative advertising, and unfair business practices in the area of residential real estate loans. The directive is designed to enhance information for consumers on mortgages and similar credit products and aims to establish a single market for residential real estate loans.

The MCD has been implemented in Liechtenstein through the creation of the Mortgage and Real Estate Credit Act (MRECA), which entered into force on 1 April 2021.

EBA Guidelines on Lending and Supervision

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

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

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

As of 1 April 2021, the full implementation of the 5th Money Laundering Directive was implemented within the framework of the Due Diligence Act (DDA). Key topics were the expansion of the list of persons or entities covered by the legislation and the application of enhanced due diligence in relation to countries with increased risks and the use of virtual currencies. In addition, the powers of the central financial intelligence units were also expanded. As a member of Moneyval, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, Liechtenstein was audited in 2021 in the context of regular audits with regard to compliance with international regulations, in particular the recommendations of the Financial Action Task Force (FATF) and the European requirements (directives and regulations).

Automatic exchange of information (AEOI)

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

EU Directive on Administrative Cooperation (DAC 6)

As Liechtenstein is not an EU member state, VP Bank Ltd is not subject to any notification obligations for cross-border tax arrangements as provided for in the sixth amendment to the EU Directive on Administrative Cooperation (DAC) from 1 July 2020. VP Bank Ltd will closely follow developments in this area. As an EU member, Luxembourg is subject to this directive and has already implemented it.

The impact of Brexit

As of 1 January 2021, the United Kingdom is considered a third country. The EU and the UK concluded a trade and cooperation agreement on 24 December 2020. The EU–UK Trade and Cooperation Agreement governs the exchange of cross-border financial services on a minimal basis only. It is foreseeable, however, that bilateral relations in the context of financial services will essentially take place on the principle of equivalence in the future. EU equivalence decisions in the financial services sector are applied in Liechtenstein via the EEA Agreement. The United Kingdom, for its part, has already issued several unilateral equivalence decisions that also apply to Liechtenstein.

In July 2021, the free trade agreement between the United Kingdom and EEA EFTA states was also concluded, which, in addition to cross-border trade in services (including financial services), also covers areas such as investment, protection of intellectual property, digital trade and capital movements. In particular, the agreement prevents discrimination against companies from the EU and offers Liechtenstein companies preferential market access vis-à-vis companies from countries that do not have an agreement with the United Kingdom.

Foreign Account Tax Compliance Act (FATCA)

In an effort to combat tax evasion, the HIRE (Hiring Incentives to Restore Employment) Act was signed by the US government on 18 March 2010. The HIRE Act contained the Foreign Account Tax Compliance Act (FATCA), which introduced a new reporting system aimed at the disclosure of US persons with accounts and investments outside the US. Liechtenstein has concluded an Intergovernmental Agreement (IGA) according to Model 1. VP Bank Ltd fulfils the resulting legal obligations and submitted the reporting to Liechtenstein's tax administration in a timely manner.

Qualified Intermediary (QI)

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

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

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

Taxation of the digitised economy

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

Tax compliance guideline of the Liechtenstein Bankers' Association

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

Basel IV

In the coming years, the revision of the major European regulations within the framework of Basel IV will bring about far-reaching changes. The focus on the calculation of equity requirements and on medium- to long-term liquidity risk will increase. In the case of equity, the emphasis is on the denominator of the capital ratio: In some cases, the calculation of risk exposure in credit, market and operational risk will change significantly. For liquidity risk, the observation period is extended from one month to one year, so that a structural liquidity ratio will finally be rolled out.

Shareholder Rights Directive II (SRD II)

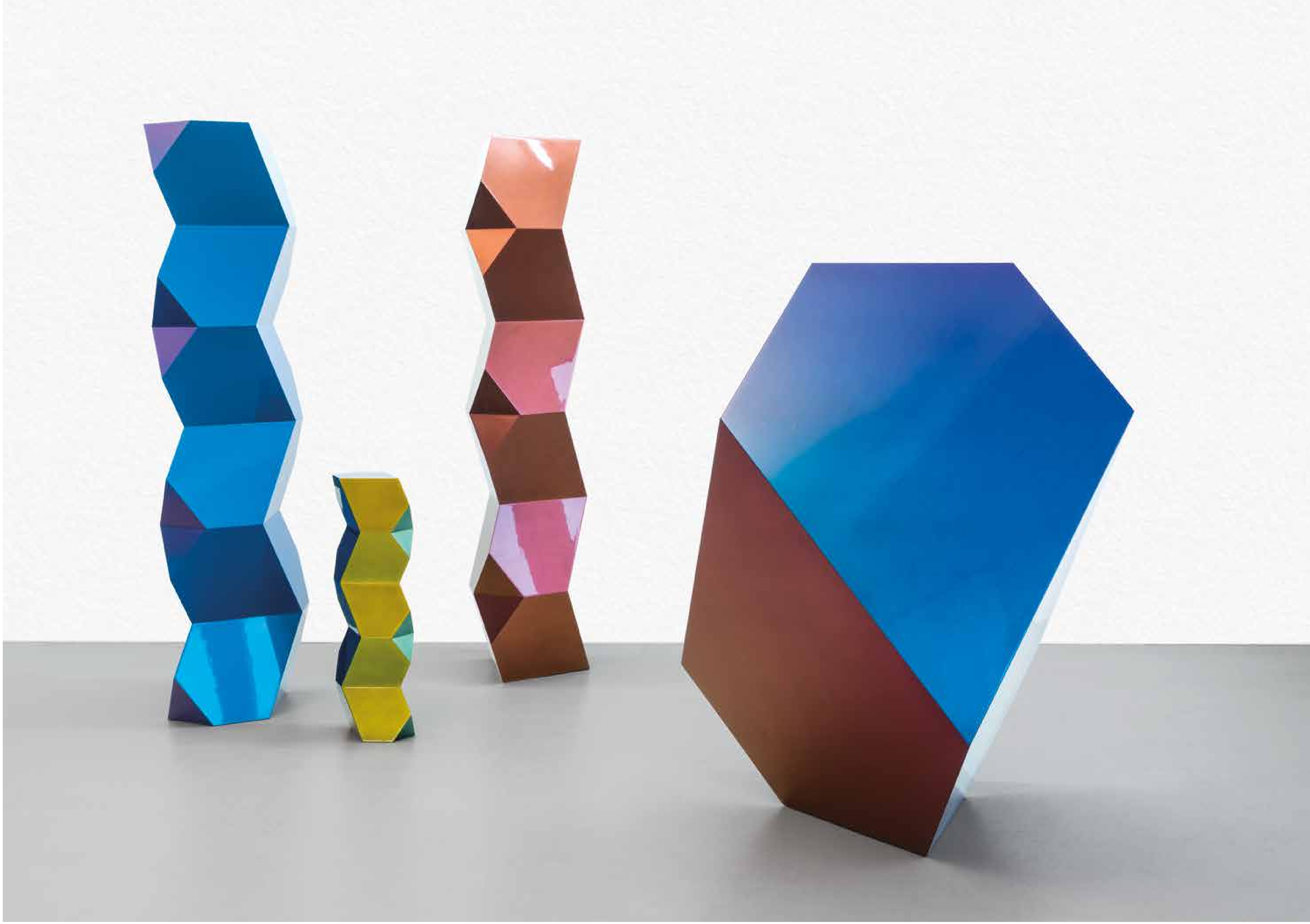
The second EU Shareholder Rights Directive's overall aim is to further improve shareholder participation in listed companies and to facilitate the provision of cross-border information and exercise of shareholder rights. Internal processes are to be adapted accordingly until the expected entry into force in 2022.

Markets in Crypto Assets Regulation (MiCAR)

Back at the end of 2020, the European Commission published a proposal for the regulation of markets in crypto assets and thus took an important initial step towards the uniform regulation of all types of crypto assets, services and issues at Union level. MiCAR is intended to answer the open questions and create legal certainty throughout the Union in the public offering of crypto assets. Although the Regulation will not come into force until 2024, it will be necessary to start with implementation at an early stage, as the regulation entails far-reaching changes in the area of crypto assets.

Important links to legislation and the Liechtenstein financial centre

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



HANNA ROECKLE / Columns: "Blue", 2016, "Greengold", 2015, "Copper", 2016, and the Polyhedron "Aquarius", 2016 (f.l.t.r.)

The Liechtenstein artist Hanna Roeckle has lived and worked in Zurich for many years. In this interview, she talks about the connections she still has with her home country. INTERVIEW / Anna Walser

When and why did you have the desire to become an artist?

I painted, drew, built and constructed a lot as a child. I grew up in a woodworking shop, so I had a lot of space and materials at my disposal. I knew that I wanted to do something different from what had been planned for me. It wasn't clear from the outset that it would be art, in fact. I was torn between art, architecture and interior design. After teaching art in the canton of Zurich for many years, I focussed entirely on my own art.

What are your current connections to Liechtenstein?

I have many links to Liechtenstein, both through my family and through my work, that is, art. Here, I do exhibitions and commissions for art on buildings or in public spaces from time to time. So, this is where I also have a second residence.

Where do you find your inspiration?

I have different sources. It could be science, architecture, design, colours, minerals or crystals. It always depends on whatever I am working on at the time.

What are you working on right now?

I'm always working on sequels to previous works. The polyhedron sculpture displayed here ("Aquarius" on the right) has given rise to a larger sequence of other sculptures and wall objects.

What gave you the idea to have these sculptures painted with iridescent colours?

For me, the paintwork was merely the means to achieve what I had in mind. I have developed the paints further, researched these colour options for a long time and expanded the system. However, it's not the type of paint that's important, but what happens to it.

Are you referring to the colour change that happens when you move around the sculptures?

Yes, that's very important. In painting, the colour change results from the juxtaposition of different colours on a surface. My sculptures create this effect from the movement around the work, through the incidence of light and through the reflections of the surroundings.

What is "Wave" all about?

"Wave" is part of an overall installation consisting of spatial, sculptural images. They move away from the wall shaped like a relief, but at the same time they adhere to it. This creates spatial confusion. I had designed the series for an exhibition at the Kunstmuseum Appenzell.

The COVID-19 pandemic has been a challenge in many respects. What has been your experience with the pandemic?

Artists do not experience much restriction in their work during a lockdown. I was still able to work in my studio. But the pandemic was scary for me too. Exhibitions were constantly being rescheduled. As an artist, I am used to having to be flexible. But this required even more flexibility. At the end of 2021, I had to complete a series of works on a tight deadline, and then the exhibitions were postponed at short notice.

Which is your own favourite work?

Most of the time, I have a favourite piece in the latest projects I am working on. There are also favourites from each work phase. You can look at the older works with a certain degree of detachment, but with the newer ones, you tend to be more biased. You deal with it intensively, you get the feeling that it's the best work, and 10 years later, you think about it differently again. But sometimes, I also have doubts. That's a kind of driving force that makes me want to keep working.

What were your thoughts when you learned that your art was to be displayed in a bank?

I usually create my works without a specific idea in mind for a particular space, as they have to function independently of the space. The first work for your bank was bought at an exhibition. Over time, there were purchases at other exhibitions. It's always great when you can display works in a (semi-)public space. I'm also pleased that VP Bank has bought works from different phases, because my work is always evolving over time.

In my work, configurations are created that are in continuous movement.

TOP IMAGE / "Aquarius", 2016,
Zurich location, first floor.

IMAGE, RIGHT / "Wave", 2011, Triesen location, first floor, north wing.

IMAGE, LEFT / The diversity of shape in Hanna Roeckle's sculptures is on display in her studio.

Biography and artist's profile of Hanna Roeckle
vpbank.com/hanna-roeckle-en

CHAPTER 4

Corporate governance and compensation report

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

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

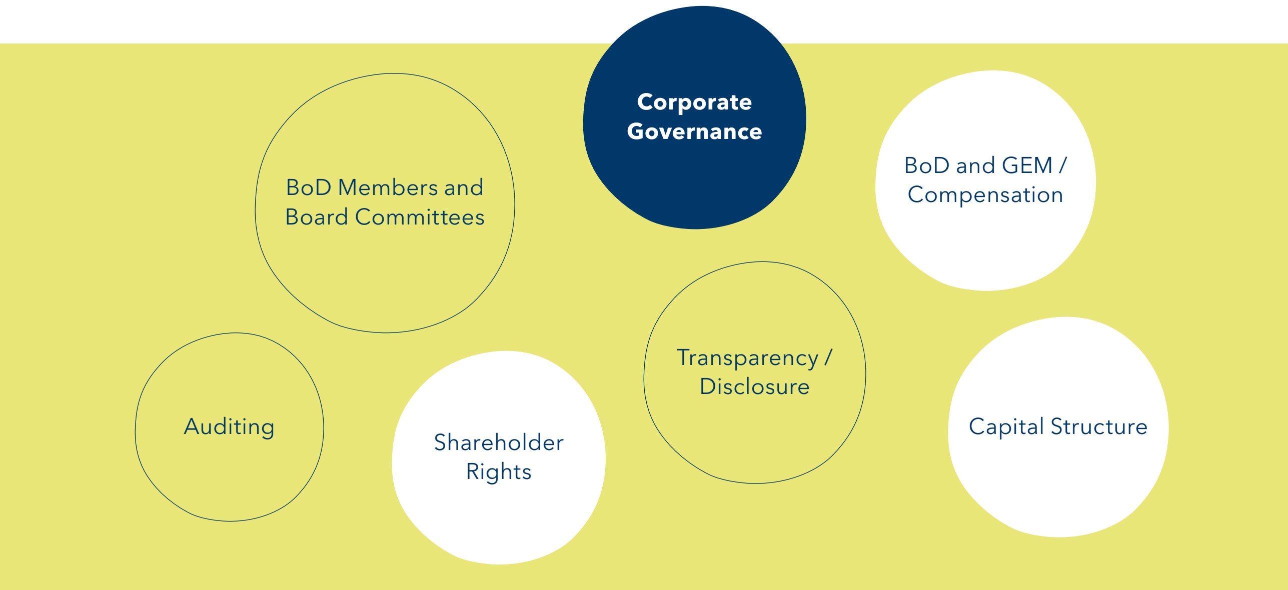
Good corporate governance ensures transparent management aimed at sustainable achievement. It is designed to serve not only the company but also external stakeholder groups. The overall framework of corporate governance is determined to a significant degree by the legislator and shareholders; the specific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

VP Bank Group strives to win the trust of all stakeholder groups. It thus 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. For years, it has thus published, of its own accord, information as to its strategic objectives as well as its relationships with stakeholders.

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

In Switzerland, the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) has been in force as of 1 January 2014. It is applicable to Swiss joint-stock corporations whose shares are listed on a stock exchange in Switzerland or abroad, whereby VP Bank is not directly affected. In its Notification No. 2/2014 issued on 1 September 2014 concerning the revision of the "Directive on Information Relating to Corporate Governance" (DCG), the Regulatory Board stipulated that in principle all companies quoted on SIX Swiss Exchange Ltd must disclose the same information concerning corporate governance. As a consequence, the DCG contains in part special provisions for issuers which are not subject to the ERCO, but must apply these, in part, by analogy. Unless otherwise indicated, all corporate governance disclosures herein are valid as of 31 December 2021.

FUNCTIONS OF CORPORATE GOVERNANCE



[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 26) shows the Group's operating structure and from page 102 onwards the detailed segment reporting is set out.

The Executive Board of the head office is designated as "Group Executive Management (GEM)". It assumes responsibility for the operational management of the head office as well as assuming the function as Group Executive Management for VP Bank Group.[2] The members of Executive Management are represented on the boards of directors of the subsidiary companies. As a general rule, either the Chief Executive Officer or another member of Executive Management acts as Board Chairman of the given subsidiary company.

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	96.60	581.0[1]
Registered shares B (unlisted)	LI0010737596	9.70	58.2
Total (market capitalisation of registered shares A plus market value of registered shares B)			**639.2**

[1] Market capitalisation of listed registered shares A as of 31 December 2021.

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

1/2 Significant shareholders (anchor shareholders)

As of 31 December 2021, 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	578,152	658,370	1,236,522	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). There exist no shareholder agreements.

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 164).

	Number	Balance on 31.12.2021 Capital in CHF
Registered shares A	6,015,000	60,150,000
Registered shares B	6,004,167	6,004,167
Total	**12,019,167**	**66,154,167**

2/2 Conditional and authorised capital

VP Bank has neither authorised nor conditional capital.

2/3 Changes in capital

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

in CHF 1,000	31.12.2019	31.12.2020	31.12.2021
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	355,667	358,889	361,062
Provisions for general banking risks	63,150	63,150	63,150
Retained earnings	156,754	159,929	158,736
Total	**928,574**	**934,970**	**935,951**

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

2/4 Shares and participation certificates

The registered shares A of VP Bank are freely tradable on SIX Swiss Exchange Ltd. The registered shares B are not listed, but are widely held among the regional population. Both share categories bestow the membership rights provided for in the Liechtenstein Persons and Companies Act (PCA) and the company's Articles of Association.

Each registered share A (par value of CHF 10.00) and each registered share B (par value of CHF 1.00) grants the holder the right to one vote at the annual general meeting of VP Bank, irrespective of the par value of the share.

VP Bank has issued no participation certificates.

2/5 Dividend-right certificates

VP Bank has issued no dividend-right certificates.

2/6 Limitations on transferability and nominee registrations

The registration and transfer of registered shares is regulated in detail in Art. 7 of the Articles of Association.[3] Only shareholders entered into the share register are entitled to exercise membership rights vis-à-vis the company.

The Board of Directors can refuse to enter holders of registered shares B into the register of shareholders on important grounds (Art. 7a of the Articles of Association). During the reporting year, the Board of Directors did not make use of their powers of authority in this respect.

2/7 Convertible bonds and options

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

3 / Board of Directors

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

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

3/1 Members of the Board of Directors

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

As a bank, VP Bank maintains business relationships with numerous domestic and foreign companies.

This is also true for the members of the Board of Directors as well as for individuals or legal entities that are closely related to the Board members.

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

At the Annual General Meeting of 30 April 2021, Dr Thomas R. Meier was re-elected for a term of office of three years. Following the annual general meeting, Dr Thomas R. Meier was confirmed by the Board of Directors in his position as Chairman.

Fredy Vogt did not stand for re-election and stepped down from the Board of Directors. He had been elected to the Board of Directors in 2012 and was its Chairman until April 2020. Prior to his service on the Board of Directors, Fredy Vogt had worked since 1987 in various positions at VP Bank, including 16 years on the Executive Board.

Philipp Elkuch was elected to the Board of Directors for a term of three years. Philipp Elkuch will bolster the digital expertise on the Board of Directors and maintain the connection with the home market of Liechtenstein.

3/2 Other activities and vested interests

The other activities of the members of the Board of Directors and any interests can be found in the biographies in section 3.1.

3/3 Number of authorised activities

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

Name	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[1]
Markus Thomas Hilti	1951	Vice Chairman	1992	2022	Nomination & Compensation Committee
Philipp Elkuch	1969	Member	2021	2024	Nomination & Compensation Committee, Strategy & Digitalisation Committee
Dr Beat Graf	1964	Member	2014	2023	Audit Committee, Risk Committee
Ursula Lang	1967	Member	2016	2022	Audit Committee, Risk Committee[1]
Dr Gabriela Maria Payer	1962	Member	2016	2022	Nomination & Compensation Committee, Strategy & Digitalisation Committee
Michael Riesen	1962	Member	2014	2023	Audit Committee[1], Risk Committee
Katja Rosenplänter-Marxer	1981	Member	2020	2023	Audit Committee, Risk Committee

[1] Chairperson

[3] The Articles of Incorporation online: vpbank.com/regulations

DR THOMAS R. MEIER /
Chairman of the Board of Directors, Chairman of the Nomination & Compensation Committee and the Strategy & Digitalisation Committee

MARKUS THOMAS HILTI /
Vice Chairman of the Board of Directors and Member of the Nomination & Compensation Committee

PHILIPP ELKUCH /
Member of the Nomination & Compensation Committee and the Strategy & Digitalisation Committee

DR IUR. BEAT GRAF /
Member of the Audit Committee and the Risk Committee

01 / DR THOMAS R. MEIER

Born 1962, Swiss

Education

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

Professional background

Since 2017: TRM Consulting AG, Herrliberg, Independent Advisor; 2005–2017: Bank Julius Baer & Co. Ltd., Zurich; 2015–2017: 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 of 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: Various positions at the Credit Suisse Group

Other activities and vested interests

Member of the Board of Directors, the Audit Committee and the Risk Committee of Leonteq Ltd., Zurich; Board Member of Smiling Gecko social enterprise (NGO), Dübendorf; Owner of Cardeira, Portugal and Switzerland; Member of Global Family Wealth Strategy Advisory Committee of China Construction Bank Trust Co., Ltd, Beijing (China); Member of the Advisory Board of Hywin Holdings Ltd., Shanghai (China)

02 / MARKUS THOMAS HILTI

Born 1951, Citizen of Liechtenstein

Education

1976: lic. oec. degree, University of St. Gallen (HSG)

Professional background

Since 1990: Martin Hilti-Familientreuhänderschaft, Schaan; since 2010: Protector of the Martin Hilti-Familientreuhänderschaft; 1990–2010: Administrative Trustee of the Martin Hilti-Treuhänderschaft; 1981–1990: Hilti Western Hemisphere, Tulsa (USA); 1987–1990: Member of Executive Management, responsible for product management, procurement, development and quality assurance as well as Head of the company's factory in Tulsa (USA); 1981–1987: Various posts in the fields of finance, product management and sales; 1977–1980: Coopers & Lybrand, White Plains, New York (USA), Auditor

Other activities and vested interests

Member of the Board of Trustees of the "U.M.M. Hilti-Stiftung" foundation, Schaan (➔ section 1.2); Member of the Board of Trustees of the TTSF-Top Talent Sport Foundation, Vaduz; Member of the Board of Directors and Executive Board of Golf Gams-Werdenberg AG, Gams

03 / PHILIPP ELKUCH

Born 1969, Citizen of Liechtenstein

Education

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

Professional background

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

Other activities and vested interests

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

04 / DR IUR. BEAT GRAF

Born 1964, Swiss

Education

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

Professional background

Since 2004: Allgemeines Treuunternehmen (ATU), Vaduz; Since 2015: Chairman of the Council of Trustees, Chairman of the Executive Board and Member of the Board of Directors of various ATU Group companies; 2012–2015: Member of Executive Management and responsible for the coordination of all ATU subsidiaries; 2007–2012: Member of Executive Management and Head of Compliance; 2004–2007: Head of Compliance; 1999–2004: LM Legal Management AG, St. Gallen, Founding Partner and Managing Director; 1991–1999: UBS 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.

05 / URSULA LANG

Born 1967, Swiss

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 the region of Switzerland and the business area Private Banking & Wealth Management; 2008–2011: Head of Compliance Switzerland and, from 2009, also Co-Head of Global Compliance; 2006–2008: Global Head of Anti-Money Laundering Compliance; 2000–2006: Compliance employee at Credit Suisse Private Banking and Credit Suisse Financial Services; 1998–2000: Employee in the Legal department; 1996–1998: Stiffler & Nater Rechtsanwälte, Zurich, attorney-at-law; 1994–1996: District Court of Horgen, Zurich, legal trainee and clerk

Other activities and vested interests

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

06 / DR GABRIELA MARIA PAYER

Born 1962, Swiss

Education

2004: Advanced HR Executive Program at the Michigan Business School, Michigan (USA); 1995: Mastering Change in Financial Services at the International Institute for Management Development (IMD), Lausanne; 1990: Dr phil. degree, University of Zurich; 1987: Degrees in Languages and Business Economics, University of Zurich (Switzerland) and Sorbonne University, Paris (France)

Professional background

Since 2012: PAYERPARTNER, St. Moritz, Creative Business Development, Management Consulting; 2012–2017: Swiss Finance Institute, Zurich, Head of Education and Member of Executive Management; 1993–2012: UBS Inc., Zurich; 2009–2012: Founder and Head of UBS Business University for all divisions; 2005–2009: Global Head of Human Resources Wealth Management & Business Banking; 1998–2004: Founder and Head of UBS e-banking and Marketing Technology; 1993–1998: Head of Marketing and Distribution Region Switzerland; 1990–1993: American Express, Zurich, London (England) and Frankfurt (Germany), Marketing and Project Manager; 1988–1989: Scheller Informatik Gruppe, Brugg, Head of Communication; 1984–1987: IBM Switzerland Ltd, Zurich, student trainee

Other activities and vested interests

Chairwoman of the Board of Directors, "SGO Stiftung Gesundheitsversorgung Oberengadin", Samedan; Vice Chairwoman of the Board of Directors, Chairwoman of the Nomination and Compensation Committee and Member of the Audit and Risk Committee, Sygnum Bank Ltd, Zurich, Switzerland and Singapore; Member of the Board of Directors, Chairwoman of the Nomination and Compensation Committee and Member of the Investment and Risk Committee, Helvetia Group AG, St. Gallen; Member of the Advisory Board, "CAS in General Management für Verwaltungsräte", University of Berne; Member of the Advisory Board, Center for Human Resource Management, University of Lucerne; Member of the Advisory Board of the University of Lucerne

07 / MICHAEL RIESEN

Born 1962, Swiss

Education

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

Professional background

Since 2014: Independent management consultant; 1987–2013: Ernst & Young Ltd, Zurich, Review and advisory services for complex national and international financial institutions (since 1995: as Lead Auditor of banks and collective investments licensed by FINMA, since 1998: as Partner of Ernst & Young); 2010–2012: Sponsoring Partner of Ernst & Young EMEIA Sub-Area Financial Services' global Assessment of Service Quality (ASQ) programme; 2008–2012: Managing Partner Quality & Risk Management as well as Member of the Management Committee of Ernst & Young EMEIA Sub-Area Financial Services; 2008–2010: Managing Partner Financial Services and a Member of Executive Management; 2006–2008: Country Managing Partner Assurance Financial Services as well as Member of Executive Management; 2005–2006: Head Assurance Financial Services as well as Member of Executive Management; 2004: Head of an Assurance Financial Services unit; 2000–2003: Head Professional Practice Banking Audit; 1985–1987: Schweizerische Bundesbahnen (Swiss Federal Railways), Organisation & Audit department, Berne, Internal Auditor; 1981–1984: Municipality of Steffisburg, municipal clerk; 1980–1981: Energy and Transport Operations, City of Thun, Member of the Natural Gas Conversion project team

Other activities and vested interests

None

08 / KATJA ROSENPLÄNTER-MARXER

Born 1981, German

Education

2010: Specialist course in commercial and company law at Deutsche Anwalt Akademie (German Lawyers' Academy); 2010: Admission to the German bar; 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: Graduate Certificate in Public Management, Northern Arizona University, Flagstaff (USA); 2005: First state law exam, Magister iuris (Germany); 2000–2005: Law Degree, University of Constance (Germany)

Professional background

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

Other activities and vested interests

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

MICHAEL RIESEN /
Chairman of the Audit Committee and
Member of the Risk Committee

URSULA LANG /
Chairwoman of the Risk Committee and
Member of the Audit Committee

KATJA ROSENPLÄNTER-MARXER /
Member of the Audit Committee and the Risk Committee

DR GABRIELA MARIA PAYER /
Member of the Nomination & Compensation Committee
and the Strategy & Digitalisation Committee

3/4 Election and term of office

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

3/5 Internal organisation

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

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

3/5/1 Division of tasks within the Board of Directors

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

3/5/2 Composition, tasks and areas of responsibility of the Board committees

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

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

Nomination & Compensation Committee

The Nomination & Compensation Committee comprises the following members: Dr Thomas R. Meier (Chairman), Markus Thomas Hilti, Philipp Elkuch and Dr Gabriela Maria Payer. 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 his management and coordination duties, as well as the entire Board of Directors on matters of corporate governance, organisation and monitoring of business developments;
- defining the criteria for the election of Board members; performing the evaluation and submitting the related motions to the Board of Directors;
- submitting motions to the Board of Directors on the composition of the Committees of the Board of Directors;
- preparing and submitting motions to the Board of Directors concerning the appointment of the Chief Executive Officer and – in collaboration with the Chief Executive Officer – of the remaining members of Executive Management;
- submitting proposals to the Board as to the compensation to be paid to the members of Executive Management;
- dealing with fundamental issues concerning personnel policy (e.g. salary and equity participation systems, management development, succession planning, staff welfare benefits) for the attention of the Board of Directors;
- submitting motions to the Board with regard to the compensation paid to the Chairman and other members of the Board of Directors.

Audit Committee

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

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

[4] The Organisation and Business Regulations online: vpbank.com/regulations

- 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 Beat Graf, Michael Riesen and Katja Rosenplänter-Marxer belong to the Risk Committee. The Risk Committee assists the Board of Directors in fulfilling the tasks assigned to it under the Banking Act regarding the overall management, supervision and control of the head office and of VP Bank Group. Pursuant to section 3.4 OBR, the Risk Committee is responsible in particular for the following tasks:
- receiving and dealing with the reports of the CRO as well as assessing the appropriateness of procedures deployed to manage and monitor risks;
- critically assessing financial, business, reputational and operational risks as well as discussing these with the Chief Risk Officer;
- assessing the functional capability of risk management and monitoring as well as of the internal control system;
- assessing the functional capability of the measures taken designed to ensure compliance with and observance of legal (e.g. compliance with capital adequacy, liquidity and risk diversification provisions) and internal provisions (compliance);
- receiving and dealing with the reports of Legal, Compliance & Tax;
- assessing the quality (effectiveness) of risk governance as well as the cooperation between Risk Management, Risk Monitoring, Group Executive Management, 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, presenting a plan with corrective measures;
- evaluating whether the incentives offered as part of the system of compensation take into account the risk, equity, liquidity as well as the probability and timing of revenues;
- advising the Board of Directors on the appointment or removal of the Chief Risk Officer.

Strategy & Digitalisation Committee
Dr Thomas R. Meier (Chairman), Dr Gabriela Maria Payer and Philipp Elkuch belong to the Strategy & Digitalisation Committee. The Strategy & Digitalisation Committee assists and advises the Board of Directors on strategic issues and projects. Pursuant to section 3.5 OBR, the following tasks, in particular, are incumbent on it:
- preparing strategic issues for the attention of the Board of Directors;
- handling strategic issues on an in-depth basis (e.g. digitisation in banking);
- ensuring on-going steering and management processes in the area of strategy;
- reviewing strategy periodically and on an ad hoc basis (strategy review);
- reviewing the implementation of strategic measures (strategy controlling);
- ensuring that strategy is well embedded within the Bank;
- examining the strategic fit of mergers, acquisitions, cooperation partnerships, business cases, etc.;
- raising the outward and market orientation as well as the innovative capacity of the Bank.

3/5/3 Modus operandi of the Board of Directors and its committees

At the invitation of the Chairman, the Board of Directors normally meets 8 to 10 times per year as well as for one strategy meeting in camera and an innovation day. In principle, the meetings consist of three parts:
- a Board-internal part;
- a consultative part during which members of the Executive Board and Group Executive Management are also in attendance to present their proposals and exchange information;
- a decision-taking part during which the Board of Directors arrives at its decisions. In order to be informed at first hand, the CEO is also present during the decision-taking part of Board meetings.

Specific topics addressed by the Board of Directors and its committees can require, if needed, that further individuals are 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 2021, the Board of Directors held eight ordinary meetings and four extraordinary meetings. In addition, together with the Executive Board, the Board of Directors held two all-day workshops concerning strategy and innovation.

The Nomination & Compensation Committee usually meets 6 to 10 times per annum. In case of need, the CEO participates in the meetings of the Nomination & Compensation Committee in an advisory capacity. During 2021, the Nomination & Compensation Committee met on a total of six 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 eight ordinary meetings and one extraordinary meeting. At one joint meeting with the Risk Committee, an exchange of information took place with the Executive Board regarding the quality of the internal control system and other matters.

The Risk Committee usually meets on five to eight occasions per annum. The Chief Risk Officer and the Head of Group Internal Audit attend the meetings. Last year, the Risk Committee convened for seven ordinary meetings and one extraordinary meeting. At one joint meeting with the Audit Committee, an exchange of information took place with the Executive Board regarding the quality of the internal control system and other matters.

Name	Board of Directors	Nomination & Compensation Committee	Audit Committee	Risk Committee	Strategy & Digitalisation Committee
Number of meetings	14	6	9	8	8
Dr Thomas R. Meier	14	6			8
Markus Thomas Hilti	14	6			
Philipp Elkuch[1]	8	4			5
Dr Beat Graf	14		9	8	
Ursula Lang	14		9	8	
Dr Gabriela Maria Peyer	14	6			8
Michael Riesen	14		9	8	
Katja Rosenplänter-Marxer	14		9	8	
Fredy Vogt[2]	6	2			2

[1] Member of the Board of Directors since 30 April 2021.
[2] Member of the Board of Directors until 30 April 2021.

The Strategy & Digitalisation Committee usually meets on six to eight occasions per annum. The CEO and others representatives of the Executive Board attend the meetings. In 2021, the Strategy & Digitalisation Committee met for a total of eight meetings.

Chairman Emeritus

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

3/6 Rules on competences

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

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

The segregation of functions between the Board of Directors and the Executive Board / Group Executive Management is also evident in the organisational chart (➔ page 26).

3/7 Information and control instruments vis-à-vis the Executive Board and Group Executive Management

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

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

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

A further important instrument to assist the Board of Directors in fulfilling its supervisory and control function is Group Internal Audit which conducts its activities in compliance with the internationally recognised standards of the Swiss Institute of Internal Auditing and the Institute of Internal Auditors (IIA). The duties and powers of Group Internal Audit are laid down in specific regulations. As an independent body, it examines in particular the internal control system, management processes and risk management.

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

4 / Executive Board and Group Executive Management

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

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

4/1 Members of the Executive Board and Group Executive Management

As of 31 December 2021, the Executive Board and Group Executive Management were made up of the following individuals:

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

Since 2020, Roger Barmettler has held the position of CFO on an interim basis of VP Bank Group. As of 1 March 2021, the Board of Directors appointed Roger Barmettler Chief Financial Officer (CFO) and Member of the Executive Board and Group Executive Management.

4/2 Other activities and vested interests

The other activities of the members of Executive Management and any interests can be found in the biographies in section 4.1.

4/3 Number of authorised activities

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

4/4 Management contracts

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

5 / Compensation, shareholdings and loans

5/1 Content and method of determining compensation and equity participation programmes

The details and procedures to determine compensation and of the equity participation programmes of the Board of Directors and Executive Board are described in the compensation report (➔ pages 92 ff.).

5/2 Transparency of compensation, shareholdings and loans from foreign-domiciled issuers

As an issuer domiciled outside Switzerland, VP Bank discloses information on compensation, shareholdings and loans as provided for in section 5.3 of the Appendix to the Corporate Governance Directive dated 18 June 2021, i.e. by analogy to Art. 14 to 16 ERCO. The details in this regard can be found in the financial report and individual company accounts of VP Bank Ltd, Vaduz (➔ pages 192 ff.).

6 / Shareholders' participation rights

6/1 Voting right restrictions and proxies

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

6/2 Statutory quorums

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

6/3 Convocation of the annual general meeting

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

6/4 Agenda

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

PAUL H. ARNI /
Chief Executive Officer (CEO)
of VP Bank Group

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

TOBIAS WEHRLI /
Head of Intermediaires &
Private Banking at VP Bank Group

01 / PAUL H. ARNI

Born 1964, Swiss

Education

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

Professional background

Since 2019: VP Bank Ltd, Vaduz, Chief Executive Officer; 2017–2019: Deutsche Bank (Switzerland) AG, Zurich, Head of Wealth Management Switzerland and Member of Executive Management; 2014–2017: Bank Julius Baer & Co. Ltd., Zurich, Market Head Zurich, Deputy Regional Manager Switzerland, Member of the Management Advisory Board; 2008–2014: Credit Suisse AG, Zurich 2012–2014: Global COO Private Banking; 2008–2012: Regional Head Zurich and Head of Private Banking Switzerland for the Zurich Region; 1993–2008: UBS 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 (Switzerland) AG, Dielsdorf, Dealership Business Consultant and Sales Zone Manager for the Zurich Region; 1985–1990: PBZ Privatbank, Zurich, Assistant to the Board of Management and employee in the Capital Markets department

Other activities and vested interests

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

02 / ROGER BARMETTLER

Born 1972, Swiss

Education

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

Professional background

Since 2020: VP Bank Ltd, Vaduz; since 03/2021: Chief Financial Officer; 06/2020–02/2021: 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

03 / TOBIAS WEHRLI

Born 1977, Swiss

Education

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

Professional background

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

Other activities and vested interests

None

04 / THOMAS VON HOHENHAU

Born 1983, German and Swiss

Education

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

Professional background

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

Other activities and vested interests

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

05 / PATRICK BONT

Born 1975, Swiss

Education

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

Professional background

Since 2020: VP Bank Ltd, Vaduz, Liechtenstein, Chief Risk Officer; 2009–2020: FMA Financial Market Authority Liechtenstein, Vaduz; 2016–2020: Member of Executive Management, Division Manager "Banking"; 2013–2015: Member of Executive Management, Division Manager "Other Financial Intermediaries"; 2010–2013: Head of Legal and International Affairs; 2009–2010: Lawyer, Executive Board staff; 2001–2009: UBS 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

06 / DR URS MONSTEIN

Born 1962, Swiss

Education

1996: Swiss Banking School, Zurich; 1994: Dr iur., University of St. Gallen; 1991: lic. oec., University of St. Gallen; 1988: lic. iur., University of St. Gallen

Professional background

Since 2018: VP Bank Ltd, Vaduz; since 2018: Chief Operating Officer (COO); 02–09/2019: 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, research assistant (tax law, public law)

Other activities and vested interests

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

PATRICK BONT /
Chief Risk Officer (CRO) of VP Bank Group

THOMAS VON HOHENHAU /
Head of Client Solutions
of VP Bank Group

DR URS MONSTEIN /
Chief Operating Officer (COO)
of VP Bank Group

6/5 Entries in the share register / invitation to the annual general meeting

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

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

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

7 / Change of control and defensive measures

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

The Articles of Association of VP Bank contain no comparable regulations as to "opting-out" and "opting-in" as reflected in the Swiss provisions. Neither do any change of control clauses exist in favour of the members of the Board of Directors or the Executive Board or Group Executive Management. The provisions of the Liechtenstein Act on Takeovers (TOA) apply.

8 / Auditors

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 30 April 2021, PricewaterhouseCoopers AG were reappointed as Group and statutory auditors for the 2021 financial year.

Rolf Birrer has been the lead auditor since 2020.

8/2 Audit fee[1]

in CHF 1,000	2021	2020
Audit of annual financial statements	565	593
Other audit-related and certification services	662	521
Total	**1,227**	**1,114**

[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 1,226,886 for the 2021 financial year (2020: CHF 1,113,995).

8/3 Additional professional fees[1]

in CHF 1,000	2021	2020
Tax-advisory services	273	285
Other services	6	332
of which audit-related services	5	
of which legal services		
of which other advisory services	1	332
Total	**279**	**617**

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

In the 2021 financial year, PricewaterhouseCoopers billed CHF 272,625 (2020: CHF 285,135) for services rendered, mainly in connection with tax services for investment funds.

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

8/4 Supervisory and control instruments in relation to the external audit

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

All reports by the external auditors are reviewed at the meetings of the Audit Committee. In 2021, 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 on the basis of checklists and professional fee comparisons within the auditing industry. Based on this evaluation, a motion is submitted to the Board of Directors for the attention of the annual general meeting as regards the election of the external auditors and Group Auditors.

9 / Information policy

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

VP Bank informs shareholders and capital market participants in an open, comprehensive and timely manner. Its information policy is based on the principle of equal treatment of all capital market participants. VP Bank informs shareholders and capital market participants by means of detailed annual and semi-annual reports, which are drawn up for VP Bank Group in accordance with International Financial Reporting Standards (IFRS), as well as via media releases concerning the latest changes and developments. As a company listed on SIX Swiss Exchange Ltd, VP Bank is also subject in particular to the obligation to immediately publicise any price-sensitive events (ad hoc publicity obligation).

Agenda

Annual General Meeting: 29 April 2022
Semi-Annual Report 2022: 17 August 2022

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

VP Bank Ltd
Daniela Jenni
Head of Corporate Communications
Aeulestrasse 6 · 9490 Vaduz
T +423 235 65 22 · investor.relations@vpbank.com
www.vpbank.com

10 / Trading lock-up periods

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

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

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

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

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

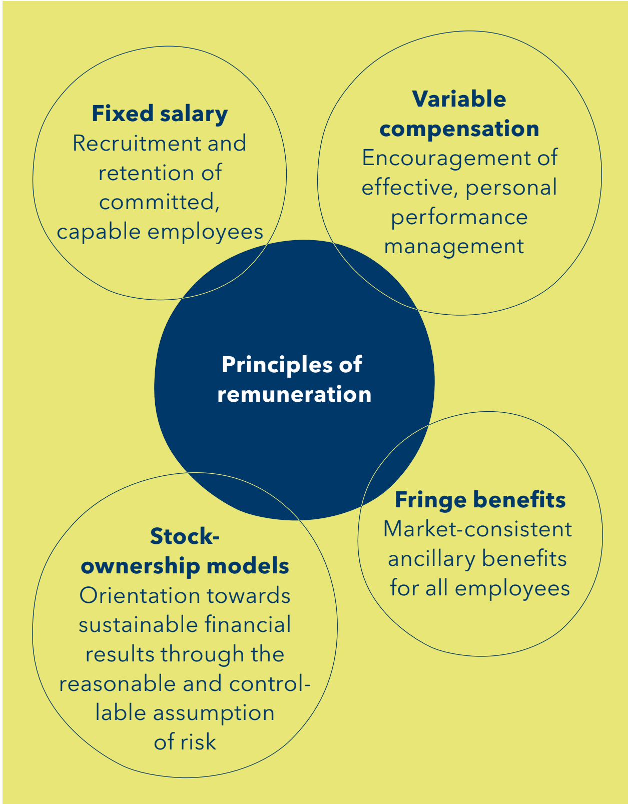
Allocations of shares as part of stock-ownership and other incentivisation plans are not considered to be a purchase and the corresponding allocation date is therefore not relevant for adherence to the retention periods.

Regulatory framework

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

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

Furthermore, relevant content is set out in specific terms in Annex 1 and Annex 4.4 of the Liechtenstein Ordinance on Banks and Securities Firms (Banking Ordinance, BankO). The compensation policy of VP Bank Group corresponds to the size of VP Bank, its internal organisation and the scope and complexity of its business model. This primarily encompasses the offering of banking services for financial intermediaries and private clients in the disclosed target markets, in Liechtenstein and at the other locations as well as services for investment funds, special purpose vehicles and tokenisation. Details of the business model can be found in the chapter Strategic orientation.



Principles of compensation

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

The long-standing compensation practices of VP Bank correspond to the business model of VP Bank as wealth manager and private bank. The principles applied are laid down in the compensation policy.

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

Components of compensation

The total compensation of the employees of VP Bank Group comprises a fixed compensation, an additional variable salary, equity-participation programmes, 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, identified employees, which include the Group Executive Management (GEM), receive a maximum variable compensation which complies with the legal relationship to the annual salary (maximum of 1:2). Limitation of the ratio of fixed to variable compensation at VP Bank to a maximum of 1:2 was approved by shareholders at the 53rd annual general meeting on 29 April 2016.

Fixed salary

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

Variable compensation

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

Funding of variable compensation

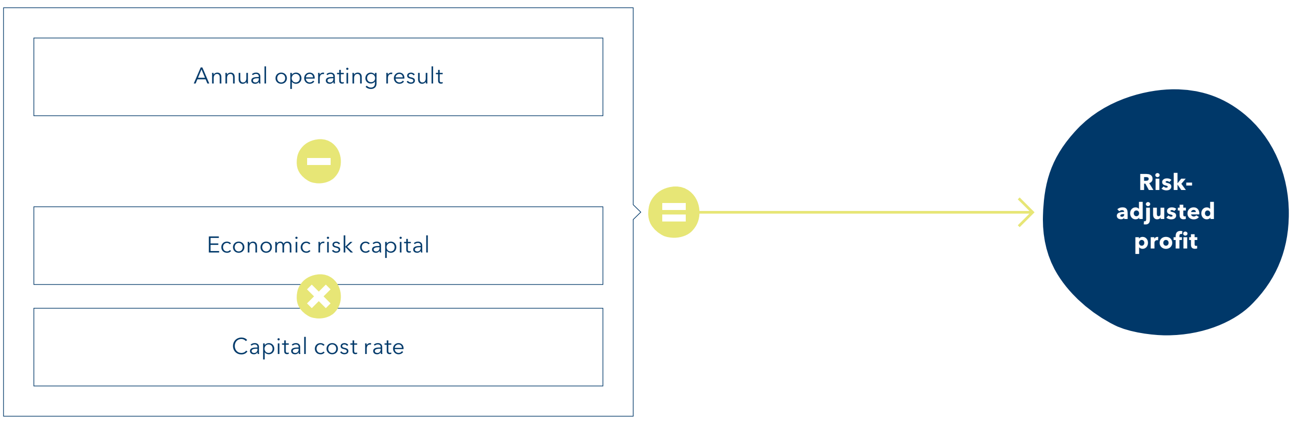
The total amount of variable compensation is determined by the Board of Directors within a range known as the "value share" and is based primarily on the net profit of VP Bank Group. The Board of Directors makes a facts-based assessment of the total amount of variable compensation and can adapt the amount on a limited scale. In times of adverse operating conditions, the overall amount of variable compensation is reduced accordingly and can even amount to zero. This takes into consideration the multi-annual, risk-adjusted profitability of VP Bank Group (cf. table 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.

Allocation of variable compensation

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

CALCULATION OF THE RISK-ADJUSTED PROFIT



Payment of variable compensation

- **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 deploys, in principle, equity-share and index-based schemes which are exposed to the market risk as deferred compensation instruments. Entitlement to deferred compensation instruments is dependent on the function exercised and the individual. It is confirmed by a certificate of allocation. Through the deployment of deferred compensation instruments, VP Bank Group complies with the legal regulations concerning payment schemes for risk takers, i.e. 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.
- **Malus and claw-back rules:** 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.

Equity-participation programmes

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.

A Performance Share Plan (PSP) exists for the Executive Board and selected key managers. The PSP is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd. At the end of the three-year plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of VP Bank registered shares A.

The Restricted Share Plan (RSP) may also be used, in individual justified cases, to compensate for any postponed variable salary components, to implement special retention measures or to compensate for loss of benefits at previous employers. The RSP will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A.

Content and method of determining compensation and equity-participation programmes

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.

The Nomination & Compensation Committee (see chapter on Corporate Governance under point 3.5.2 ➔ page 82) makes proposals to the Board of Directors on the principles underlying compensation as well as the level of compensation paid to the members of the Board of Directors and the Executive Board. The Board of Directors approves these principles and determines the amount of total compensation payable to itself and the members of the Executive Board in keeping with the applicable regulations.

Board of Directors

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

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

Nomination & Compensation Committee

The Nomination & Compensation Committee comprises the members Dr Thomas R. Meier (chairman), Philipp Elkuch, Markus Hilti and Dr Gabriela Payer. As a rule, it convenes six to ten times per annum. In case of need, the CEO participates in the meetings of the Nomination & Compensation Committee in an advisory capacity.

During 2021, the Nomination & Compensation Committee met on a total of six occasions.

Executive Board

In accordance with the model approved by the Board of Directors on 5 July 2018, the compensation payable to the Executive Board consists of the following three components:

1. A fixed base salary that is contractually agreed between the Nomination & Compensation Committee and the individual members. In addition to the base salary, VP Bank pays proportionate contributions to the management insurance scheme and the pension fund.
2. The Performance Share Plan (PSP) is a long-term variable management equity-participation programme in the form of registered shares A of VP Bank Ltd and promotes the long-term commitment of management in the form of equity shares. At the end of the plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of equity shares. This vesting multiple is determined from the weighting of an average Group net income and the average net inflow of new client assets over a three-year period.
   Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences and in extraordinary situations. The share of the PSP generally makes up 60 per cent of total variable performance-related compensation. In 2021, the share of the PSP made up 80 per cent of the total variable compensation.
3. A cash compensation, the share of which generally amounts to 40 per cent of total variable performance-related compensation. In 2021, the share of the profit-related participation made up 20 per cent of the total variable compensation.

Each year, the Board of Directors lays down the planning parameters of the profit-related compensation (PSP and cash-based compensation) for the following three years. The target share of total compensation varies according to function and market customs.

In 2021, 3,327 shares with a market value as of the date of allocation aggregating CHF 397,909.20 were transferred to the Executive Board as part of the 2018–2020 management equity-participation plan and the RSP 2018–2020. The vested benefits from previous management equity-participation plans (2019–2021, 2020–2022 and 2021–2023) continue to run unchanged until the end of the plan period.

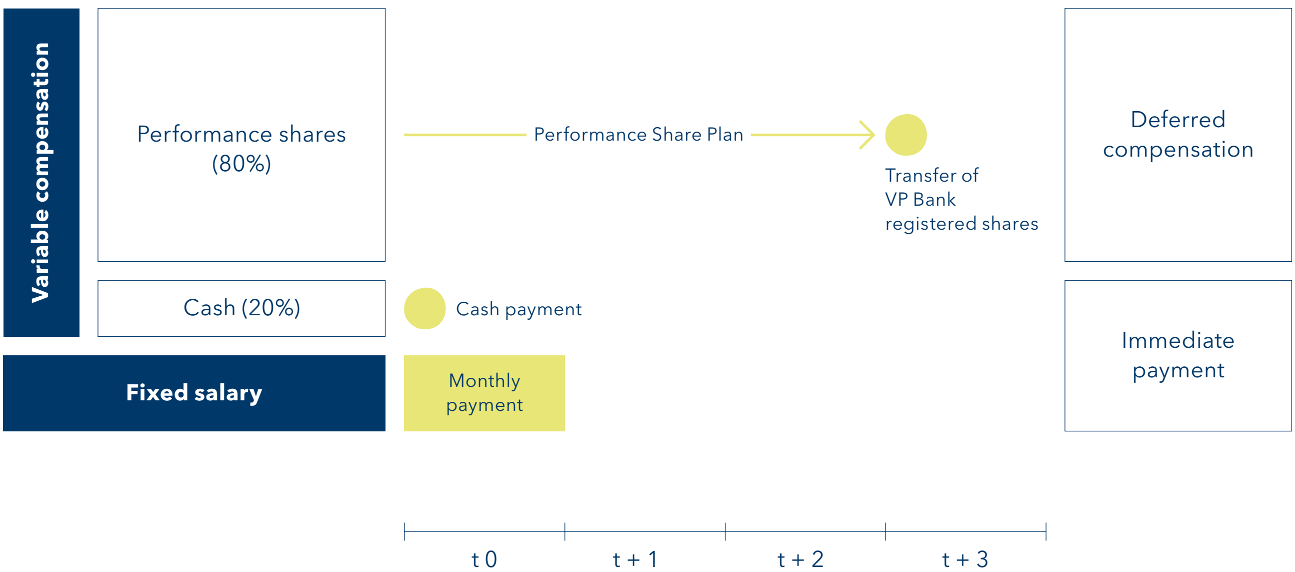
VP Bank has concluded no agreements on severance pay with members of the Executive Board.

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

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.

INSTRUMENTS OF VARIABLE REMUNERATION



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

Individuals and functions subject to particular provisions

Employees having a particularly large impact on the risk profile of the bank are designated as risk takers. VP Bank identifies the members of the Board of Directors and Executive Board as well as selected functions as decision-makers and substantial risk takers. These are in particular the heads of the units "Group Internal Audit", "Group Compliance", "Group Finance", "Group Investment Center", "Group Operations", "Intermediaries", "Private Banking", "Group Information Technology", "Group Human Resources", "Group Treasury & Execution", "Group Credit Risk", "Chief of Staff CEO" and the members of the Credit Committee and the CEOs of the subsidiaries with bank status and other employees identified on the basis of quantitative criteria.

Individuals performing compliance and control functions are predominantly remunerated with fixed compensation components. Their variable compensation elements do not depend on the success of the business units which they verify or monitor.

Compliance with compensation provisions

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

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

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

Determination of compensation (governance)

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. It determines the fixed and variable compensation for the Members of Group Executive Management and for the Head of Group Compliance. The Nomination & Compensation Committee supports the Board of Directors in all issues involving the setting of salaries, defines – together with Group Executive Management – those individuals designated as risk takers and monitors their compensation. Together with Internal Audit, the Nomination & Compensation Committee reviews compliance with the compensation policy.

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 the second-management-level heads, including the managers in charge of subsidiary companies. Furthermore, it issues annual implementing regulations to the companies and/or supervisors for the fixing of individual variable salaries.

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.

Quantitative information on compensation

Information on the compensation of members of the Board of Directors of VP Bank Ltd as well as the members of the Executive Board are to be found in the financial report, the stand-alone financial statements of VP Bank Ltd, Vaduz, under Compensation paid to members of governing bodies (➔ page 205).

Disclosures regarding personnel expense are set out in the Financial Report 2021 of VP Bank Group under 6 Personnel expense (➔ page 153).

The aggregate compensation paid to all risk takers in 2021 amounted to:

	CHF	Share of total compensation
Fixed basic salary	9,595,660	65%
Short-Term Incentive (STI, cash) for performance year 2020	1,063,049	7%
Restricted Share Plan (RSP) entitlement for performance year 2020	–	–
Performance Share Plan (PSP) entitlement relating to performance 2021–2023	2,983,924	20%
Pension fund senior employees, employer contributions	1,099,016	7%
Total compensation	**14,741,649**	**100%**
Vesting 2021, equity share value PSP 2018–2020 / RSP 2018–2020 RSP 2019–2021 / RSP 2020–2022	1,887,886	

Being an artist is all I know, it's my life. I'm grateful to have access to this language.

Landon Metz's paintings can potentially expand indefinitely in all directions in series.

TEXT / Uwe Wieczorek

Landon Metz's paintings do not have their creative origins primarily in the tradition of painting, although he is aware of their "historical baggage", referring, for example, to American colour field painting, more specifically to the works of Morris Louis, but also to those of Marcel Duchamp. Rather, it was probably above all the scenic impressions of his native Arizona, the striking topography of this North American desert state, that shaped his sensual attention and, beyond the visual, the practice of music, the sense of rhythm, of the alternation of silence and sound, of emptiness and fullness, and ultimately the knowledge of the works of John Cage, the master of silence.

Landon Metz paints monochrome shapes with an organic character and clearly defined outlines on unprimed canvas. Although each painting represents a self-contained unit, Metz prefers to place it in a series of several directly adjoining paintings with identical dimensions and identical shapes. The shapes are always cut by the edges of the picture and only completed by complementary shapes of the adjoining pictures. This means that each individual painting contains all the parts of an overall shape that belong together, but in a broken-up and opposing arrangement. Through the principle of combinatorial addition in series, the paintings can potentially expand indefinitely in all directions. As a matter of fact, Metz conceptually coordinates the display of his works at exhibitions with the structure of the rooms, creating either picture friezes, picture walls or picture steles. Nevertheless, each painting always remains conceivable and possible as an individual display.

Metz works with extreme care, applying the colour medium he has prepared himself with hair or foam brushes, following exactly the outlined shape on the canvas, which absorbs the liquid medium. The colours appear largely homogeneous, but become denser at the edges of the shapes, giving them a compact, sometimes even plastic effect. Generally, Metz makes use of the entire colour palette, but depending on the context and sentiment, he also makes a limited selection, right down to the monochromaticity of all the shapes in a series. Given the rhythmic repetition of the coloured shapes and the open spaces, a floating, sometimes dancing lightness emanates from all the picture sequences, which is transferred to the viewer and stimulates him or her.

TOP IMAGES / Landon Metz in his studio in New York's Chinatown.

IMAGE, LEFT / "MMXXI LXI", 2021 (detail)

Biography and artist portrait of Landon Metz
vpbank.com/landon-metz-en

TOP IMAGE / "Untitled" (detail see p. 97), 2019, Vaduz location, first floor.

CHAPTER 5

Segments

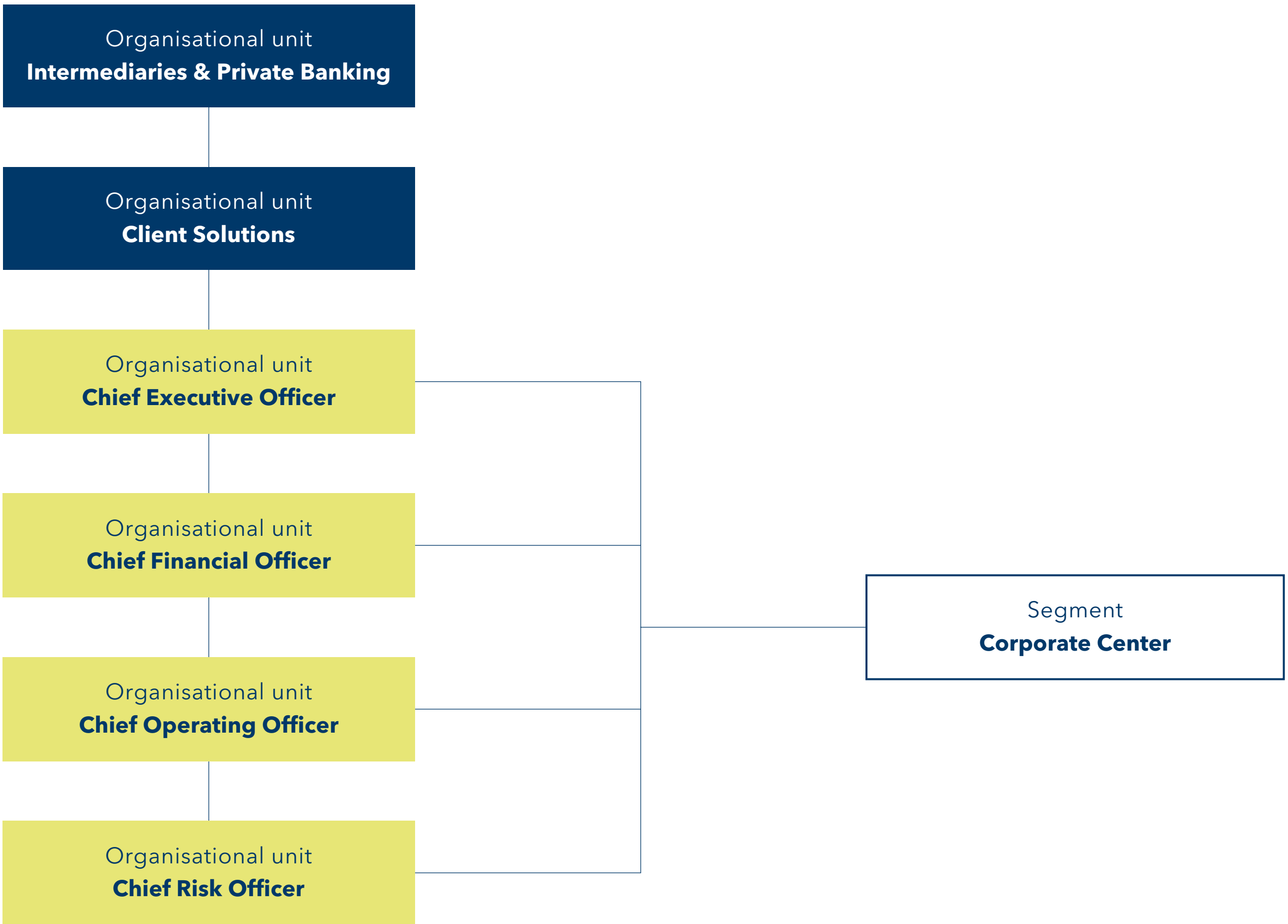
Structure

The external segment reporting reflects the organisational structure of VP Bank Group as of 31 December 2021 and the internal reporting to management. These form the basis for assessing the financial performance of the segments and the allocation of resources to the segments.

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

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

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



BUSINESS SEGMENT REPORTING 2021

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

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or prevailing market conditions. Recharged costs within the segments are subject to an annual review and are amended to reflect new economic conditions, where necessary.

[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 2020

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	101,345	1,677	10,543	113,565
Total net income from commission business and services	119,353	31,254	-10,628	139,980
Income from trading activities	31,808	2,479	22,346	56,632
Income from financial instruments	0	0	7,900	7,900
Other income	32	323	615	970
Total operating income	**252,538**	**35,733**	**30,776**	**319,047**
Personnel expenses	64,303	10,960	86,854	162,117
General and administrative expenses	7,816	4,973	46,075	58,864
Depreciation of property, equipment and intangible assets	5,584	527	22,652	28,763
Credit loss expenses	19,416	-30	-27	19,359
Provisions and losses	393	4	3	400
Services to/from other segments	55,074	2,421	-57,495	0
Operating expenses	**152,585**	**18,855**	**98,063**	**269,503**
Earnings before income tax	**99,953**	**16,878**	**-67,287**	**49,544**
Taxes on income				7,922
Group net income				**41,622**
Segment assets (in CHF million)	6,213	65	7,245	13,523
Segment liabilities (in CHF million)	9,808	898	1,792	12,498
Client assets under management (in CHF billion)[1]	36.0	11.5	0.0	47.4
Net new money (in CHF billion)	0.8	0.5	0.0	1.4
Headcount (number of employees)	356	81	553	990
Headcount (expressed as full-time equivalents)	334.2	75.3	507.5	917.1

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or prevailing market conditions. Recharged costs within the segments are subject to an annual review and are amended to reflect new economic conditions, where necessary.

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

SEGMENT RESULTS

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Total net interest income	96,461	101,345	-4,884	-4.8
Total net income from commission business and services	133,653	119,353	14,300	12.0
Income from trading activities	31,721	31,808	-87	-0.3
Income from financial instruments	0	0	0	n.a.
Other income	779	32	748	n.a.
Total operating income	**262,614**	**252,538**	**10,077**	**4.0**
Personnel expenses	68,801	64,303	4,498	7.0
General and administrative expenses	8,003	7,816	187	2.4
Depreciation of property, equipment and intangible assets	6,255	5,584	671	12.0
Credit loss expenses	-1,637	19,416	-21,053	-108.4
Provisions and losses	1,001	393	609	155.1
Services to/from other segments	58,398	55,074	3,324	6.0
Operating expenses	**140,820**	**152,585**	**-11,764**	**-7.7**
Segment earnings before income tax	**121,794**	**99,953**	**21,841**	**21.9**
ADDITIONAL INFORMATION				
Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / total operating income (in %)	51.5	50.4		
Operating expenses excluding valuation allowances, provisions and losses / total operating income (in %)	53.9	52.6		
Client assets under management (in CHF billion)	39.6	36.0		
Change in client assets under management compared to 31.12. prior year (in %)	10.2	1.6		
Net new money (in CHF billion)	0.8	0.8		
Total operating income / average client assets under management (bp) (gross margin)[1]	69.4	70.7		
Segment result / average client assets under management (bp)[1]	32.2	28.0		
Cost/income ratio operating income (in %)[2]	51.6	50.4	1.3	2.5
Headcount (number of employees)	384	356	28.0	7.9
Headcount (expressed as full-time equivalents)	360.0	334.2	25.7	7.7

[1] Annualised, average values.
[2] Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / gross income less other income and income from financial instruments.

Structure

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

Segment income

In 2021, pre-tax segment income rose by 21.9 per cent compared to the previous year, increasing from CHF 100.0 million to CHF 121.8 million.

Operating income increased by CHF 10.1 million or 4.0 per cent. This increase is mainly due to the income from commission business and services, which grew by 12.0 per cent. The acquisition of the client business of the private bank Öhman S.A., along with greater client assets and the associated higher recurring operating income, made a positive contribution to commission income. In addition to positive performance, net new money together with targeted client acquisition for discretionary mandates both contributed to this larger asset and earnings base. Compared to the previous year, net interest income from clients decreased by 4.8 per cent and trading activities by 0.3 per cent. US dollar and euro interest payments in client business contributed significantly to this negative movement in interest income.

Operating expenses fell by CHF 11.8 million or 7.7 per cent to CHF 140.8 million. This reduction is primarily due to the allowance for a single position of around CHF 20 million posted in the previous year. Personnel expense and depreciation and amortisation increased by CHF 4.5 million and CHF 0.7 million respectively, due in part to the acquisition of the private banking activities of the private bank Öhman S.A., as well as targeted investments in local and international client business.

At CHF 0.8 billion or 2.3 per cent, net new money continued to develop positively in 2021 despite the challenges posed by COVID-19. This can be attributed to the targeted recruitment of client advisors at our locations. Thanks to intensive market cultivation, a positive inflow of net new money was achieved both in Liechtenstein and at European locations. The acquisition of the client business of the private bank Öhman S.A. resulted in an increase in client assets of CHF 1.0 billion. These assets are not included in the net new money inflow of CHF 0.8 billion, but rather are disclosed separately. Client assets under management as of 31 December 2021 totalled CHF 39.6 billion (31 December 2020: CHF 36.0 billion). In the reporting year, the headcount increased from 334 positions to 360 positions, primarily due to the recruitment of new client advisors and the transfer of employees resulting from the Öhman acquisition.

SEGMENT RESULTS

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Total net interest income	516	1,677	–1,161	–69.2
Total net income from commission business and services	32,132	31,254	877	2.8
Income from trading activities	2,401	2,479	–78	–3.1
Income from financial instruments	330	0	330	n.a.
Other income	137	323	–186	–57.6
Total operating income	**35,515**	**35,733**	**-218**	**-0.6**
Personnel expenses	13,709	10,960	2,749	25.1
General and administrative expenses	6,155	4,973	1,181	23.8
Depreciation of property, equipment and intangible assets	588	527	61	11.6
Credit loss expenses	–4	–30	26	86.8
Provisions and losses	4	4	0	3.6
Services to/from other segments	2,952	2,421	531	21.9
Operating expenses	**23,404**	**18,855**	**4,548**	**24.1**
Segment earnings before income tax	**12,112**	**16,878**	**-4,766**	**-28.2**
ADDITIONAL INFORMATION				
Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / total operating income (in %)	64.2	51.4		
Operating expenses excluding valuation allowances, provisions and losses / total operating income (in %)	65.9	52.8		
Client assets under management (in CHF billion)	11.6	11.5		
Change in client assets under management compared to 31.12. prior year (in %)	1.6	0.9		
Net new money (in CHF billion)	–0.5	0.5		
Total operating income / average client assets under management (bp) (gross margin)[1]	30.8	31.3		
Segment result / average client assets under management (bp)[1]	10.5	14.8		
Cost/income ratio operating income (in %)[2]	65.1	51.8	13.3	25.6
Headcount (number of employees)	90	81	9.0	11.1
Headcount (expressed as full-time equivalents)	85.9	75.3	10.6	14.0

[1] Annualised, average values.
[2] Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / gross income less other income and income from financial instruments.

Structure

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

The new business unit is off to a successful start with the development of a modular, open investment and structuring platform that allows for systematic access to private market investment opportunities. The first private market financing transactions have already been structured and placed. The business unit assumes responsibility for earnings and income.

Segment income

In 2021, the pre-tax segment income decreased by CHF 4.8 million to CHF 12.1 million compared to the previous-year period.

Despite the decline in US dollar and euro interest income, operating income could be maintained at the previous year's level of just under CHF 36 million. Thanks to initial successes with the placement and financing of private market transactions, income from commission business and services increased by CHF 0.9 million.

Operating expenses increased by CHF 4.5 million to CHF 23.4 million, which can be attributed to the further development of the new business unit.

The fund business reported a new money inflow of CHF 1.1 billion. This strong development was impaired by the strategic repositioning and the corresponding outflow of the assets of a major fund client, which resulted in a net new money outflow of minus CHF 0.5 billion. Client assets under management as of 31 December 2021 totalled CHF 11.6 billion (31 December 2020: CHF 11.5 billion). The headcount rose from 75 positions to 86 positions.

SEGMENT RESULTS

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Total net interest income	13,012	10,543	2,469	23.4
Total net income from commission business and services	-9,310	-10,628	1,318	12.4
Income from trading activities	15,884	22,346	-6,462	-28.9
Income from financial instruments	11,122	7,900	3,222	40.8
Other income	1,028	615	412	67.0
Total operating income	**31,736**	**30,776**	**960**	**3.1**
Personnel expenses	91,492	86,854	4,637	5.3
General and administrative expenses	48,204	46,075	2,130	4.6
Depreciation of property, equipment and intangible assets	29,540	22,652	6,888	30.4
Credit loss expenses	-8	-27	19	71.5
Provisions and losses	8	3	5	157.0
Services to/from other segments	-61,350	-57,495	-3,855	-6.7
Operating expenses	**107,887**	**98,063**	**9,824**	**10.0**
Segment earnings before income tax	**-76,151**	**-67,287**	**-8,864**	**-13.2**
ADDITIONAL INFORMATION				
Headcount (number of employees)	538	553	-15.0	-2.7
Headcount (expressed as full-time equivalents)	492.6	507.5	-14.9	-2.9

Structure

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

Segment income

The pre-tax segment income in 2021 amounted to minus CHF 76.2 million as opposed to minus CHF 67.3 million in the prior year.

In 2021, operating income increased by CHF 1.0 million compared to the previous year, while the net interest income grew by CHF 2.5 million. This is largely due to optimisation of investments of liquid funds. Income from commission business and services saw a fall in revenues. This includes bank commissions that were invoiced to front business units by the service units through internal recharging. Income received from Group Treasury & Execution is reported under income from trading activities. This relates to income generated from the execution of foreign-exchange trades. Income from derivatives for risk minimisation and income from balance sheet management are disclosed under this position too. Income from trading activities decreased by CHF 6.5 million compared to the previous year. This reduction is mainly due to the reduced US dollar and euro interest margins. Income from financial investments totalled CHF 11.1 million in 2021 due to higher dividend income. This position recorded a result of CHF 7.9 million in the previous-year period.

Operating expenses in the reporting period increased by CHF 9.8 million to CHF 107.9 million. The reason for this increase was mainly the cost of strengthening the organisation along with investments in the IT strategy. Depreciation and amortisation increased compared to the previous year as a result of the outsourcing of the IT infrastructure to Swisscom, which is planned for the first half of 2022.

As soon as I set out for walks in nature, my thoughts immediately converge towards creative ideas.

TOP IMAGE / Sunhild Wollwage spends a lot of time in nature.

Sunhild Wollwage is a trained laboratory technician and has been working as a freelance artist for many years. She is originally from Stuttgart, but has lived in Liechtenstein for over 50 years.

TEXT / Cornelia Kolb-Wieczorek

Sunhild Wollwage's work unfolds against the background of an intense encounter with nature and its cycles, forces and transformations. Thoughts about the clash between nature and civilisation are a central theme here, without making an explicit moral claim. Instead, her works represent techniques of remembering, of securing and recording traces of past life, of noting what is perceived between sensuality and spirit.

During her daily walks, Wollwage's attention is drawn to small-scale, inconspicuous natural material, which she encounters in seemingly chaotic abundance. She counters this natural chaos with a creative order by mounting the collected materials in serial sequence on an image carrier, resembling a laboratory-like experimental arrangement. The pictographs thus created in the interplay between clear order structure and intuitive-emotional impulse possess an idiosyncratic, sensitive poetry. They "write" the history of everything that is all too easily overlooked, tell of the mysteries of creation and of primeval mystical motifs of movement, without demystifying them through scientific explanation.

Since around 2014, Wollwage has been creating panels of earth, pollen and soot, works with a delicate painting-like quality. Strips of different widths of the finest material collected over long periods of time are layered on top of each other in the manner of colour fields, like "memory layers". Next to them are compositions of egg-shaped surfaces, which, like earlier works, incorporate the iconographic meaning of the egg as a symbol of life and purity. But it is not just about symbolism: as is always the case in Wollwage's work, the material itself is in the foreground, the fleetingness and delicacy of the pollen, its yellow that seems to radiate from the past into eternity, this amorphous material that carries a form-giving spirit of life within it with quiet self-evidence. Then again, the magic of the different earths, the varying appeal of their glossy or matt appearance, their fine-toned colourfulness, the effect of a deep, dense black that combines with warm hues that one would like to attribute to Demeter, the goddess of the fertility of the soil, the seed and the grain.

Looking at the artist's work, which has been created over decades with authentic consistency, it becomes clear that the factor of time plays an essential role: the past, present and future, the becoming and passing of all living things. This is clearly reflected in the time-consuming process of artistic creation itself, and also in the fragility of the chosen material, which is marked by its decay that will occur sooner or later.

Biography and artist's profile of Sunhild Wollwage
vpbank.com/sunhild-wollwage-en

IMAGE, LEFT / “Blütenstaub-Erde” (detail see p. 107), ovals, 2013, Triesen location, first floor.

IMAGES, RIGHT / Sunhild Wollwage works with natural materials that she collects over long periods of time. By her own admission, she collects whatever the season offers – for example, soil or pollen – and later uses this material as the basis for her paintings.

CHAPTER 6

Financial report 2021 of VP Bank Group

Consolidated results

In 2021, VP Bank Group recorded a Group net income of CHF 50.6 million. Compared to the 2020 financial year with a Group net income of CHF 41.6 million, this corresponds to an increase of 21.7 per cent. The cost/income ratio improved from 84.5 per cent to 82.5 per cent.

Own funds

VP Bank Group has a strong capital base. As of 31 December 2021, the tier 1 ratio was 22.4 per cent. In December 2020, it was 20.8 per cent.

Client assets

As of 31 December 2021, VP Bank Group's client assets under management amounted to CHF 51.3 billion. This represents an increase of CHF 8.1 per cent (CHF 3.9 billion) on the CHF 47.4 billion recorded as of the end of the previous year. This increase was the result of a positive net new money inflow of CHF 0.3 billion, the acquisition of the client business from Öhman Bank S.A. of CHF 1.0 billion and a positive market performance of CHF 2.6 billion.

Custody assets increased by CHF 0.1 billion from CHF 7.4 billion to CHF 7.5 billion compared to the 2020 financial year, representing an increase of 0.7 per cent.

Client assets including custody assets amounted to CHF 58.8 billion as of 31 December 2021, an increase of CHF 3.9 billion compared to 31 December 2020 (custody assets of CHF 54.9 billion).

Income statement

Operating income

VP Bank recorded an operating income of CHF 329.9 million in the year under review. Compared with the same period of the previous year with an operating income of CHF 319.0 million, this corresponds to an increase of CHF 10.8 million or 3.4 per cent.

Income from commission business and services increased by CHF 16.5 million (11.8 per cent) to CHF 156.5 million. Due to the positive trends on the financial markets, recurring commission income from wealth management increased by CHF 18.8 million or 18.4 per cent and amounted to CHF 121.2 million as of 31 December 2021. Transaction-based commission income fell by 6.1 per cent to CHF 35.3 million compared to the previous year's income of CHF 37.6 million. Income from securities account fees increased by CHF 4.9 million or 25.6 per cent to CHF 24.1 million, as did income from fund management, which rose by 11.5 per cent to CHF 58.9 million.

Net interest income fell by CHF 3.6 million in comparison to the previous year to CHF 110.0 million in the year under review. Interest income fell by CHF 15.3 million, corresponding to a decrease of 11.0 per cent. This is mainly due to the lowering of US dollar and euro interest rates by the central banks in the first half of 2020. Interest expenses also fell by CHF 11.8 million or 46.0 per cent due to interest rate trends.

Income from trading activities amounted to CHF 50.0 million, a decrease of CHF 6.6 million or 11.7 per cent compared to the previous year. This decrease is also primarily related to a further reduction of US dollar and euro interest rates by the central banks in the first half of 2020, which had a negative effect on swap transaction margins.

Income from financial investments made a positive contribution of CHF 11.5 million to the annual results. Compared to the previous year, this corresponds to an increase of CHF 3.6 million. This increase is mainly due to higher dividend income from financial instruments of CHF 7.4 million compared to CHF 4.7 million in the previous year, as well as income from financial instruments measured at fair value of CHF 2.5 million, an increase of CHF 2.2 million.

Operating expenses

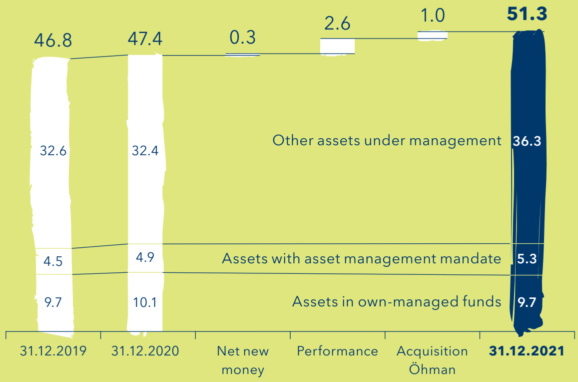
Operating expenses rose by CHF 2.6 million or 1.0 per cent from CHF 269.5 million in the previous year to CHF 272.1 million in the reporting period.

Compared to the previous year, personnel expenses rose by CHF 11.9 million or 7.3 per cent to CHF 174.0 million. The growth in personnel is due to investments in the new Client Solutions business segment and in the Asia region.

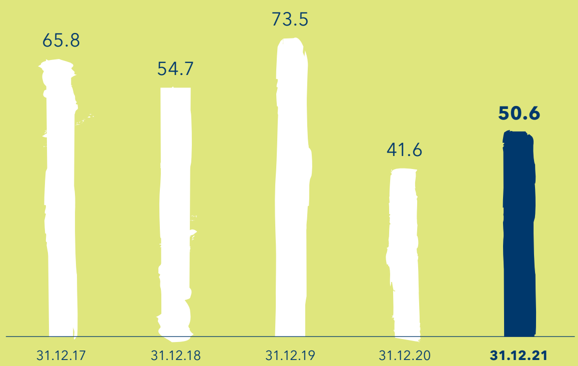
General and administrative expenses rose by CHF 3.5 million to CHF 62.4 million. This increase is mainly related to investments in IT strategy and higher supervisory fees. Depreciation and amortisation increased by CHF 7.6 million to CHF 36.4 million due to the commissioning of projects.

In the reporting period, valuation adjustments, provisions and losses of CHF 0.6 million net were released, whereas in the previous-year period CHF 19.8 million had to be created, mainly in connection with an allowance on a credit position of around CHF 20 million.

INCREASE IN CLIENT ASSETS UNDER MANAGEMENT / in CHF billion



NET INCOME / CHF million

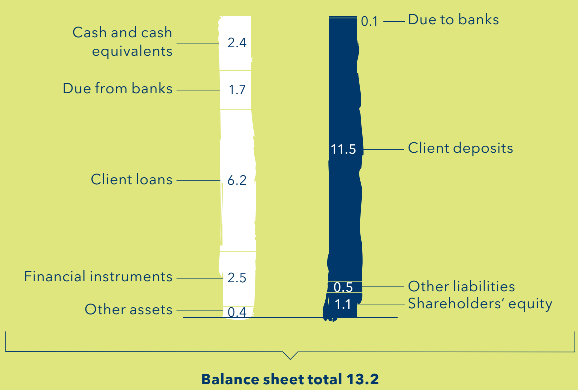


Balance sheet

Total assets amounted to CHF 13.2 billion as of 31 December 2021. Compared to 31 December 2020, this corresponds to a decrease of CHF 0.3 billion or 2.4 per cent. Amounts due from banks fell by CHF 0.1 billion or 5.3 per cent, and cash and cash equivalents by CHF 0.2 billion or 8.0 per cent. On the liabilities side, amounts due to banks decreased by CHF 0.2 billion or 71.7 per cent. Bonds decreased by CHF 0.1 billion or 28.2 per cent due to a repayment of a maturing issue in April 2021.

VP Bank Group has a very good level of liquidity with cash and cash equivalents in the amount of CHF 2.4 billion. This corresponds to 18.1 per cent of total assets, which is reflected in a very good liquidity coverage ratio (LCR) of 160 per cent.

SOUND BALANCE SHEET AS OF 31 DECEMBER 2021 / in CHF billion



CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	2021	2020	Variance absolute	Variance in %
Interest income from financial instruments at amortised cost		110,983	122,086	–11,103	–9.1
Other interest income		12,815	17,052	–4,237	–24.8
Interest expense using the effective interest method		13,809	25,573	–11,764	–46.0
Total net interest income	1/32	**109,989**	**113,565**	**–3,576**	**–3.1**
Commission income		205,559	184,503	21,056	11.4
Commission expenses		49,084	44,523	4,561	10.2
Total net income from commission business and services	2	**156,475**	**139,980**	**16,495**	**11.8**
Income from trading activities	3	50,006	56,632	–6,626	–11.7
Income from financial instruments	4	11,452	7,900	3,552	45.0
Other income	5	1,944	970	974	100.4
Total operating income		**329,866**	**319,047**	**10,819**	**3.4**
Personnel expenses	6	174,001	162,117	11,884	7.3
General and administrative expenses	7	62,362	58,864	3,498	5.9
Depreciation of property, equipment and intangible assets	8	36,383	28,763	7,620	26.5
Credit loss expenses	9	–1,649	19,359	–21,008	–108.5
Provisions and losses	9	1,014	400	614	153.5
Operating expenses		**272,111**	**269,503**	**2,608**	**1.0**
Earnings before income tax		**57,755**	**49,544**	**8,211**	**16.6**
Taxes on income	10	7,117	7,922	–805	–10.2
Group net income		**50,638**	**41,622**	**9,016**	**21.7**
SHARE INFORMATION					
Undiluted group net income per registered share A	11	8.33	6.90		
Undiluted group net income per registered share B	11	0.83	0.69		
Diluted group net income per registered share A	11	8.30	6.87		
Diluted group net income per registered share B	11	0.83	0.69		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Group net income	50,638	41,622	9,016	21.7
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Other comprehensive income which will be transferred to the income statement upon realisation				
• Changes in foreign-currency translation differences	1,799	–8,699	10,498	120.7
Total other comprehensive income which will be transferred to the income statement upon realisation	1,799	–8,699	10,498	120.7
Other comprehensive income which will not be transferred subsequent to the income statement				
• Changes in value of FVTOCI financial instruments	4,754	–8,328	13,082	157.1
• Actuarial gains/losses from defined-benefit pension plans	27,328	3,721	23,607	n.a.
• Tax effects (note 10d)	–3,583	85	–3,668	n.a.
Total other comprehensive income which will not be transferred subsequent to the income statement	28,499	–4,522	33,021	n.a.
Total comprehensive income in shareholders' equity	**30,298**	**–13,221**	**43,519**	**329.2**
Total comprehensive income in income statement and shareholders' equity	**80,936**	**28,401**	**52,535**	**185.0**

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 1,000	Note	31.12.2021	31.12.2020	Variance absolute	Variance in %
Cash and cash equivalents	13	2,384,137	2,592,706	–208,569	–8.0
Receivables arising from money market papers	14	129,401	116,166	13,235	11.4
Due from banks	15/16	1,688,870	1,784,320	–95,450	–5.3
Due from customers	15/16	6,237,258	6,281,529	–44,271	–0.7
Trading portfolios	17	10,483	290	10,193	n.a.
Derivative financial instruments	18	46,875	79,491	–32,616	–41.0
Financial instruments at fair value	19	195,927	182,936	12,991	7.1
Financial instruments measured at amortised cost	20	2,263,236	2,201,303	61,933	2.8
Joint venture companies	21	24	25	–1	–4.0
Property and equipment	22/32	95,192	108,156	–12,964	–12.0
Goodwill and other intangible assets	23/32	84,108	66,679	17,429	26.1
Tax receivables	10c	297	159	138	86.8
Deferred tax assets	10b	7,592	10,173	–2,581	–25.4
Accrued receivables and prepaid expenses		34,779	32,429	2,350	7.2
Other assets	24	18,251	66,989	–48,738	–72.8
Total assets		**13,196,430**	**13,523,351**	**–326,921**	**–2.4**

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF 1,000	Note	31.12.2021	31.12.2020	Variance absolute	Variance in %
Due to banks		70,886	250,426	–179,540	–71.7
Due to customers – savings and deposits		575,204	589,784	–14,580	–2.5
Due to customers – other liabilities		10,883,533	10,921,871	–38,338	–0.4
Derivative financial instruments	18	82,309	104,371	–22,062	–21.1
Medium-term notes	25	53,997	76,148	–22,151	–29.1
Debentures issued	26	255,134	355,205	–100,071	–28.2
Tax liabilities	10c	10,970	12,208	–1,238	–10.1
Deferred tax liabilities	10b	859	141	718	n.a.
Accrued liabilities and deferred items		37,065	36,085	980	2.7
Other liabilities	27/32	139,781	151,243	–11,462	–7.6
Provisions	28	1,125	812	313	38.5
Total liabilities		12,110,863	12,498,294	–387,431	–3.1
Share capital	29	66,154	66,154	0	0.0
Less: treasury shares	30	–56,790	–61,071	4,281	7.0
Capital reserves		22,959	23,377	–418	–1.8
Retained earnings		1,134,088	1,107,739	26,349	2.4
Actuarial gains/losses from defined-benefit pension plans		–34,105	–57,859	23,754	41.1
Unrealised gains/losses on FVTOCI financial instruments		–18,587	–23,332	4,745	20.3
Foreign-currency translation differences		–28,152	–29,951	1,799	6.0
Total shareholders' equity		1,085,567	1,025,057	60,510	5.9
Total liabilities and shareholders' equity		**13,196,430**	**13,523,351**	**–326,921**	**–2.4**

CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Actuarial gains/losses from defined-benefit pension plans	Unrealised FVTOCI gains/losses	Foreign-currency translation differences	Total share-holders' equity
Total shareholders' equity 01.01.2021	**66,154**	**-61,071**	**23,377**	**1,107,739**	**-57,859**	**-23,332**	**-29,951**	**1,025,057**
Other comprehensive income, after income tax					23,754	4,745	1,799	30,298
Group net income				50,638				50,638
Total reported result 31.12.2021	**0**	**0**	**0**	**50,638**	**23,754**	**4,745**	**1,799**	**80,936**
Appropriation of profit 2020				–24,289				–24,289
Management equity participation plan			–1,183					–1,183
Movement in treasury shares[1]		4,281	765					5,046
Total shareholders' equity 31.12.2021	**66,154**	**-56,790**	**22,959**	**1,134,088**	**-34,105**	**-18,587**	**-28,152**	**1,085,567**
Total shareholders' equity 01.01.2020	**66,154**	**-68,004**	**26,772**	**1,099,279**	**-61,151**	**-15,518**	**-21,252**	**1,026,280**
Other comprehensive income, after income tax					3,292	–7,814	–8,699	–13,221
Group net income				41,622				41,622
Total reported result 31.12.2020	**0**	**0**	**0**	**41,622**	**3,292**	**-7,814**	**-8,699**	**28,401**
Appropriation of profit 2019				–33,162				–33,162
Management equity participation plan			–3,965					–3,965
Movement in treasury shares[1]		6,933	570					7,503
Total shareholders' equity 31.12.2020	**66,154**	**-61,071**	**23,377**	**1,107,739**	**-57,859**	**-23,332**	**-29,951**	**1,025,057**

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

CONSOLIDATED STATEMENT OF CASH FLOW

in CHF 1,000	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Group net income		50,638	41,622
RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES			
Non-cash-related positions in Group results			
• Depreciation of property, equipment and intangible assets	22/23	36,383	28,763
• Creation/dissolution of retirement pension provisions		2,217	–86
• Creation/dissolution of other provisions and valuation allowances		1,069	20,262
• Unrealised gains on financial instruments measured at fair value		–3,077	–1,450
• Unrealised gains on financial instruments measured at amortised cost		–85	1
• Deferred income taxes		–287	–38
Net increase/reduction in banking			
• Amounts due from/to banks, net		–205,006	–1,244,061
• Trading portfolios incl. replacement values, net		362	2,677
• Amounts due from/to clients		14,972	984,449
• Accrued receivables and other assets		–7,164	–43,392
• Accruals and other liabilities		28,204	11,187
Income taxes paid	10a	–8,672	–7,666
Used provisions and valuation allowances		–4,347	–26,022
Foreign-currency impact on intragroup transactions		8,364	–10,778
Net cash flow from operating activities		**–86,429**	**–244,532**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of financial instruments measured at fair value		–54,403	–6,939
Proceeds from sale of/maturing financial instruments measured at fair value		47,934	27,981
Purchase of financial instruments measured at amortised cost		–580,498	–616,744
Proceeds from sale of/maturing financial instruments measured at amortised cost		497,475	632,932
Acquisition of property and equipment and intangible assets		14,791	–22,278
thereof from acquisitions	46	53,414	0
Sale of property and equipment and intangible assets		37	0
Net cash flow from investment activities		**–74,664**	**14,952**
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of treasury shares	30	–50	–198
Sale of treasury shares		909	957
Cash loss due to lease liabilities		–6,145	–5,919
Dividend distributions		–24,289	–33,163
Issuance of medium-term bonds		14,752	3,428
Redemption of medium-term bonds		–36,900	–104,216
Redemption of debentures	26	–100,000	0
Net cash flow from financing activities		**–151,723**	**–139,111**
Foreign-currency translation impact		–16,700	8,192
Net increase/reduction in cash and cash equivalents		**–329,516**	**–360,499**
Cash and cash equivalents at the beginning of the financial year		3,205,357	3,565,856
Cash and cash equivalents at the end of the financial year		2,875,841	3,205,357
Net increase/reduction in cash and cash equivalents		**–329,516**	**–360,499**

Consolidated statement of cash flow (continued)

in CHF 1,000	Note	2021	2020
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY			
Cash	13	2,384,252	2,592,848
Receivables arising from money market paper		0	0
Due from banks – at-sight balances	15	491,589	612,509
Total cash and cash equivalents		**2,875,841**	**3,205,357**
CONSOLIDATED STATEMENT OF CASH FLOW (SUMMARISED)			
Cash and cash equivalents at beginning of accounting period		3,205,357	3,565,856
Cash flow from operating activities, net of taxes		–86,429	–244,532
Cash flow from investing activities		–74,664	14,952
Cash flow from financing activities		–151,723	–139,111
Foreign-currency translation impact		–16,700	8,192
Cash and cash equivalents at end of accounting period		**2,875,841**	**3,205,357**
CASH FLOW FROM OPERATING ACTIVITIES FROM INTEREST AND DIVIDENDS			
Interest paid		–14,477	–28,567
Interest received		123,743	141,798
Dividends received		7,360	4,722

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 2,875.8 million (2020: CHF 3,205.4 million).

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

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

in CHF 1,000	Note	31.12.2020	31.12.2019	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	76,148	177,493	–101,345	–100,788	–557	0	0	0
Debentures issued	26	355,205	355,327	–122	0	–122	0	0	0
Lease liabilities	32	28,985	30,852	–1,867	–5,919	0	–228	4,022	258
Total variance				**–103,334**	**–106,707**	**–679**	**–228**	**4,022**	**258**

1 / Fundamental principles underlying financial statement reporting

VP Bank Ltd, which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. Today, VP Bank Group owns subsidiary companies in Zurich, Luxembourg, the British Virgin Islands and Hong Kong, a branch in Singapore and a representative office in Hong Kong. As of 31 December 2021, VP Bank Group employed 938.5 persons, expressed as full-time equivalents (as of the end of the previous year: 917.1).

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 Annual Report 2021 was drawn up in accordance with the International Financial Reporting Standards (IFRS).

Post-balance-sheet-date events

There were no post-balance-sheet-date events that materially affect the balance sheet and income statement for 2021. The Board of Directors reviewed and approved the consolidated financial statements in its meeting of 17 February 2022. These consolidated financial statements will be submitted for approval to the Annual General Meeting of 29 April 2022.

2 / Assumptions and uncertainties in estimates

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

Changes in estimates

No material changes in estimates were made or applied. Further explanations on estimates are described in the corresponding tables in the notes (expected credit losses, goodwill, intangible assets, legal cases, provisions, share-based payments, income taxes, pension plans).

3 / Summary of the principal financial statement accounting policies

3/1 Principles of consolidation

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 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 in preparing the consolidated annual financial statements.

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

Participation in joint venture companies

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

According to the equity method of accounting, the shares of an enterprise are accounted for at acquisition cost as of the date of acquisition. After acquisition, the carrying value of the joint venture company is increased or reduced by the Group's share of the profits or losses and of the non-income-statement-related movements in the shareholders' equity of the joint venture company.

3/2 General principles

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

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

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

Group companies

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

Foreign-currency translation differences arising in connection with net investments in foreign companies are reflected under shareholders' equity. Upon disposal, such foreign-currency translation differences are recorded on the income statement as a part of the gain or loss on disposal.

Goodwill and fair value adjustments from acquisitions of foreign companies are treated as receivables and liabilities of these foreign companies and are translated at the closing rates prevailing on the balance sheet date.

Domestic versus foreign

The term "domestic" also includes Switzerland.

Cash and cash equivalents

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

3/3 Financial instruments

General

VP Bank Group subdivides the financial instruments, to which traditional financial assets and liabilities as well as shareholders' capital 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 at fair value"
- Financial instruments measured at amortised cost
- Financial instruments at fair value with changes in value and impairment losses recorded in other comprehensive income ("fair value through other comprehensive income" (FVTOCI))

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

Trading portfolios

Trading portfolios comprise equity shares, bonds, precious metals and structured products. Financial assets held for trading purposes are valued at fair value. Short positions 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 carried at amortised cost is subject to the process for valuation allowances for credit risks described below. If an impairment has occurred, the carrying value is reduced to the recoverable amount to be recognised on the income statement through the item "Credit risk 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 at amortised cost".

Financial instruments measured at fair value (FVTPL)

Financial instruments not meeting the aforementioned criteria are recorded at fair value. The ensuing gains/losses are reported in "Gains on financial instruments measured at fair value" under "Income from financial investments".

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

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

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

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

For illiquid shareholders' 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 the income from financial investments under the item "Dividends from financial instruments FVTOCI".

Bank and client loans

At the time of their initial recognition, loans to banks and clients are valued at their effective cost, which equates to 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.

Valuation allowances for credit risks in accordance with IFRS 9

According to the International Financial Reporting Standard 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 on the income statement are allocated to one of the three stages:
- Stage 1 (Performing)
- Stage 2 (Under-performing)
- Stage 3 (Non-performing)

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

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

The expected credit loss in accordance with IFRS 9 must represent an undistorted probability-weighted amount which was determined through the evaluation of a series of possible scenarios as well as taking the time 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 commitments and guarantees and irrevocable lines of credit granted.

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

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

In the case of items with an internal rating from 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, to which primarily lombard loans belong, risk management is conducted primarily in relation to the collateral. Any payment default by the debtor regarding interest and/or amortisation of capital in excess of 30 and 90 days, respectively, or the classification as a credit exposed to enhanced risk serve as criteria for the stage allocation. In addition, any collateral shortfalls for these items are taken into account.

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

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

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

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

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

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

For items with an internal rating, the ECL is also estimated on the basis of prospective, cyclical parameters. In the case of mortgage loans and related contingent liabilities, for example, this concerns primarily the loss given default. In this manner, possible movements in real-estate prices are depicted. The computation of the ECL is based upon one base and two alternative scenarios which map macroeconomic conditions that differ.

The base scenario reflects the future economic development which is estimated to be the most probable, while an up-and-down scenario represents a relative improvement or deterioration, respectively, of the macroeconomic situation. The assumed probabilities of occurrence of the up-and-down scenario are identical.

Amounts due to banks and clients

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

Derivative financial instruments

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

VP Bank Group deploys the following derivatives both for trading and hedging purposes. They may be sub-divided into the following categories:
- Swaps: Swaps are transactions in which two parties swap cash flows for a defined nominal amount during a period agreed in advance.
- Interest rate swaps: Interest rate swaps are interest rate derivatives which protect fixed-interest-bearing instruments (e.g. non-structured, fixed-interest-bearing bonds or covered bonds) against changes in fair value as a result of changes in market interest rates.
- Currency swaps: Currency swaps comprise the swapping of interest payments which are based on the swapping of two base amounts with two differing currencies and reference interest rates, and encompass, in general, also the swapping of nominal amounts at the inception or end of the contractually stipulated duration. Currency swaps are usually traded over the counter.

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

Hedge accounting

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

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

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

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

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

Fair-value hedge accounting

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

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

Debt securities issued

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

Treasury shares

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

Repurchase and reverse-repurchase transactions

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

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

Securities lending and borrowing transactions

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

Fees received or paid are recorded under commission income.

3/4 Other principles

Provisions

Provisions are only recorded on the balance sheet 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 taken to income. 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 is made.

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 is capitalised provided its purchase or manufactured cost can be determined reliably, it exceeds a minimum limit for capitalisation and the expenditure benefits future accounting periods.

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

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

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

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

Goodwill

In the case of a takeover, should the acquisition costs be greater than the net assets acquired 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 recorded on 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 recorded on the balance sheet at acquisition cost.

Leasing

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

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

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

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

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

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

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

Retirement pension plans

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

The computation of accrued amounts and amounts due to these pension funds is based on the 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 takes 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 on the income statement;
- Net interest expense, which is also recognised on the income statement; and
- Revaluation components, which are recognised in the statement of comprehensive income.

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

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

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

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

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

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

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

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

4 / Amendments in accounting principles and comparability

New and revised International Financial Reporting Standards

Since 1 January 2021, the following new and revised standards and interpretations have been published:

Interest Rate Benchmark Reform – Phase II (amendments to IFRS 9, IAS 39 and IFRS 7)

In August 2020, the IASB published amendments to the Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). In relation to changes to the financial instruments directly required by the reform, the amendments of phase 2 contain:

- A practical expedient when considering changes in the basis for determining the contractual cash flows of financial assets and liabilities to allow for an adjustment to the effective interest rate
- Relief when discontinuing hedging relationships
- Temporary exemption from the need to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component
- Additional disclosures on IFRS 7

In its phase 2 amendments, the IASB has identified four ways in which changes can be made to the basis for determining the contractual cash flows of a financial instrument in order to achieve IBOR reform:

- By amending the terms of the contract (e.g. to replace a reference to an IBOR with a reference to an RFR)
- By activating an existing fallback clause in the contract
- Without changing the terms of the contract, to change the way an interest rate benchmark is calculated
- A hedging instrument may alternatively be modified in accordance with the requirements of the reform by not changing the basis for calculating its contractual cash flows, but by closing out an existing IBOR-related derivative and replacing it with a new derivative with the same counterparty, on similar terms, except by reference to an RFR

The IBOR reform does not have a material impact on the consolidated financial statement of VP Bank Group. An interdisciplinary project team has been implementing the reform at VP Bank since 2019. The project is being ended at the close of 2021 / beginning of 2022. After 31 December 2021, CHF LIBOR will no longer be available as the reference rate. Credit products with LIBOR as the reference rate will no longer be offered. Loans with the LIBOR reference rate that were in place at the start of 2021 expired over the course of the year and are therefore not affected by the elimination of LIBOR from 2022 on. At the start of 2021, the Bank held interest rate swaps with contract specifications related to CHF LIBOR. All contracts that would have been affected by the elimination of LIBOR from 2022 on have been converted to the alternative reference rate SARON. The conversion was value-neutral.

The IBOR reform has no material impact on the hedge accounting of VP Bank Group. This is because the reform mainly impacts cash flow hedges, and throughout 2021 VP Bank did not use any cash flow hedges but rather fair value hedges. The existing underlying transactions exhibit no dependence on IBOR interest rates. Rather, their interest rate remains fixed over the term. The hedging transactions are part of the interest rate swaps described in the last paragraph (volume as of mid-year 2021: CHF 90 million). The conversion of these transactions to alternative reference rates was value-neutral and does not affect the achievement of the hedging objective (fair value hedge).

VP Bank Group did not avail itself of the possibility of early adoption thereof.

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

- Narrow-scope amendments to IFRS 3, IAS 16 and IAS 37 and several annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (in force from 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities (in force from 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (in force from 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (in force from 1 January 2023)

5 / Management of equity resources

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

Capital indicators

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

Risk-weighted assets as of 31 December 2021 aggregated CHF 4.5 billion as compared to CHF 4.7 billion in the previous year. Core capital as of 31 December 2021 was CHF 1,014.5 million as compared to CHF 972.8 million in the previous year. The overall equity ratio increased by 1.6 percentage points, from 20.8 per cent on 31 December 2020 to 22.4 per cent on 31 December 2021. As of both 31 December 2020 and 31 December 2021, VP Bank Group was adequately capitalised in accordance with the respective guidelines of the FMA and the BIS currently in force. In 2021, VP Bank Group used no hybrid capital under eligible equity and, in accordance with International Financial Reporting Standards (IFRS), netted no assets against liabilities (balance sheet reduction).

1 / Overview

Effective capital, liquidity and risk management is an elementary prerequisite for the success and stability of a bank. VP Bank understands this to mean the systematic process to identify, evaluate, manage and monitor the relevant risks as well as the steering of capital resources and liquidity necessary to assume risks and 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, comprising the Risk Appetite Statement, Risk Policy and Risk Strategies.

The Risk Appetite Statement defines the overall risk appetite in terms of the Bank's risk taxonomy, and as such forms the basis for the operationalisation of the limits and objectives contained in the Risk Policy. As an overarching framework, and together with the risk strategies for each risk group (strategic/business risks, financial risks, operational risks and compliance risks), the Risk Policy regulates the specific goals as well principles, organisational structures and processes, and methods and instruments of risk management in detail.

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) and the Capital Requirements Directive (CRD) are applied in Liechtenstein. In Liechtenstein, the CRD was enacted in the BankA and BankO. VP Bank is classified as a locally system-relevant banking institution by the Liechtenstein Financial Market Authority and must possess in aggregate equity amounting to at least 12.5 per cent of its risk-weighted assets. Thanks to its solid capital base, balance sheet structure and comfortable liquidity position, VP Bank constantly outperformed the minimum regulatory requirements over the course of 2021.

In addition to quantitative measures, qualitative requirements for identification, measurement, steering and monitoring of financial and non-financial risks are imposed. These are continually reviewed by VP Bank for ongoing effectiveness and further development.

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 2021 by the Liechtenstein Financial Market Authority.

VP Bank complied with the minimum capital requirements for 2021 at all times. Thanks to an exceedingly robust tier 1 ratio of 22.4 per cent as of the end of 2021, 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 2021, the leverage ratio of VP Bank was 7.6 per cent. As of 31 December 2021, there was no regulatory minimum value in place in Liechtenstein. VP Bank publishes 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), possible adverse effects on the equity and liquidity position under stress situations are simulated and analysed.

Liquidity risk management

In compliance with legal liquidity requirements and provisions of 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 a large holding of cash and cash equivalents and high-quality liquid assets (HQLA). VP Bank observed the minimum regulatory liquidity requirements at all times during 2021.

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 160 per cent thanks to a comfortable liquidity situation. The net stable funding ratio (NSFR) of 100 per cent to be fulfilled from May 2022 on has also been significantly exceeded at 179 per cent as of the end of 2021.

With the Internal Liquidity Adequacy Assessment Process (ILAAP), the Financial Market Authority imposes specific requirements concerning internal strategies and procedures to determine, manage and monitor liquidity risks, which were again surveyed and assessed by the Liechtenstein Financial Market Authority in 2021 using an ILAAP questionnaire.

As part of its liquidity management process, VP Bank has drawn up an emergency liquidity plan which ensures that it 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 the client loans business (CHF 6.2 billion as of 31 December 2021 or 47 per cent of the total assets). In addition to the loans business, credit risks arising from the securities portfolio held for liquidity purposes in the banking book (predominantly high-quality liquid assets) as well as interbank deposits with banks with good credit ratings are also of relevance to VP Bank.

Credit regulations govern credit risk management in the client loans business. The volume of client loans fell by only around CHF 44 million in 2021, with an increase in lombard loans being offset by lower exposures in the mortgage loan business as well as a reduction in unsecured loans.

Again in 2021, government support measures to mitigate the effects of lockdown measures on the economy, such as government-guaranteed bridging loans, played a subordinate role for VP Bank (credit volume of approx. CHF 0.3 million). VP Bank supported individual borrowers affected by the pandemic by deferring repayments of principal and interest (approx. CHF 6.7 million) and by occasionally granting bridging loans (approx. CHF 6.8 million).

The volume of amounts due from banks fell slightly compared to the previous year, totalling CHF 1.7 billion at the end of 2021. In order to increase interest income in the consistently low-interest environment, free liquid assets are increasingly being invested with banks with good credit ratings, predominantly Swiss cantonal and regional banks.

The securities portfolio consists mainly of investment grade securities and had a nominal value of approximately CHF 2.3 billion as of 31 December 2021. Detailed directives (including volume and risk limits, duration ranges) for the management of securities are established in the risk management process.

Market risk

Regarding market risk, VP Bank Group is exposed to interest rate, currency and equity-price risks. Given the importance of the interest-bearing business, management and monitoring of market risk is of particular importance. The global interest rate environment was characterised by low interest rates throughout 2021. The negative interest rate environment in the two primary currencies of CHF and EUR, as well as the consistently low USD interest rate level, pose great challenges for balance sheet management, and it continues to be difficult to invest client funds.

Operational risk

VP Bank defines operational risk as potential losses or lost earnings 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. Operational risk is controlled in all organisational units of VP Bank by their respective management. Thanks to uniform Group-wide implementation, it is possible to provide the relevant target groups (Board of Directors, Group Executive Management and senior management executives) with a quarterly status report on operational risks within VP Bank Group.

Operational risks increased with the COVID-19 pandemic: employees could be absent from work due to infection, data security must be ensured when employees are working from home, communication channels for maintaining contact with clients are limited, and the legal requirements differ from country to country. At the beginning of the pandemic, a task force was immediately convened, followed by activation of a crisis management team. Through a variety of measures, continued operations were ensured at all times during the pandemic and the risks were appropriately addressed and mitigated.

Further risks

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

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

ESG risks include climate risks, social risks and governance risks, and encompass the resulting effects on the earnings situation and financial stability of VP Bank. Climate risks in particular do not represent a new risk category of their own but instead manifest themselves in existing risk categories (e.g. business, financial, compliance and operational risks). In accordance with the directives of the Taskforce on Climate-related Financial Disclosures (TCFD), VP Bank's sustainability report provides details of the Bank's approach to handling transitional and physical climate risks.

2 / Principles underlying the risk policy

Risk management is predicated on the following principles:

Harmonisation of risk-bearing capacity and risk tolerance

According to the concept of risk-bearing capacity, a bank should be in a position to continue its business operations – or at least fully serve the demands of investors and creditors – in spite of losses from any risks that may materialise. Risk tolerance indicates the potential loss which the Bank is prepared to bear without jeopardising the Bank's ability to continue its business (going concern). As a strategic success factor, risk-bearing capacity is to be maintained and enhanced 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 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 aligned with the interests of the stakeholders. Subject to compliance with statutory and regulatory requirements as well as corporate policy and ethical principles, VP Bank consciously assumes risks provided that the extent of these are known, the system requirements for mapping them are in place and the Bank will be adequately compensated for them. Transactions with an imbalanced risk-return ratio are avoided, as are major risks and extreme risk concentrations, which could endanger the risk-bearing capacity and thus the future existence of the Group.

Segregation of functions

Units that report to the Chief Risk Officer and that are independent of the bodies that actively manage the risks are responsible for monitoring and reporting risks to Group Executive Management and the Board of Directors.

Transparency

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

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 risk position.

Significant risks identified are based on the business model, related offerings of financial products and services of VP Bank.

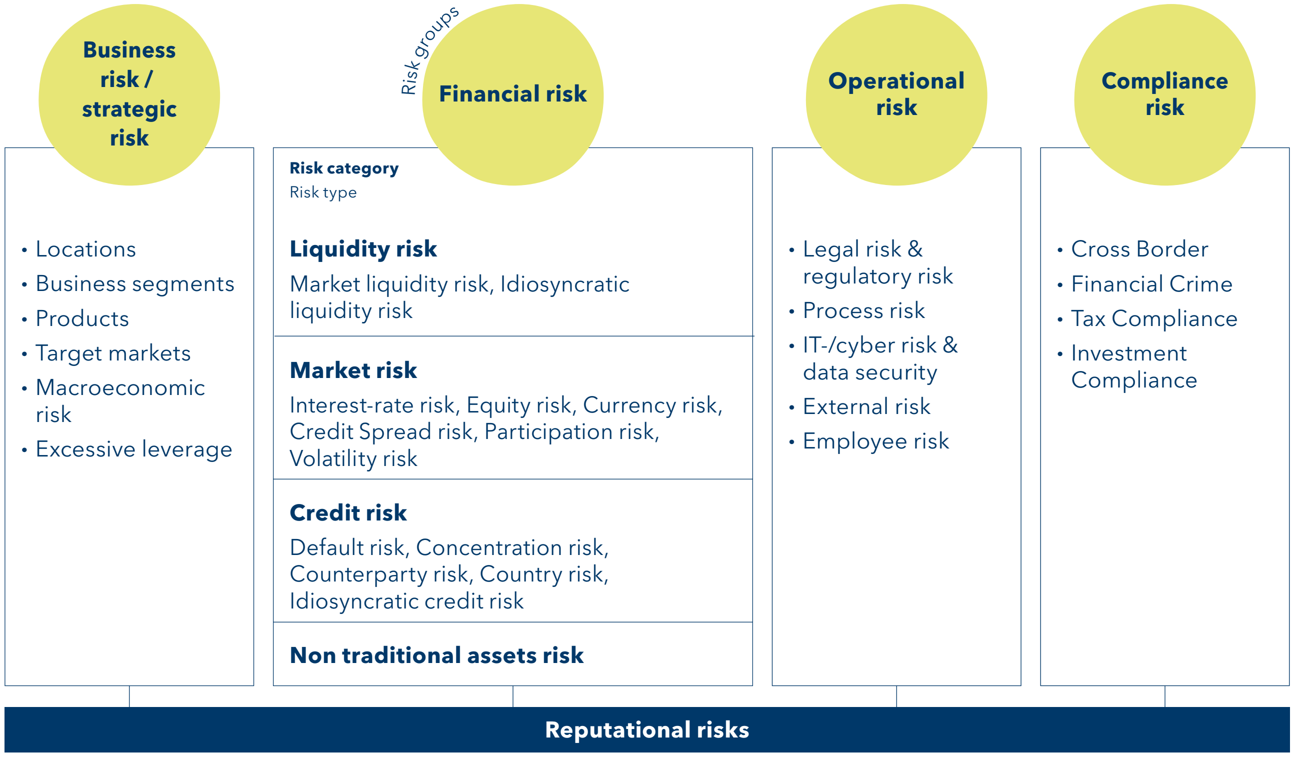
The following chart (➔ graphic on page 132) provides an overview of the risks to which VP Bank is exposed in the context of its business activities. These risks are allocated to the risk groups of business/strategic risk, financial risk, operational and compliance risk and reputational risk.

Business risk and strategic risk 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 new product launches, market access or business processing become more difficult or impossible by regulations or will entail disproportionately high costs or prove unprofitable. Finally, adverse developments may arise in connection with target markets as a result of political or geopolitical influences.

Financial risks (liquidity, credit and market risks) are taken deliberately in order to generate earnings or to protect business policy interests.

Liquidity risk comprises market liquidity risk and idiosyncratic liquidity risk. Market liquidity risk is the risk that the Bank is unable to procure the required liquidity due to market distortions on the money or capital markets, or cannot do so under adequate 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 is unable to procure the required liquidity for reasons relating to VP Bank itself, or can do so only under inadequate terms and conditions.

Market risk refers to the risk of potential economic losses in the banking and trading book that emerge due to unfavourable changes in market prices (interest rates, foreign exchange rates, equity prices, commodities) or other price-influencing parameters such as volatility.



Non-traditional assets risks result from alternative investments that cannot be allocated to traditional asset classes, such as equities, bonds or money market products, and are subject to other risk drivers. This category includes, for example, investments in private debt, private equity, hedge funds, real estate (backed), natural resources and other investment opportunities outside the traditional investment spectrum.

Credit risk includes default/creditworthiness, liquidation, counterparty, country and idiosyncratic risks. Default risk refers to the risk of a financial loss which may occur following the default of a debtor or loan collateral. Liquidation risks include potential losses incurred by the Bank not due to the debtors themselves, but due to a lack of opportunities to liquidate collateral. The country risk is a result of the uncertain political, economic and social conditions as well as payment transaction restrictions in the risk domicile (so-called transfer risks). Counterparty risk refers to the risk of financial loss resulting from the default of a counterparty in a derivative transaction or from non-performance by a counterparty (settlement risk). Idiosyncratic risks include potential losses incurred by the Bank not from the debtor himself, but from a lack of diversification in the loan portfolio (concentrations in debtors and/or collateral).

Operational risk is the risk of incurring losses or lost earnings 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 arise in all organisational units, whereas financial risk can only arise in risk-taking units.

Compliance risk is understood as 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 of VP Bank not or not sufficiently recognising financial crime risks of its clients and counterparties – such as money laundering, financing of terrorism, violations of sanctions and embargoes, and fraud and corruption – and not establishing appropriate monitoring and control processes/measures for the identification, management and limitation of cross-border compliance risks as well as tax and investment compliance risks.

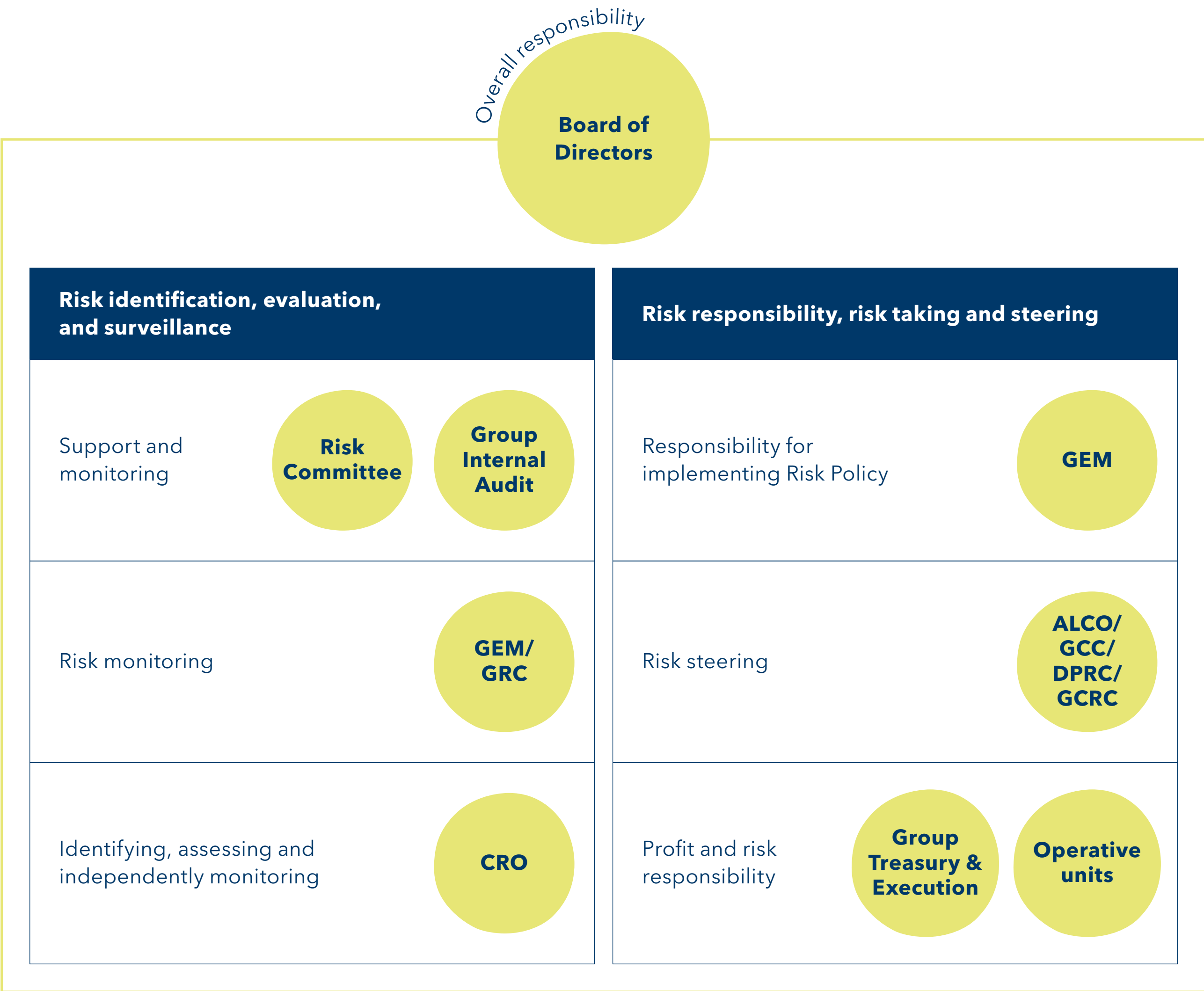
Reputational risk describes the risk that the confidence of employees, clients, shareholders, regulatory authorities or the public is weakened and the public image and/or reputation of the Bank is impaired as a result of other types of risk or through various events. It can exhibit itself in the Bank suffering monetary losses and/or a decline in earnings.

Duties, powers and responsibilities

The following figure (➔ graphic on page 133) shows the key duties, powers and responsibilities of the bodies, organisational units and committees involved in the risk management process. The imperative of the functional and organisational segregation of risk management and risk monitoring applies, thereby avoiding conflicts of interest between those units which assume risks and those which monitor them. 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 the overall responsibility for capital, liquidity and risk management within the Group. It is its remit 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 on a 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 and external auditors on all exceptional and material incidents, for example 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 function of internal audit 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 therewith.

Group Executive Management (GEM) is responsible for the implementation and observance of the Risk Policy approved by the Board of Directors. One of its central tasks is to ensure the functional capability of the risk management process and the internal control system (ICS). Furthermore, it is responsible for the composition and assignment of duties, responsibilities and competencies of the Asset & Liability Committee, the allocation of objectives and limits set by the Board of Directors to the individual Group subsidiaries as well as the Group-wide management of strategic, business, financial, compliance, operational and reputational risk.

In its function as **Group Risk Committee (GRC)**, which is the supreme body for independent monitoring of the risks of VP Bank, Group Executive Management assumes responsibility for implementing the risk strategy within the limits and targets defined by the Board of Directors and Group Executive Management as well as dealing with overarching issues.

The **Asset & Liability Committee (ALCO)** is responsible for risk- and earnings-oriented balance sheet management based on the economic profit model and the management of financial risks in line with the relevant statutory and regulatory rules. It assesses the Group's risk situation in the area of financial risks and initiates remedial steering measures whenever necessary.

The **Data and Process Risk Committee (DPRC)** ensures the completeness and effectiveness of the business process map and the corresponding internal controls. It also manages external risks, and takes responsibility in the management of crises and disasters. In addition, the DPRC seeks to provide adequate safeguards against data security risks as well as IT/cyber risks. Furthermore, it ensures appropriate identification and mitigation of operational risks as well as process-related reputational risks.

The Group Credit Committee (GCC) is, inter alia, responsible for steering credit risks. This includes in particular dealing with credit applications within the scope of delegated competencies.

The Group Compliance Risk Committee (GCRC) proactively manages compliance risks, identifies primary risks, and ensures that risk-mitigating controls are implemented and adhered to. The GCRC also examines reputational risks related to specific clients.

Group Treasury & Execution (GTR) bears the responsibility for the steering and management of financial risks within the objectives and limits laid down by the Board of Directors and Group Executive Management. This is done whilst taking into account the Group's risk-bearing capacity, as well as in compliance with legal 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 on the Group level, as well as for the monitoring process of credit exposure on the individual loan level with regard to coverage 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 ensures that the existing legal, supervisory-law and internal bank provisions regarding risk management are complied with and new risk management provisions are implemented.

Group Credit Risk (CCC) is the second line of defence, which is responsible for credit risk assessment of the largest individual credit risks of the Group. This concerns all credit exposures that go beyond Group Credit Consulting's own area of authority and trigger an additional credit assessment by the second line of defence on the basis of defined risk criteria. In addition, CCC is responsible for all material credit risk standards of VP Bank Group, including all guidelines and risk concepts as well as IT implementation. CCC also supports and initiates all development projects related to the credit business of VP Bank Group, including regulatory projects. Furthermore, the CCC regularly prepares 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 as a second line of defence for the independent monitoring of market and liquidity risks as well as credit risks from a portfolio perspective. It is responsible for defining and assessing the risk methods and models for financial risks, conducting the related risk reporting and monitoring the economic risk-bearing capacity.

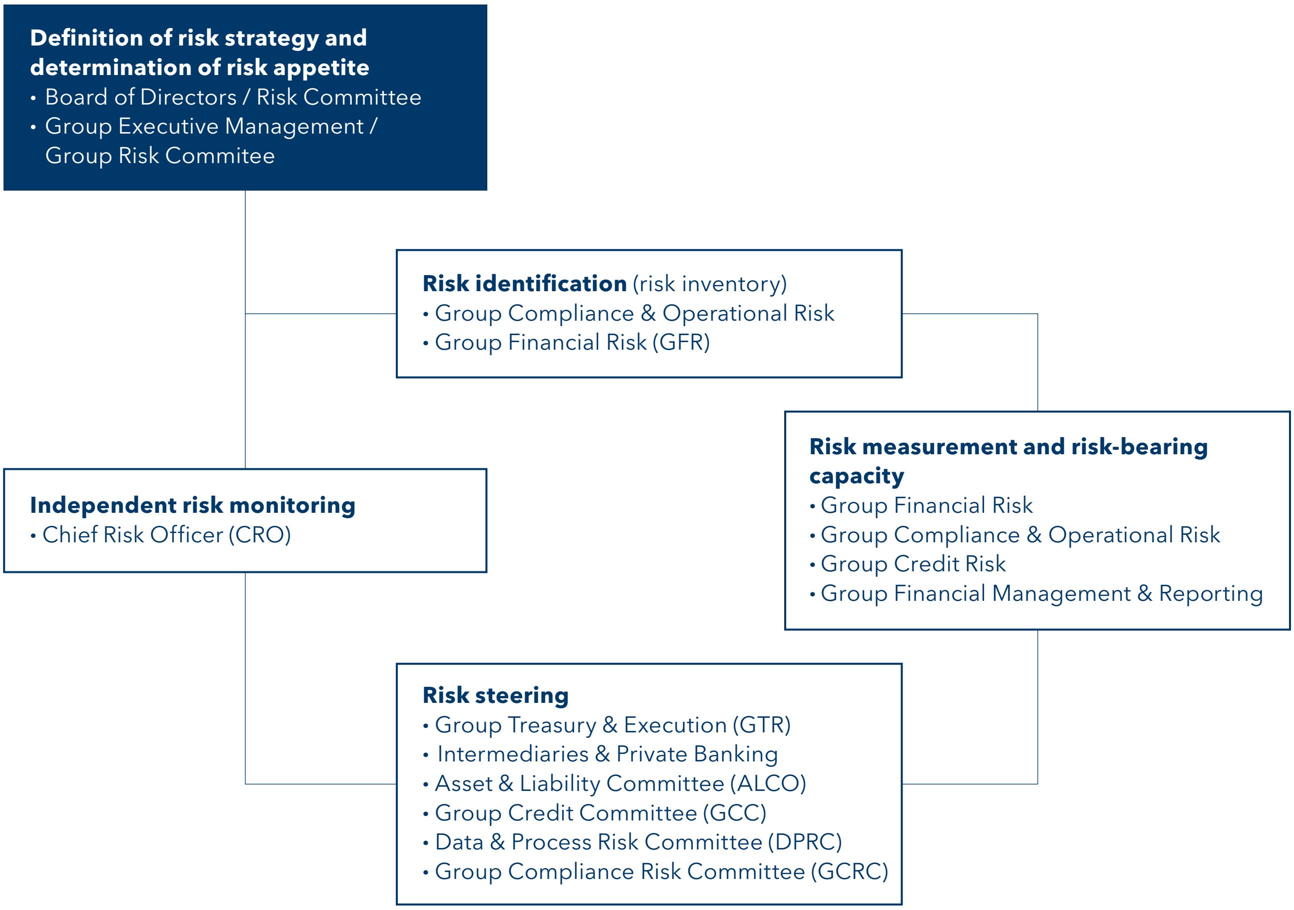
Group Operational Risk & Methodology (CME/CMV) is responsible as a second line of defence for the independent monitoring of operational and compliance risks. In addition, the risk inventory and the related risk reporting also fall within the scope of its responsibility.

The responsible units are regularly informed by the CRO division through risk reports about the risk situation, developments and adherence to limits.

Process to ensure risk-bearing capacity

The primary objective of the ICAAP is to comply with the regulatory requirements and thus to ensure the continuation of the Bank (going concern). The risks of banking operations are to be borne by the available risk coverage potential. The components of the risk management process established at VP Bank for all material risks are explained below:

- Determination of the risk strategies: The risk strategies for each risk group (strategic/business risk, financial risk, and operational and compliance risks) are derived from the business strategy of VP Bank and provide the framework conditions for risk management of the respective risk types. The basic framework and the regulatory framework for the individual risk strategies is the risk policy.
- Determining the risk coverage potential and setting the risk tolerance: The risk-bearing capacity concept of VP Bank Group distinguishes between a regulatory and a value-oriented perspective. The findings from each of the two perspectives are used in turn to validate and supplement the other perspective. With both perspectives, the identification of the risk-bearing capacity is based on consideration of appropriate deductions and risk buffers. Based on the risk bearing capacity, the BoD determines the limits and objectives for a rolling risk horizon of one year. At least semi-annually, all significant risks and the available risk capital are juxtaposed (risk-bearing capacity calculation).
- Risk identification (risk inventory): In 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 (both quantifiable and 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 cycle and backed by risk capital. Non-significant 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: Relevant for the assessment of risk-bearing capacity from a regulatory viewpoint is the eligible equity as well as the regulatory committed capital. From a value-oriented point of view, the risk-bearing capacity results from the net economic value



of equity after deducting operating and risk costs, a buffer for other risks and the economic capital requirement. For the purpose of determining the economic capital requirement, all risk types of VP Bank which are classified as material within the scope of the annual risk inventory are taken into account and possible unexpected losses are considered (confidence level: 99 per cent, risk horizon: one year). The economic risk assessment also includes risk types which are not covered by the regulatory capital-adequacy requirements for the Bank. To determine the economically required capital, all significant risks are aggregated to form an overall assessment.

- **Assessment of risk-bearing capacity:** Risk-bearing capacity exists when the available risk capital 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 whilst complying with legal and supervisory-law prescriptions. Risk steering takes place on both strategic and operating levels. Based upon the juxtaposition of risks and limits on the one hand, as well as of regulatory and economically required capital and available risk capital on the other, countermeasures are taken in case of a negative deviation.
- **Independent risk monitoring (control and reporting to GEM and BoD):** Risk steering is accompanied by comprehensive risk monitoring, which is functionally and organisationally independent of risk steering. Risk monitoring covers control and reporting. As part of the monitoring of financial risks, steering impulses are derived from a routine target-to-actual comparison. The target is constituted by the limits and objectives set, as well as from legal and supervisory-law prescriptions. For review of the extent to which limits are exhausted (actual), early-warning stages are also deployed in order to take timely steering measures for any risks before losses occur.

As operational risks may arise as a result of internal control failures during current business activities, monitoring of operational risks in all organisational units of VP Bank is undertaken by the respective executive management.

From a risk-monitoring perspective, risk-based checks for compliance risks are carried out on an ongoing basis by Group Compliance, while the steering of compliance risks is the responsibility of the respective business units.

Reputational risks can result from financial, operational and compliance risks as well as from business and strategic risks. The business and strategic risks as well as any reputational risks are handled by Group Executive Management.

As part of reporting, results of monitoring are set forth in a regular, understandable and transparent manner. Reporting is made ex ante as an input for decisions and ex post for control purposes – in particular to analyse any deviation from budgeted values – as well as ad hoc in case of sudden and unexpectedly impacting risks.

The process of ensuring the risk-bearing capacity of VP Bank Group is presented in the graphic on the previous page.

4 / Own funds disclosure

The required qualitative and quantitative information on capital adequacy, on the strategies and procedures for risk management and on the risk situation of VP Bank are set forth in the risk report and the commentary on the consolidated financial statements. Over and above this, VP Bank Group has drawn up a disclosure report for the 2021 business year. On this basis, the Bank fulfils the supervisory requirements pursuant to the Banking Ordinance (BankO) and the Banking Act (BankA), as well as the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), that represent the implementation of the Basel III Capital Accord currently in force in the European Union (EU).

VP Bank computes its required equity in accordance with the provisions of the CRR. In this context, the following approaches are applied:

The following table shows the capital-adequacy situation of the Group as of 31 December 2021.

CAPITAL-ADEQUACY COMPUTATION (BASEL III)

in CHF 1,000	31.12.2021	31.12.2020
CORE CAPITAL		
• Share capital	66,154	66,154
• Deduction for treasury shares	–56,790	–61,071
• Capital reserves	22,959	23,377
• of which premium for capital instruments	47,505	47,505
• Retained earnings	1,134,088	1,107,739
• of which group net income	50,638	41,622
• Actuarial gains/losses from defined-benefit pension plans	–34,105	–57,859
• Unrealised gains/losses on Fair Value Through OCI (FVTOCI) financial instruments	–18,587	–23,332
• Foreign-currency translation differences	–28,152	–29,951
Total shareholders' equity	1,085,567	1,025,057
• Deduction for dividends as per proposal of Board of Directors	–33,077	–26,462
• Deduction for equity instruments as per art. 28 CRR	–8,485	–9,989
• Deduction for actuarial gains/losses from IAS19	34,105	57,859
• Deduction deferred taxes on IAS 19	–4,263	–7,032
• Deduction for goodwill and intangible assets	–56,381	–63,781
• Other regulatory adjustments (deferred tax, securisation positions, prudential filter)	–2,978	–2,898
Eligible core capital (tier 1)	**1,014,488**	**972,754**
Eligible core capital (adjusted)	1,014,488	972,754
Credit risk (in accordance with Liechtenstein standard approach)	299,406	309,649
thereof price risk regarding equity securities in the banking book	10,619	8,011
Market risk (in accordance with Liechtenstein standard approach)	14,306	16,313
Operational risk (in accordance with basic indicator approach)	48,302	46,984
Credit Value Adjustment (CVA)	851	1,093
Total required equity	**362,865**	**374,039**
Capital buffer	204,111	210,397
Total required equity including capital buffer	**566,976**	**584,436**
CET1 equity ratio	22.4%	20.8%
Tier 1 ratio	22.4%	20.8%
Overall equity ratio	22.4%	20.8%
Total risk-weighted assets	**4,535,813**	**4,675,482**
Return on investment (net income / average balance sheet total)	0.4%	0.3%

- Standardised approach for credit risk under Part 3, Title II, Chapter 2 of the CRR
- Basic-indicator approach for operational risk under Part 3, Title III, Chapter 2 of the CRR
- Standardised procedure for market risk under Part 3, Title IV, Chapters 2 to 4 of the CRR
- Standard method for credit valuation adjustment (CVA) risks in accordance with Art. 384 CRR
- Comprehensive method for CRR risks to take account of financial collateral in accordance with Art. 223 CRR

As in regard to strategy, business and reputational risk, no explicit regulatory capital-adequacy requirements are stipulated in the CRR.

5 / Financial risks

Whilst complying with the relevant legal and regulatory provisions, the monitoring and steering of financial risks is based on internal bank objectives and limits relating to volumes, sensitivities and risk indicators. 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 barriers 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 the 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 steering and first-instance compliance with the targets and limits relevant to them.

Market risks

Market risks arise from taking positions in financial assets (debt instruments, shares and other securities), foreign currencies, precious metals and corresponding derivatives, as well as from client business, interbank business and from consolidated Group companies whose functional currency is a foreign currency.

Interest rate risk constitutes a significant component of market risk. It arises mainly due to divergent maturities between asset- and liability-side positions. The table of the maturity structure shows the assets and liabilities of VP Bank broken down into positions at sight, callable positions and positions with specific maturities (➔ cf. appendix 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 appendix 34 (➔ cf. balance sheet by currency).

The Bank employs a comprehensive set of methods and indicators for the monitoring and management of market risks. In this respect, the value-at-risk approach was established as the standard method to measure general market risk. The value-at-risk for market risks quantifies the potential negative deviation, expressed in CHF, from the value of all positions exposed to market risk as of the reporting date. The value-at-risk indicator is computed on a Group-wide basis with the method of historical 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 a holding period of 250 trading days and will not be exceeded with a probability of 99 per cent. The calculation of interest rate risk takes into account the contractual interest fixing period of a position. For non maturing positions an internal replication model is applied.

The market value-at-risk (99% / 250 days) of VP Bank Group at 31 December 2021 amounted to CHF 129.6 million (previous year: CHF 114.3 million). The previous year's figures were aligned to a holding period of 250 days (previously 10 days) accordingly.

The following table shows a break down of the overall market value-at-risk into its risk types.

MARKET-VALUE-AT-RISK (END OF MONTH VALUES)

in CHF million	Total	Interest-rate risk	Equity and commodity risk	Currency risk
2021				
Year-end	129.6	36.9	58.9	33.8
Average	128.4	37.2	56.3	34.9
Highest value	133.8	38.9	58.9	37.3
Lowest value	115.1	33.0	46.5	33.6
2020				
Year-end	114.3	30.8	46.5	37.0
Average	118.3	35.7	38.5	44.2
Highest value	128.8	43.2	46.5	48.1
Lowest value	109.9	30.8	33.9	36.1

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. Such tests enable the Bank to estimate of the effects on the net present value of equity of extreme market fluctuations. 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 changes in interest-rate curves, exchange rate fluctuations by a multiple of their implicit volatility, slump in equity prices).

The table on the following page exemplifies the key rate duration. 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 result 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, positive values to an excess of liabilities in the maturity band.

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
31.12.2021						
CHF	897	1,133	677	1,823	–17,981	–13,451
EUR	471	–183	1,705	–2,453	–9,256	–9,716
USD	951	–2,302	1,441	–4,854	–10,056	–14,820
Other currencies	6	–336	971	3,212	0	3,853
Total	**2,325**	**–1,688**	**4,794**	**–2,272**	**–37,293**	**–34,134**
31.12.2020						
CHF	780	1,397	775	709	–10,762	–7,101
EUR	454	50	1,986	–3,861	–9,342	–10,713
USD	1,047	–2,285	1,154	–1,713	–8,698	–10,495
Other currencies	85	–225	995	2,985	0	3,840
Total	**2,366**	**–1,063**	**4,910**	**–1,880**	**–28,802**	**–24,469**

In the following table, the effects of a negative movement in the principal foreign currencies on Group net income and shareholders' equity are set out. Basis for the underlying fluctuation of the CHF against the EUR and the USD is the implicit volatility as of 31 December 2021 and 31 December 2020, respectively.

MOVEMENTS IN SIGNIFICANT FOREIGN CURRENCIES

Currency	Variance in %	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2021			
EUR	–5	–2,214	0
USD	–6	–6,574	–3,719
2020			
EUR	–5	–1,918	0
USD	–6	–6,402	–3,480

The impact of a possible downturn in equity markets of 10, 20 and 30 per cent, respectively, on Group net income and equity is illustrated in the following table.

MOVEMENT IN RELEVANT EQUITY SHARE MARKETS

Variance	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2021		
–10%	–4,147	–13,287
–20%	–8,295	–26,574
–30%	–12,442	–39,861
2020		
–10%	–3,838	–9,905
–20%	–7,677	–19,809
–30%	–11,515	–29,714

For risk steering purposes, derivative financial instruments are entered into exclusively in the banking book and serve to hedge equity, interest rate and currency risks as well as to manage the banking book. The derivatives approved for this purpose are laid down in the risk policy.

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 thus is exposed to an interest rate risk. Rising interest rates have an adverse impact on the net present value of fixed-interest lending operations and increase refinancing costs.

As part of of its 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 value of the hedged items on the balance sheet. For this purpose, a portion of the underlying transactions (fixed-interest credits) 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 are adjusted and the gains/losses taken to income.

Because the fixed-interest positions of the hedged items are transformed into variable interest rate positions through the conclusion of payer swaps, a close economic relationship exists between the underlying and hedging transactions in relation to the hedged risk. Therefore, the hedging relationship between the designated amount of the underlying transactions and the designated amount of the hedging instruments (hedge ratio) is set on a one-to-one basis. A hedging relationship is effective whenever the movements in the value of the underlying and hedging transactions which are induced by interest rate changes offset each other. Ineffectiveness mainly results from variations in duration, such as due to different interest rates, interest payment dates or maturities of transactions.

The initial efficiency of a hedging relationship is proven with a prospective effectiveness test. For this purpose, future changes in the fair value of the underlying and hedging transactions are simulated based upon scenarios and 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 hedging 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 must 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 should there be 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 – whilst complying with the legal liquidity norms and provisions regarding risk concentrations on both the asset and liability side.

With a liquidity coverage ratio (LCR) of 160 per cent at the end of 2021, VP Bank presents a very comfortable liquidity situation.

The maturity structure of assets and liabilities is set out in appendix 35. In the short-term maturity band, the Bank refinances itself primarily through client deposits at sight.

VP Bank can rapidly procure liquidity on a secured basis in case of need through its access to the Eurex repo market. The risk of an extraordinary, nevertheless plausible event which will take place with a very small degree of 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 inadequate diversification of the loan portfolio. Such concentrations can constitute exposures from borrowers who 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 2021, the total credit exposure excluding collateral was CHF 10.4 billion (as of 31 December 2020: CHF 10.5 billion). The following table shows the composition of the on- and off-balance-sheet items.

CREDIT EXPOSURES

in CHF 1,000	31.12.2021	31.12.2020
ON-BALANCE-SHEET ASSETS		
Receivables arising from money market papers	129,401	116,166
Due from banks	1,688,870	1,784,320
Due from customers	6,236,802	6,281,087
Public-law enterprises	455	442
Trading portfolios	10,483	290
Derivative financial instruments	46,875	79,491
Financial instruments at fair value	21,359	45,190
Financial instruments measured at amortised cost	2,263,236	2,201,303
Total	**10,397,481**	**10,508,289**
OFF-BALANCE-SHEET TRANSACTIONS		
Contingent liabilities	101,978	115,339
Irrevocable facilities granted	79,086	81,668
Total	**181,064**	**197,007**

The change in client loans is mainly the result of a decline in volume in the mortgage loan business and the reduction in unsecured loans. The volume of amounts due from banks has decreased slightly compared to the previous year, totalling CHF 1.7 billion at the end of 2021. Free liquid assets are increasingly invested with banks with good credit ratings, predominantly Swiss cantonal and regional banks.

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 to the guidelines and procedures for the valuation and management of mortgage collateral. Lombard loans are granted in exchange for the pledging of mostly 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 the cover and the permissible loan-to-value ratios per cover type are defined internally. Compared to the previous year, the collateralisation has not changed significantly. Risk concentrations within the collateral are to be avoided through a prudent credit policy. The standard collateralisation of credit exposures and the conservative pledging of collateral lead to a significant reduction in the expected credit loss (ECL), especially in the mortgage and lombard areas.

Within the scope of the client lending 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 2020: CHF 3.4 billion). From a regional perspective, VP Bank conducts the lion's share of its business in the Principality of Liechtenstein and in the eastern part of Switzerland.

The 10 largest single exposures represent 12 per cent of total credit exposures (31 December 2020: 11 per cent).

The credit risk strategy and the credit regulations form the binding framework for credit risk management in the client lending business. Set out therein are not only the general guidelines governing credit granting as well as the framework conditions for the conclusion of credit business but also the decision-makers and the corresponding bandwidths within the framework of which credits may be approved (rules on powers of authority).

In principle, exposures in the private client loans business and in the commercial loans business must be covered by the loan-to-value of the collateral (collateral after haircut). Counterparty risks in the loan business are governed by limits which restrict the level of exposure depending on creditworthiness, industry segment, collateral and risk domicile of the client. VP Bank uses an internal risk classification for assessing creditworthiness. Deviations from credit-granting principles (exceptions to policy) are dealt with as part of the credit risk management process under consideration of the respective risks.

VP Bank enters into both secured and unsecured positions in the interbank business. Unsecured positions result from money market activities (including bank guarantees, correspondent and metals accounts), secured positions arising from reverse repo transactions, securities lending and borrowing, collateral management, and OTC derivative transactions. Repo deposits are fully secured and the collateral received serves as a reliable source of liquidity in a crisis situation. Hence, counterparty risk and also liquidity risk is reduced with reverse repo transactions.

Counterparty risks in the interbank business may only be entered into in approved countries and with approved counterparties. Exposures to banks relate to institutions with a high creditworthiness (investment grade rating) and registered office in an OECD country. A comprehensive system of limits contains the level of exposure depending on the duration, rating, risk domicile and collateral of the counterparty. In this regard, VP Bank relies essentially 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 signed.

Credit risks are managed and monitored not only on an individual transaction level but also on a portfolio level. At 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. The 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 the stressed loss framework, particular attention is paid to idiosyncratic credit risks. The unexpected loss is limited and monitored by a corresponding credit risk limit, both overall and for each loan portfolio.

CREDIT DERIVATIVES (CONTRACT VOLUME)

in CHF 1,000	Providers of collateral as of 31.12.2021	Providers of collateral as of 31.12.2020
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 on- and off-balance-sheet receivables 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. In the case of secured exposures, it is generally the case that the country in which the collateral is located is considered.

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 %	31.12.2021	31.12.2020
AAA	81.5	81.5
AA	14.8	14.7
A	1.6	1.6
BBB – B	0.6	0.7
CCC – C	0.1	0.1
Not Rated	1.4	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 position			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2021
CASH AND CASH EQUIVALENTS					
Investment Grade					
• Very Low credit risk	AAA	2,367,962			2,367,962
• Low credit risk	AA+, AA, AA-, A+, A, A-				0
• Moderate credit risk	BBB+, BBB, BBB-				0
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C				0
Default	D				0
Gross Carrying amount		**2,367,962**	**0**	**0**	**2,367,962**
Loss allowance		-115			-115
Carrying amount		**2,367,847**	**0**	**0**	**2,367,847**
RECEIVABLES ARISING FROM MONEY MARKET PAPERS					
Investment Grade					
• Very Low credit risk	AAA	101,191			101,191
• Low credit risk	AA+, AA, AA-, A+, A, A-	28,243			28,243
• Moderate credit risk	BBB+, BBB, BBB-				0
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C				0
Default	D				0
Gross Carrying amount		**129,434**	**0**	**0**	**129,434**
Loss allowance		-33			-33
Carrying amount		**129,401**	**0**	**0**	**129,401**
DUE FROM BANKS					
Investment Grade					
• Very Low credit risk	AAA	226,089			226,089
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,255,440			1,255,440
• Moderate credit risk	BBB+, BBB, BBB-	170,667			170,667
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		395		395
Default	D				0
Gross Carrying amount		**1,652,196**	**395**	**0**	**1,652,591**
Loss allowance		-131	0		-131
Carrying amount		**1,652,065**	**395**	**0**	**1,652,460**
DUE FROM CUSTOMERS					
Low credit risk		6,123,144			6,123,144
Moderate credit risk			75,468		75,468
High Credit Risk				2,320	2,320
Doubtful				3,762	3,762
Default				59,236	59,236
Gross Carrying amount		**6,123,144**	**75,468**	**65,318**	**6,263,930**
Loss allowance		-804	-695	-25,173	-26,672
Carrying amount		**6,122,340**	**74,773**	**40,145**	**6,237,258**

Credit exposures by rating classes (continued)

in CHF 1,000		Carrying amount of the below financial positions			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2021
FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST					
Investment Grade					
• Very Low credit risk	AAA	591,135			591,135
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,361,581			1,361,581
• Moderate credit risk	BBB+, BBB, BBB-	295,583			295,583
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		16,374		16,374
Default	D				0
Gross Carrying amount		**2,248,299**	**16,374**	**0**	**2,264,673**
Loss allowance		–1,261	–176		–1,437
Carrying amount		**2,247,038**	**16,198**	**0**	**2,263,236**

in CHF 1,000	Exposure to credit risk on loan commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total 31.12.2021
EXPOSURE TO CREDIT RISK ON LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS				
Low credit risk				0
Moderate credit risk				0
High Credit Risk	163,890			163,890
Doubtful				0
Default				0
Gross Carrying amount	**163,890**	**0**	**0**	**163,890**
Loss allowance	–148			–148
Carrying amount	**163,742**	**0**	**0**	**163,742**

in CHF 1,000		Carrying amount of the below financial position			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2020
CASH AND CASH EQUIVALENTS					
Investment Grade					
• Very Low credit risk	AAA	2,567,371			2,567,371
• 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		**2,567,371**	**0**	**0**	**2,567,371**
Loss allowance		–142			–142
Carrying amount		**2,567,229**	**0**	**0**	**2,567,229**

Credit exposures by rating classes (continued)

in CHF 1,000		Carrying amount of the below financial positions			
	Rating (Standard & Poor's or Equivalent)	Stage 1	Stage 2	Stage 3	Total 31.12.2020
RECEIVABLES ARISING FROM MONEY MARKET PAPERS					
Investment Grade					
• Very Low credit risk	AAA	53,463			53,463
• Low credit risk	AA+, AA, AA-, A+, A, A-	62,735			62,735
• 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		**116,198**	**0**	**0**	**116,198**
Loss allowance		–32			–32
Carrying amount		**116,166**	**0**	**0**	**116,166**
DUE FROM BANKS					
Investment Grade					
• Very Low credit risk	AAA	144,697			144,697
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,257,230			1,257,230
• Moderate credit risk	BBB+, BBB, BBB-	207,572			207,572
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		777		777
Default	D				0
Gross Carrying amount		**1,609,499**	**777**	**0**	**1,610,276**
Loss allowance		–135			–135
Carrying amount		**1,609,364**	**777**	**0**	**1,610,141**
DUE FROM CUSTOMERS					
Low credit risk		6,116,318			6,116,318
Moderate credit risk			96,369		96,369
High Credit Risk			25,637	11,159	36,796
Doubtful				6,043	6,043
Default				56,102	56,102
Gross Carrying amount		**6,116,318**	**122,006**	**73,304**	**6,311,628**
Loss allowance		–1,581	–376	–28,142	–30,099
Carrying amount		**6,114,737**	**121,630**	**45,162**	**6,281,529**
FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST					
Investment Grade					
• Very Low credit risk	AAA	615,882			615,882
• Low credit risk	AA+, AA, AA-, A+, A, A-	1,295,562			1,295,562
• Moderate credit risk	BBB+, BBB, BBB-	272,901			272,901
Non Investment Grade	BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C		18,529		18,529
Default	D				0
Gross Carrying amount		**2,184,345**	**18,529**	**0**	**2,202,874**
Loss allowance		–1,270	–301		–1,571
Carrying amount		**2,183,075**	**18,228**	**0**	**2,201,303**

Credit exposures by rating classes (continued)

in CHF 1,000	Exposure to credit risk on loan commitments and financial guarantee contracts			
	Stage 1	Stage 2	Stage 3	Total 31.12.2020
EXPOSURE TO CREDIT RISK ON LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS				
Low credit risk	22			22
Moderate credit risk				0
High Credit Risk	181,035	651		181,686
Doubtful				0
Default				0
Gross Carrying amount	**181,057**	**651**	**0**	**181,708**
Loss allowance	–201			–201
Carrying amount	**180,856**	**651**	**0**	**181,507**

INFORMATION ABOUT AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES

in CHF 1,000	Expected credit loss of the below financial position			
	Stage 1	Stage 2	Stage 3	Total 2021
DUE FROM CUSTOMERS - MORTGAGE LOANS[1]				
1 January 2021	62	18	6,489	6,569
New financial assets originated or purchased	12			12
Transfers				0
• to stage 1	655	–1	–654	0
• to stage 2		6	–6	0
• to stage 3				0
Net remeasurement of loss allowance	–657	–2	2,363	1,704
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–29	–1	–349	–379
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–310	–310
Foreign exchange and other adjustments	–1	1	57	57
31 December 2021	**42**	**21**	**7,590**	**7,653**
DUE FROM CUSTOMERS - LOMBARD LOANS[1]				
1 January 2021	1,261	301	16,743	18,305
New financial assets originated or purchased	144			144
Transfers				0
• to stage 1	15	–15		0
• to stage 2	–745	745		0
• to stage 3				0
Net remeasurement of loss allowance	–54	–128		–182
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–49	–286		–335
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose				0
Foreign exchange and other adjustments	1		–308	–307
31 December 2021	**573**	**617**	**16,435**	**17,625**
DUE FROM CUSTOMERS - OTHER LOANS[1]				
1 January 2021	258	57	4,910	5,225
New financial assets originated or purchased	76			76
Transfers				0
• to stage 1				0
• to stage 2	–2	2		0
• to stage 3				0
Net remeasurement of loss allowance	–34	–1	5	–30
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–106		–22	–128
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–3,828	–3,828
Foreign exchange and other adjustments	–4	–1	84	79
31 December 2021	**188**	**57**	**1,149**	**1,394**

[1] By type of collateral.

Credit exposures by rating classes (continued)

DUE FROM CUSTOMERS - MORTGAGE LOANS[1]

1 January 2020	57	1,409	8,962	10,428
New financial assets originated or purchased	23	15		38
Transfers				0
• to stage 1	601	–368	–233	0
• to stage 2				0
• to stage 3				0
Net remeasurement of loss allowance	–609	19	2,831	2,241
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–10	–96	–1,331	–1,437
Changes in models/risk parameters		–961		–961
Amounts written off on loans / utilisation in accordance with purpose			–3,648	–3,648
Foreign exchange and other adjustments			–92	–92
31 December 2020	**62**	**18**	**6,489**	**6,569**

DUE FROM CUSTOMERS - LOMBARD LOANS[1]

1 January 2020	1,520	1,021	17,754	20,295
New financial assets originated or purchased	321	19		340
Transfers				0
• to stage 1				0
• to stage 2	–14	14		0
• to stage 3				0
Net remeasurement of loss allowance	–218		21,635	21,417
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–365	–754		–1,119
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–22,254	–22,254
Foreign exchange and other adjustments	17	1	–392	–374
31 December 2020	**1,261**	**301**	**16,743**	**18,305**

DUE FROM CUSTOMERS - OTHER LOANS[1]

1 January 2020	302	8	5,038	5,348
New financial assets originated or purchased	82	3		85
Transfers				0
• to stage 1	5	-5		0
• to stage 2	–3	3		0
• to stage 3	–1		1	0
Net remeasurement of loss allowance	15	50	103	168
Financial assets derecognised during period (not written off) i.e. repayments, modifications, sales etc.	–116	–1		–117
Changes in models/risk parameters				0
Amounts written off on loans / utilisation in accordance with purpose			–113	–113
Foreign exchange and other adjustments	–26	–1	–119	–146
31 December 2020	**258**	**57**	**4,910**	**5,225**

[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 2021
Redemption of lombard loans		–286		–286
Duration shortening and reduction of amc bonds in stage 2		–126		–126
Lombard loans change from stage 1 to stage 2	–745	601		–144
Utilisation in accordance with purpose			–3,828	–3,828
Other effects	–124	5	858	739
Total	**–869**	**194**	**–2,970**	**–3,645**

in CHF 1,000	Impact: increase/decrease			
	Stage 1	Stage 2	Stage 3	Total 2020
Volume change of central banks, money market instruments and banks by CHF 759 million	76			76
Volume change of bonds amc/oci by CHF 102 million (stage 1)	–38			–38
Reclassification of individual bonds in stage 2		301		301
Volume change of customer loans by CHF 642 million	–136		–3,612	–3,748
Impact of changes in volumes on loss allowances	**–98**	**301**	**–3,612**	**–3,409**
Loans with special collateral at VP Bank (Luxembourg) SA		–726		–726
Reassesment of mortgage claims at VP Bank (BVI) Ltd (Hurrican Irma)	5	–368		–363
Impact of changes in customer loans with additional risk provisions	**5**	**–1,094**	**0**	**–1,089**
Withdrawal of the special parameters for mortgage claims of VP Bank (BVI) Ltd (Hurrican Irma)		–961		–961
Other effects	**–261**	**–7**		**–268**
Total	**–354**	**–1,761**	**–3,612**	**–5,727**

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 2021	Total 2020
FINANCIAL ASSETS MODIFIED DURING THE PERIOD		
Amortised cost before modification		
Net modificaton loss		
FINANCIAL ASSETS MODIFIED SINCE INITIAL RECOGNITION		
Gross carrying amount at 31 December of financial assets for which loss allowance has changed from stage 2 or stage 3 to stage 1 during the period	1,065	6,045

6 / Operational risk

Whilst financial risks are deliberately assumed in order to earn revenues, 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 are 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.
- In order to recognise potential losses on a timely basis and in order to ensure that enough time for the planning and realisation of countermeasures still remains, early-warning indicators are used.
- Significant loss occurrences are systematically recorded and evaluated centrally. The findings from the collection of loss data are integrated directly into the risk management process.
- Operational risks are assessed within the framework of periodic top-down and bottom-up risk assessments. Based on these assessments, Group Executive Management decides how to deal with the identified risks and, if necessary, determines proactive risk-reducing measures.

The Group Operational Risk & Methodology unit, which is part of Group Compliance & Operational Risk, is responsible for the Group-wide implementation, monitoring and further development of the methods used to manage operational risks and bears the technical responsibility for the associated IT application.

Each person in a management position is responsible for identification and evaluation of operational risks as well as for definition and performance of key controls and measures to contain risks. This responsibility must not be delegated.

Knowledge and experience are exchanged within the Group to ensure a coordinated approach. Thanks to a uniform implementation, it is possible to provide the relevant target groups (Board of Directors, Group Executive Management and senior management executives) with a meaningful quarterly status report on operational risks within VP Bank Group.

Business Continuity Management (BCM), as a further important sub-area, is systematically pursued by VP Bank along the lines of ISO standard 22301:2012. The basis thereof is the BCM strategy which has been implemented by Group Executive Management and is reviewed for effectiveness and accuracy on an ongoing basis. Operationally critical processes are reviewed in detail, discussed and, where necessary, documented with a clear course of action. The organisation necessary for crisis management is in place and its members are routinely trained and instructed.

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, strategic risk indicates the risk of unexpected losses or reduced earnings, resulting from management decisions regarding the strategic orientation of the Group. Group Executive Management is responsible for managing business and strategic risk by taking into account the internal and external business environment. Top business risks 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 of VP Bank not or not sufficiently recognising 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 not establishing appropriate monitoring and control processes/measures for the identification, management and limitation of cross-border compliance risks as well as tax and investment compliance risks.

All relevant compliance risks which are of significance for the business and service activities of VP Bank Group are recorded and assessed within the scope of a Group-wide, annual compliance risk assessment. In this regard, all relevant, risk-based compliance controls as well as processes and systems within the overall organisation of VP Bank Group are assessed in order to determine whether they are up-to-date, appropriate and effective. In this context, the risk-based compliance controls must be proportionate to the level of risk involved, the management effort of the controls and the control objectives. VP Bank Group also ensures through regular compliance training that all employees of VP Bank Group are familiar with and can apply the relevant compliance regulations.

9 / 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. Business and strategic risks, financial risks, and operational and compliance risks can result in 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.

The external segment reporting reflects the organisational structure of VP Bank Group as of 31 December 2021 and the internal reporting to management. These form the basis for assessing the financial performance of the segments and the allocation of resources to the segments.

BUSINESS SEGMENT REPORTING 2021

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

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or prevailing market conditions. Recharged costs within the segments are subject to an annual review and are amended to reflect new economic conditions, where necessary.

[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 2020

in CHF 1,000	Intermediaries & Private Banking	Client Solutions	Corporate Center	Total Group
Total net interest income	101,345	1,677	10,543	113,565
Total net income from commission business and services	119,353	31,254	–10,628	139,980
Income from trading activities	31,808	2,479	22,346	56,632
Income from financial instruments	0	0	7,900	7,900
Other income	32	323	615	970
Total operating income	**252,538**	**35,733**	**30,776**	**319,047**
Personnel expenses	64,303	10,960	86,854	162,117
General and administrative expenses	7,816	4,973	46,075	58,864
Depreciation of property, equipment and intangible assets	5,584	527	22,652	28,763
Credit loss expenses	19,416	–30	–27	19,359
Provisions and losses	393	4	3	400
Services to/from other segments	55,074	2,421	–57,495	0
Operating expenses	**152,585**	**18,855**	**98,063**	**269,503**
Earnings before income tax	**99,953**	**16,878**	**–67,287**	**49,544**
Taxes on income				7,922
Group net income				**41,622**
Segment assets (in CHF million)	6,213	65	7,245	13,523
Segment liabilities (in CHF million)	9,808	898	1,792	12,498
Client assets under management (in CHF billion)[1]	36.0	11.5	0.0	47.4
Net new money (in CHF billion)	0.8	0.5	0.0	1.4
Headcount (number of employees)	356	81	553	990
Headcount (expressed as full-time equivalents)	334.2	75.3	507.5	917.1

The recharging of costs and revenues between the business units takes place on the basis of internal transfer prices, actual recharges or prevailing market conditions. Recharged costs within the segments are subject to an annual review and are amended to reflect new economic conditions, where necessary.

[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
2021				
Total operating income	204,195	96,458	29,213	329,866
Total assets (in CHF million)	10,247	1,959	990	13,196
2020				
Total operating income	207,339	78,992	32,716	319,047
Total assets (in CHF million)	10,631	1,896	996	13,523

Segment reporting follows the principle of branch accounting.

1 INTEREST INCOME

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Discount income	258	1,050	–792	–75.4
Loan commissions with the character of interest	417	790	–373	–47.2
Interest income from banks	21	381	–360	–94.5
Interest income from customers	76,846	85,983	–9,137	–10.6
Interest income from financial instruments measured at amortised cost	26,379	27,033	–654	–2.4
Interest income from financial liabilities	7,062	6,849	213	3.1
Total interest income from financial instruments at amortised cost	**110,983**	**122,086**	**–11,103**	**–9.1**
Interest-rate instruments	–670	–791	121	15.3
Trading derivatives (forward points)	13,511	17,911	–4,400	–24.6
Hedge accounting	–26	–68	42	61.8
Total other interest income	**12,815**	**17,052**	**–4,237**	**–24.8**
Total interest income	**123,798**	**139,138**	**–15,340**	**–11.0**
Interest expenses on amounts due to banks	22	39	–17	–43.6
Interest expenses on amounts due to customers	2,977	13,347	–10,370	–77.7
Interest expenses on medium-term notes	258	432	–174	–40.3
Interest expenses on debentures issued	1,914	2,219	–305	–13.7
Interest expenses from financial assets	8,373	9,233	–860	–9.3
Interest expenses on right-of-use assets	265	303	–38	–12.5
Total interest expenses using the effective interest method	**13,809**	**25,573**	**–11,764**	**–46.0**
Total net interest income	**109,989**	**113,565**	**–3,576**	**–3.1**
FAIR-VALUE HEDGES				
Movements arising from hedges	1,000	159	841	n.a.
• Micro fair-value hedges	1,000	159	841	n.a.
Movements in underlying transactions	–1,026	–227	–799	–352.0
• Micro fair-value hedges	–1,026	–227	–799	–352.0
Total hedge accounting[1]	**–26**	**–68**	**42**	**61.8**

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

2 INCOME FROM COMMISSION BUSINESS AND SERVICES

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Commission income from credit business	700	776	–76	–9.8
Asset management and investment business	66,119	55,269	10,850	19.6
Brokerage fees	36,532	37,970	–1,438	–3.8
Securities account fees	24,120	19,209	4,911	25.6
Fund management fees	58,912	52,826	6,086	11.5
Fiduciary commissions	274	1,154	–880	–76.3
Other commission and service income	18,902	17,299	1,603	9.3
Total income from commission business and services	**205,559**	**184,503**	**21,056**	**11.4**
Brokerage expenses	1,546	1,978	–432	–21.8
Other commission and services-related expenses	47,538	42,545	4,993	11.7
Total expenses from commission business and services	**49,084**	**44,523**	**4,561**	**10.2**
Total net income from commission business and services	**156,475**	**139,980**	**16,495**	**11.8**

The following table shows what proportions are included in the income position «asset management and investment business».

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Fees for securities settlement	8,587	8,120	467	5.8
Administration commissions	38,232	31,246	6,986	22.4
Management fees	10,892	8,182	2,710	33.1
Brokerage fees	17,895	15,335	2,560	16.7
Securities account fees	4,769	4,161	608	14.6
Administration fees	4,676	3,568	1,108	31.1
All-in fees	16,617	13,470	3,147	23.4
Miscellaneous fees	2,683	2,433	250	10.3
Asset management and investment business	**66,119**	**55,269**	**10,850**	**19.6**

3 INCOME FROM TRADING ACTIVITIES

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Securities trading[1]	–3,399	–2,315	–1,084	–46.8
Interest income from trading portfolios	183	0	183	0.0
Foreign currency	51,972	57,638	–5,666	–9.8
Banknotes, precious metals and other	1,250	1,309	–59	–4.5
Total income from trading activities	**50,006**	**56,632**	**–6,626**	**–11.7**

[1] The results from derivatives for the purposes of risk minimisation (other than interest-rate derivatives) are included in this item.

4 INCOME FROM FINANCIAL INSTRUMENTS

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Income from financial instruments at fair value	10,488	6,021	4,467	74.2
Income from financial instruments at amortised cost (foreign exchange)	964	1,879	–915	–48.7
Total income from financial instruments	**11,452**	**7,900**	**3,552**	**45.0**
INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE				
Income from FVTPL assets	2,499	272	2,227	n.a.
Interest income from FVTPL financial instruments	629	1,027	–398	–38.8
Dividend income from FVTPL financial instruments	1,250	721	529	73.4
Dividend income from FVTOCI financial instruments	6,110	4,001	2,109	52.7
thereof from FVTOCI financial instruments sold	1	58	–57	–98.3
Total	**10,488**	**6,021**	**4,467**	**74.2**
INCOME FROM FINANCIAL INSTRUMENTS AT AMORTISED COST (FOREIGN EXCHANGE)				
Revaluation gains/losses on financial instruments at amortised cost	85	–1	86	n.a.
Realised gains/losses on financial instruments at amortised cost	879	1,880	–1,001	–53.2
Total	**964**	**1,879**	**–915**	**–48.7**

5 OTHER INCOME

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Income from real estate	158	157	1	0.6
Income from joint venture companies	–1	–3	2	66.7
Miscellaneous other income	1,787	816	971	119.0
Total other income	**1,944**	**970**	**974**	**100.4**

6 PERSONNEL EXPENSES

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Salaries and wages	139,987	133,448	6,539	4.9
Social contributions required by law	12,339	11,505	834	7.2
Contributions to pension plans / defined-benefit plans	12,551	9,873	2,678	27.1
Contributions to pension plans / defined-contribution plans	3,221	2,631	590	22.4
Other personnel expenses	5,903	4,660	1,243	26.7
Total personnel expenses	**174,001**	**162,117**	**11,884**	**7.3**

7 GENERAL AND ADMINISTRATIVE EXPENSES

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Occupancy expenses	3,269	3,040	229	7.5
Insurance	927	859	68	7.9
Professional fees	14,949	14,475	474	3.3
Financial information procurement	8,737	8,941	–204	–2.3
Telecommunication and postage	1,406	1,328	78	5.9
IT systems	19,162	17,986	1,176	6.5
Marketing and public relations	4,505	4,207	298	7.1
Capital taxes	871	906	–35	–3.9
Other general and administrative expenses	8,536	7,122	1,414	19.9
Total general and administrative expenses	**62,362**	**58,864**	**3,498**	**5.9**
Fees invoiced by the audit firm	1,506	1,731	–225	–13.0
thereof the audit of the annual financial statements	565	593	–28	–4.7
thereof other audit or assurance services	662	521	141	27.1
thereof tax advisory services	273	285	–12	–4.2
thereof other services	6	332	–326	–98.2

8 DEPRECIATION OF PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

in CHF 1,000	Note	2021	2020	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	22	19,328	15,888	3,440	21.7
Depreciation and amortisation of intangible assets	23	17,055	12,875	4,180	32.5
Total depreciation and amortisation		**36,383**	**28,763**	**7,620**	**26.5**

9 VALUATION ALLOWANCES, PROVISIONS AND LOSSES

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Decrease/increase credit allowances[1, 2]	–1,649	19,359	–21,008	–108.5
Legal and litigation risks	0	–515	515	100.0
Other provisions and losses	1,014	915	99	10.8
Total valuation allowances, provisions and losses	**–635**	**19,759**	**–20,394**	**–103.2**

[1] Including currency effects.
[2] For 2020, this includes the valuation allowances of a single position (page 113).

10A TAXES ON INCOME

in CHF 1,000	2021	2020
DOMESTIC		
Current taxes	6,540	6,907
Deferred taxes	594	–153
FOREIGN		
Current taxes	864	1,054
Deferred taxes	–881	114
Total current taxes	7,404	7,961
Total deferred taxes	–287	–39
Total taxes on income	**7,117**	**7,922**

Actual payments for domestic and foreign taxes made by the Group in 2021 totalled CHF 8.7 million (2020: CHF 7.6 million).

Proof – taxes on income

All anticipated liabilities arising in connection with taxes on income earned during the reporting period are reflected in the financial statements. They are computed in accordance with the laws governing taxation in the respective countries. Deferred tax liabilities arising from differences between the values in the financial statements drawn up for legal and/or tax purposes and those in the consolidation are computed using the following tax rates:

	2021	2020
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%

Pre-tax results, as well as differences between the tax charge in the income statement and the tax charge arrived at on the basis of a standard assumed average rate of 15 per cent (prior year: 15 per cent), may be analysed as follows:

in CHF 1,000	2021	2020
INCOME BEFORE INCOME TAX		
Domestic	47,978	49,325
Foreign	9,777	219
Taxes on income using an assumed average charge	**8,663**	**7,432**
REASONS FOR INCREASED/DECREASED TAXABLE INCOME		
Effect on tax free income / effect on non taxable expenses	–1,665	4,391
Difference between actual and assumed tax rates	–474	–2,621
Lower tax charges as a result of changes in laws or taxation agreements	0	–51
Use of non-capitalised losses carried forward	0	0
Tax income unrelated to accounting period	35	102
Use/formation of tax loss carry-forwards	558	–1,331
Total income tax	**7,117**	**7,922**

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 2021
DEFERRED TAX ASSETS					
Property, equipment and intangible assets	5,834	337	0	0	6,171
Valuation allowances for credit risks	873	–13	0	0	860
Tax loss carry-forwards[1]	2,331	311	0	0	2,642
Defined-benefit pension plans	5,515	312	–3,574	0	2,253
Financial instruments	387	–318	–18	0	51
Other	1,162	–116	0	0	1,046
Total deferred tax assets	**16,102**	**513**	**–3,592**	**0**	**13,023**
Offsetting	–5,929	58	440	0	–5,431
Total deferred tax assets after offsetting	**10,173**	**571**	**–3,152**	**0**	**7,592**
DEFERRED TAX LIABILITIES					
Property, equipment and intangible assets	3,057	–623	0	0	2,434
Financial instruments	416	366	0	0	782
Financial instruments directly offset within shareholders' equity	33	0	–9	0	24
Valuation allowances for credit risks	39	–3	0	0	36
Other	2,525	489	0	0	3,014
Total deferred tax liabilities	**6,070**	**229**	**–9**	**0**	**6,290**
Offsetting	–5,929	58	440	0	–5,431
Total deferred tax liabilities after offsetting	**141**	**287**	**431**	**0**	**859**

[1] Provided that the realisation of future tax benefits is considered probable, these must be treated as an asset. The offset of deferred tax assets and liabilities is only possible if they are due to/from the same taxing 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 2020
DEFERRED TAX ASSETS					
Property, equipment and intangible assets	5,559	275	0	0	5,834
Valuation allowances for credit risks	868	5	0	0	873
Tax loss carry-forwards[1]	2,705	–374	0	0	2,331
Defined-benefit pension plans	5,914	30	–429	0	5,515
Financial instruments	348	13	26	0	387
Other	1,517	–355	0	0	1,162
Total deferred tax assets	**16,911**	**–406**	**–403**	**0**	**16,102**
Offsetting	–6,937				–5,929
Total deferred tax assets after offsetting	**9,974**				**10,173**
DEFERRED TAX LIABILITIES					
Property, equipment and intangible assets	3,546	–489	0	0	3,057
Financial instruments	466	–50	0	0	416
Financial instruments directly offset within shareholders' equity	521	0	–488	0	33
Valuation allowances for credit risks	23	16	0	0	39
Other	2,446	79	0	0	2,525
Total deferred tax liabilities	**7,002**	**–444**	**–488**	**0**	**6,070**
Offsetting	–6,937				–5,929
Total deferred tax liabilities after offsetting	**65**				**141**

[1] Provided that the realisation of future tax benefits is considered probable, these must be treated as an asset. The offset of deferred tax assets and liabilities is only possible if they are due to/from the same taxing authority.

Deferred taxes arise because of timing differences between the IFRS financial statements and the statutory accounts as a result of differing valuation policies.

in CHF 1,000	2021	2020
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	1,719	3,869
Total	**1,719**	**3,869**

10C TAX ASSETS AND LIABILITIES

in CHF 1,000	Note	31.12.2021	31.12.2020
TAX ASSETS			
Amounts receivable arising on current taxes on income		297	159
Deferred tax assets	10b	7,592	10,173
Total tax assets		**7,889**	**10,332**
TAX LIABILITIES			
Liabilities arising on current taxes on income		10,970	12,208
Deferred tax liabilities	10b	859	141
Total tax liabilities		**11,829**	**12,349**

10D TAX EFFECTS ON OTHER COMPREHENSIVE INCOME

in CHF 1,000	Amount before tax	Tax yield / tax expenses	31.12.2021 Amount net of tax
Changes in foreign-currency translation differences	1,799	0	1,799
Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0
Changes in value of FVTOCI financial instruments	4,754	–9	4,745
Actuarial gains/losses from defined-benefit pension plans	27,328	–3,574	23,754
Total comprehensive income in shareholders' equity	**33,881**	**–3,583**	**30,298**

10d Tax effects on other comprehensive income (continued)

	Amount before tax	Tax yield / tax expenses	31.12.2020 Amount net of tax
Changes in foreign-currency translation differences	–8,699	0	–8,699
Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	0	0
Changes in value of FVTOCI financial instruments	–8,328	514	–7,814
Actuarial gains/losses from defined-benefit pension plans	3,721	–429	3,292
Total comprehensive income in shareholders' equity	**-13,306**	**85**	**-13,221**

11 EARNINGS PER SHARE

	31.12.2021	31.12.2020
CONSOLIDATED EARNINGS PER SHARE OF VP BANK LTD, VADUZ		
Group net income (in CHF 1,000)[1]	50,638	41,622
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	503,102	551,888
Less weighted average number of treasury shares B	347,138	333,457
Weighted average number of registered shares A (undiluted)	5,511,898	5,463,112
Weighted average number of registered shares B (undiluted)	5,657,029	5,670,710
Total weighted average number of shares (registered shares A)	6,077,601	6,030,183
Undiluted consolidated earnings per registered share A	8.33	6.90
Undiluted consolidated earnings per registered share B	0.83	0.69
DILUTED CONSOLIDATED EARNINGS PER SHARE OF VP BANK LTD, VADUZ		
Group net income (in CHF 1,000)[1]	50,638	41,622
Dilution effect number of registered shares A[2]	22,774	30,970
Number of shares used to compute the fully diluted consolidated net income	6,100,375	6,061,153
Diluted consolidated earnings per registered share A	8.30	6.87
Diluted consolidated earnings per registered share B	0.83	0.69

[1] On the basis of Group profits attributable to the shareholders of VP Bank Ltd, Vaduz.
[2] The dilutive effect results from outstanding management participation plans (note 43).

12 DIVIDEND

	2021	2020
APPROVED AND PAID DIVIDEND OF VP BANK LTD, VADUZ		
Dividend (in CHF 1,000) for the financial year 2020 (2019)	26,462	36,385
Dividend per registered share A	4.00	5.50
Dividend per registered share B	0.40	0.55
Payout ratio (in %)	58.0	44.8
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 2021	33,077	
Dividend per registered share A	5.00	
Dividend per registered share B	0.50	
Payout ratio (in %)[1]	60.0	

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

13 CASH AND CASH EQUIVALENTS

in CHF 1,000	31.12.2021	31.12.2020
Cash on hand	16,290	25,477
At-sight balances with national and central banks	2,367,962	2,567,371
Expected credit loss	–115	–142
Total cash and cash equivalents	**2,384,137**	**2,592,706**

14 RECEIVABLES ARISING FROM MONEY MARKET PAPER

in CHF 1,000	31.12.2021	31.12.2020
Money market paper (qualifying for refinancing purposes)	129,434	116,198
Other money market paper	0	0
Expected credit loss	–33	–32
Total receivables arising from money market paper	**129,401**	**116,166**

15 DUE FROM BANKS AND CUSTOMERS

in CHF 1,000	Note	31.12.2021	31.12.2020
BY TYPE OF EXPOSURE			
Due from banks – at-sight balances		491,589	612,509
Due from banks – term balances		1,197,412	1,171,946
Valuation allowances for credit risks	16	–131	–135
Due from banks		**1,688,870**	**1,784,320**
Mortgage receivables		3,264,824	3,372,024
Other receivables		2,999,106	2,939,604
Valuation allowances for credit risks	16	–26,672	–30,099
Due from customers		**6,237,258**	**6,281,529**
Total due from banks and customers		**7,926,128**	**8,065,849**
DUE FROM CUSTOMERS BY TYPE OF COLLATERAL			
Mortgage collateral		3,243,759	3,423,238
Other collateral		2,692,852	2,454,786
Without collateral		327,319	433,604
Subtotal		6,263,930	6,311,628
Valuation allowances for credit risks		–26,672	–30,099
Total due from customers		**6,237,258**	**6,281,529**

16 VALUATION ALLOWANCES FOR CREDIT RISKS

The detailed information on credit risks is disclosed in the section Risk Management of the VP Bank Group on pages 141 ff.

17 TRADING PORTFOLIOS

in CHF 1,000	31.12.2021	31.12.2020
DEBT SECURITIES VALUED AT FAIR VALUE		
• Exchange-listed	10,207	0
Total	10,207	0
EQUITY SECURITIES / INVESTMENT-FUND UNITS VALUED AT FAIR VALUE		
Total	0	0
Other	276	290
Total trading portfolios	**10,483**	**290**

18 DERIVATIVE FINANCIAL INSTRUMENTS

31.12.2021 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
INTEREST-RATE INSTRUMENTS			
Forward contracts			
Swaps		3,634	108,500
Futures			
Options (OTC)			
Options (exchange-traded)			
Total interest-rate instruments 31.12.2021	**0**	**3,634**	**108,500**

18 Derivative financial instruments (continued)

31.12.2021 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
FOREIGN CURRENCIES			
Forward contracts	32,326	32,094	5,058,969
Combined interest-rate/currency swaps	10,247	41,993	4,844,384
Futures			
Options (OTC)	2,964	2,966	971,887
Options (exchange-traded)			
Total foreign currencies 31.12.2021	**45,537**	**77,053**	**10,875,240**
EQUITY SECURITIES/INDICES			
Forward contracts			
Futures			
Options (OTC)	807	808	24,726
Options (exchange-traded)		237	3,253
Total equity securities/indices 31.12.2021	**807**	**1,045**	**27,979**
PRECIOUS METALS			
Forward contracts	10	56	5,397
Swaps			
Options (OTC)	521	521	43,418
Options (exchange-traded)			
Total precious metals 31.12.2021	**531**	**577**	**48,815**
Total derivative financial instruments 31.12.2021	**46,875**	**82,309**	**11,060,534**

The fair value of derivative financial instruments without market value is arrived at by recognised valuation models. These models take account of the relevant parameters such as contract specifications, the market price of the underlying security, the yield curve and volatility.

The reform of the IBOR interest rates had or has no material impact on the replacement values of the derivatives. With the exception of interest-rate swaps, the contract specifications of the derivatives are not related to IBOR interest rates. The interest-rate swaps were only referenced to IBOR interest rates as of the previous year's reporting date (31 December 2020). Corresponding contracts were converted to the SARON reference interest-rate in the reporting year with no effect on value.

31.12.2020 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
INTEREST-RATE INSTRUMENTS			
Swaps	14	6,332	137,762
Total interest-rate instruments 31.12.2020	**14**	**6,332**	**137,762**
FOREIGN CURRENCIES			
Forward contracts	43,846	44,221	4,930,731
Combined interest-rate/currency swaps	24,239	42,227	4,793,736
Options (OTC)	9,924	9,922	1,281,138
Total foreign currencies 31.12.2020	**78,009**	**96,370**	**11,005,605**
EQUITY SECURITIES/INDICES			
Options (OTC)	463	463	16,759
Options (exchange-traded)		105	1,285
Total equity securities/indices 31.12.2020	**463**	**568**	**18,044**
PRECIOUS METALS			
Forward contracts	129	225	20,612
Options (OTC)	876	876	67,701
Total precious metals 31.12.2020	**1,005**	**1,101**	**88,313**
Total derivative financial instruments 31.12.2020	**79,491**	**104,371**	**11,249,724**

19 FINANCIAL INSTRUMENTS AT FAIR VALUE

in CHF 1,000	31.12.2021	31.12.2020
DEBT INSTRUMENTS		
Exchange-listed	21,359	39,786
Non-exchange-listed	0	5,405
Total	**21,359**	**45,191**
EQUITY SHARES / INVESTMENT FUND UNITS		
Exchange-listed	12,220	5,088
Non-exchange-listed	29,123	30,459
Total	**41,343**	**35,547**
EQUITY SHARES, THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)		
Exchange-listed	128,374	95,011
Non-exchange-listed	4,496	4,036
Total	**132,870**	**99,047**
STRUCTURED PRODUCTS		
Exchange-listed	355	544
Non-exchange-listed[1]	0	2,607
Total	**355**	**3,151**
Total financial instruments at fair value	**195,927**	**182,936**

The fair value of non-exchange-listed financial instruments is determined exclusively on the basis of traders' quotations or external pricing models based upon prices and interest rates of a supervised, active and liquid market. Management is convinced that the prices arrived at by these techniques constitute the most appropriate value for the balance sheet as of the date of the transactions, as well as for the related revaluation entries in the income statement.

[1] Principally structured credit notes (credit-linked notes and credit-default notes).

20 FINANCIAL INSTRUMENTS AT AMORTISED COST

in CHF 1,000	31.12.2021	31.12.2020
DEBT INSTRUMENTS		
Exchange-listed	2,225,983	2,199,829
Non-exchange-listed	38,690	3,045
Expected credit loss	–1,437	–1,571
Total	**2,263,236**	**2,201,303**
Total financial instruments at amortised cost	**2,263,236**	**2,201,303**

21 JOINT VENTURE

in CHF 1,000	2021	2020
Balance at the beginning of the financial year	25	28
Additions	–1	–3
Value impairments	0	0
Balance as of balance sheet date	**24**	**25**

DETAILS OF COMPANIES REFLECTED IN THE CONSOLIDATION USING THE EQUITY METHOD

Name	Registered office	Activity	Share capital	Capital held in % 31.12.2021	31.12.2020
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 2021
ACQUISITION COST						
Balance on 01.01.2021	37,076	195,728	2,793	21,467	25,951	283,014
Additions	2,042	831	106	1,280	2,117	6,376
Disposals/derecognitions[2]	–1,043			–226	–1,737	–3,006
Foreign-currency translation	130			47	18	195
Balance on 31.12.2021	**38,205**	**196,559**	**2,899**	**22,568**	**26,349**	**286,579**
ACCUMULATED DEPRECIATION AND AMORTISATION						
Balance on 01.01.2021	–8,396	–132,567	–8	–13,776	–20,112	–174,858
Depreciation and amortisation	–6,072	–5,085	–8	–1,486	–3,357	–16,008
Valuation allowances	–3,320					–3,320
Disposals/derecognitions[2]	988			227	1,737	2,952
Foreign-currency translation	–20			–116	–17	–153
Balance on 31.12.2021	**-16,820**	**-137,652**	**-16**	**-15,151**	**-21,749**	**-191,387**
Net book values on 31.12.2021	**21,385**	**58,907**	**2,883**	**7,417**	**4,600**	**95,192**

[1] Total according to the table below.
[2] Includes the derecognitions of completely depreciated and amortised assets.

RIGHT OF USE ASSETS

in CHF 1,000	Buildings and premises	Motor vehicles	Total 2021
ACQUISITION COST			
Balance on 01.01.2021	35,528	1,548	37,076
Additions	1,726	316	2,042
Disposals/derecognitions	–880	–163	–1,043
Foreign-currency translation	130	0	130
Balance on 31.12.2021	**36,504**	**1,701**	**38,205**
ACCUMULATED DEPRECIATION AND AMORTISATION			
Balance on 01.01.2021	–7,688	–708	–8,396
Depreciation and amortisation	–5,633	–439	–6,072
Valuation allowances[1]	–3,320	0	–3,320
Disposals/derecognitions	880	108	988
Foreign-currency translation	–20	0	–20
Balance on 31.12.2021	**-15,781**	**-1,039**	**-16,820**
Net book values on 31.12.2021	**20,723**	**662**	**21,385**

[1] A long-term rented room will no longer be used from autumn 2022, which is why an impairment was recorded on this rental property.

in CHF 1,000	Right of use assets[1]	Bank buildings[2]	Other real estate[2]	Furniture and equipment[2]	IT systems	Total 2020
ACQUISITION COST						
Balance on 01.01.2020	36,171	194,719	2,544	21,210	26,147	280,791
Additions	4,022	1,277	248	523	2,857	8,927
Disposals/derecognitions[3]	–2,736	–269	0	–84	–2,997	–6,086
Foreign-currency translation	–381	0	0	–182	–56	–618
Balance on 31.12.2020	**37,076**	**195,728**	**2,793**	**21,467**	**25,951**	**283,014**
ACCUMULATED DEPRECIATION AND AMORTISATION						
Balance on 01.01.2020	–5,620	–127,770	–1	–12,380	–19,652	–165,423
Depreciation and amortisation	–5,730	–5,066	–7	–1,575	–3,510	–15,888
Disposals/derecognitions[3]	2,736	269	0	58	2,996	6,059
Foreign-currency translation	218	0	0	121	54	394
Balance on 31.12.2020	**–8,396**	**–132,567**	**–8**	**–13,776**	**–20,112**	**–174,858**
Net book values on 31.12.2020	**28,680**	**63,161**	**2,785**	**7,691**	**5,839**	**108,156**

[1] Total according to the table below.
[2] Fittings in rental properties are shown uniformly under furniture and machinery. As a result of corresponding reclassifications, the net book values of the bank buildings changed by CHF –0.211 million as of 1 January 2020, other real estate by CHF –1.952 million and correspondingly furniture and equipment by CHF 2.162 million. The table in 2020 was aligned accordingly to ensure comparability. The reclassifications had no impact on the balance sheet, income statement or other tables in the notes.
[3] Includes the derecognitions of completely depreciated and amortised assets.

RIGHT OF USE ASSETS

in CHF 1,000	Buildings and premises	Motor vehicles	Total 2020
ACQUISITION COST			
Balance on 01.01.2020	34,828	1,343	36,171
Additions	3,750	272	4,022
Disposals/derecognitions	–2,669	–67	–2,736
Foreign-currency translation	–381	0	–381
Balance on 31.12.2020	**35,528**	**1,548**	**37,076**
ACCUMULATED DEPRECIATION AND AMORTISATION			
Balance on 01.01.2020	–5,279	–341	–5,620
Depreciation and amortisation	–5,296	–434	–5,730
Disposals/derecognitions	2,669	67	2,736
Foreign-currency translation	218	0	218
Balance on 31.12.2020	**–7,688**	**–708**	**–8,396**
Net book values on 31.12.2020	**27,840**	**840**	**28,680**

Additional information regarding property and equipment

in CHF 1,000	2021	2020
Fire insurance value of real estate	155,376	155,363
Fire insurance value of other property and equipment	43,706	43,694
Fair value of other real estate	2,883	4,299

There is no property and equipment arising from financing leasing contracts.

23 GOODWILL AND OTHER INTANGIBLE ASSETS

in CHF 1,000	Software	Customer relationships	Goodwill	Total 2021
ACQUISITION COST				
Balance on 01.01.2021	203,142	48,748	52,895	304,785
Additions	25,726	7,788	775	34,289
Disposals/derecognitions	–302			–302
Foreign-currency translation	121	184		305
Balance on 31.12.2021	**228,687**	**56,720**	**53,670**	**339,077**
ACCUMULATED AMORTISATION				
Balance on 01.01.2021	–171,411	–31,393	–35,302	–238,106
Depreciation and amortisation	–12,304	–4,751		–17,055
Disposals/derecognitions	302			302
Foreign-currency translation	–110			–110
Balance on 31.12.2021	**–183,523**	**–36,144**	**–35,302**	**–254,969**
Net book values on 31.12.2021	**45,164**	**20,576**	**18,368**	**84,108**

in CHF 1,000	Software	Customer relationships	Goodwill	Total 2020
ACQUISITION COST				
Balance on 01.01.2020	186,680	48,748	52,895	288,323
Additions	17,373			17,373
Disposals/derecognitions	–536			–536
Foreign-currency translation	–375			–375
Balance on 31.12.2020	**203,142**	**48,748**	**52,895**	**304,785**
ACCUMULATED AMORTISATION				
Balance on 01.01.2020	–163,306	–27,526	–35,302	–226,134
Depreciation and amortisation	–9,008	–3,867		–12,875
Disposals/derecognitions	556			556
Foreign-currency translation	347			347
Balance on 31.12.2020	**–171,411**	**–31,393**	**–35,302**	**–238,106**
Net book values on 31.12.2020	**31,731**	**17,355**	**17,593**	**66,679**

There are no other capitalised intangible assets on the consolidated balance sheet of VP Bank Group with an unlimited estimated useful life.

Review of impairment in value of goodwill

The goodwill of CHF 18.4 million results from the existing goodwill of CHF 10.8 million arising from the acquisition of VP Bank (Luxembourg) Ltd in 2001 and which is allocated to the cash-generating unit VP Bank (Luxembourg) Ltd. Since 1 January 2005, this goodwill has not been amortised but subject only to an annual test for impairment in value. Since 2019, there has been further goodwill of CHF 6.8 million arising from the acquisition of the Luxembourg private banking activities of Catella Bank by VP Bank (Luxembourg) SA. A further goodwill of CHF 0.8 million arose in the 2021 financial year from the acquisition of the client business of Öhman Bank S.A., domiciled in Luxembourg (note 46). These two goodwill items are also allocated to the cash-generating unit VP Bank (Luxembourg) SA.

The determination of the recoverable amount as part of the impairment test in the 2021 financial year was based on the fair value (level 3) less selling costs. The book value of the existing goodwill and intangible assets is tested using the market multiples method from comparable listed companies or from comparable transactions. The multiple used is the so-called "goodwill" multiple, which is defined as the ratio of the difference between market capitalization and the book value of equity to the existing assets under management and is used to value companies in the wealth management sector. The recoverable amount exceeded the book value (book value of equity plus book value of acquired intangible assets after deferred taxes plus book value of goodwill) of the CGU to such an extent that an impairment of the goodwill could be viewed as unlikely. An additional calculation of the recoverable amount based on the value in use and a sensitivity analysis was therefore not required.

24 OTHER ASSETS

in CHF 1,000	31.12.2021	31.12.2020
Value-added taxes and other tax receivables	7,627	5,327
Prepaid retirement pension contributions	0	0
Settlement accounts	9,585	59,734
Miscellaneous other assets[1]	1,039	1,928
Total other assets	**18,251**	**66,989**

[1] Compensation accounts and miscellaneous other assets.

25 MEDIUM-TERM NOTES

in CHF 1,000 Maturity	0–0.9999% Interest rate	1–1.9999% Interest rate	2–2.9999% Interest rate	3–3.9999% Interest rate	Total
2022	19,216	521	1,091	0	20,828
2023	7,861	685	2,734	0	11,280
2024	1,870	426	0	0	2,296
2025	2,064	289	127	0	2,480
2026	11,648	0	0	0	11,648
2027	4,383	0	0	0	4,383
2028	768	0	0	0	768
2029	96	0	0	0	96
2030	142	0	0	0	142
2031	76	0	0	0	76
Total 31.12.2021	**48,124**	**1,921**	**3,952**	**0**	**53,997**
Total 31.12.2020	67,543	3,400	5,205	0	76,148

The average interest rate as of 31 December 2021 was 0.39 per cent (prior year: 0.40 per cent).

26 DEBENTURES, VP BANK LTD, VADUZ

Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	in CHF 1,000 Total 31.12.2021	Total 31.12.2020
2015	CH0262888933	0.500	CHF	07.04.2021	100,000	0	100,018
2015	CH0262888941	0.875	CHF	07.10.2024	100,000	100,154	100,209
2019	CH0461238880	0.600	CHF	29.11.2029	155,000	154,980	154,978
Total					**355,000**	**255,134**	**355,205**

Debt securities issued are recorded at fair value plus transaction costs upon initial recognition. Fair value corresponds to the consideration received. Subsequently, they are re-measured at amortised cost. In this process, the effective interest method (0.43 per cent debenture 2021; 0.82 per cent debenture 2024; 0.60 per cent debenture 2029) is applied in order to amortise the difference between the issuance price and redemption value over the duration of the debentures.

27 OTHER LIABILITIES

in CHF 1,000	31.12.2021	31.12.2020
Value-added taxes and other tax receivables	15,122	12,956
Accrued retirement pension contributions	15,097	40,208
Other long-term employee benefits[1]	3,444	3,531
Settlement accounts	78,596	62,530
Miscellaneous other liabilities[2]	27,522	32,018
Total other liabilities	**139,781**	**151,243**

[1] See note 40.
[2] Compensation accounts and miscellaneous other liabilities.

28 PROVISIONS

in CHF 1,000	Default risk	Legal and litigation risks	Other provisions	Restructuring provisions	Total 2021
Carrying value at the beginning of the financial year	201	0	611	0	812
Utilisation in accordance with purpose			–208		–208
New provisions charged to income statement	152		446		598
Provisions releases to income statement	–211				–211
Foreign-currency translation differences and other adjustments	6		128		134
Carrying value at the end of the financial year	**148**	**0**	**977**	**0**	**1,125**
MATURITY OF PROVISIONS					
• within one year					1,125
• over one year					0

in CHF 1,000	Default risk	Legal and litigation risks	Other provisions	Restructuring provisions	Total 2020
Carrying value at the beginning of the financial year	295	515	132	0	942
Utilisation in accordance with purpose			–7		–7
New provisions charged to income statement	466		486		952
Provisions releases to income statement	–550	–488	–1		–1,039
Foreign-currency translation differences and other adjustments	–10	–27	1		–36
Carrying value at the end of the financial year	**201**	**0**	**611**	**0**	**812**
MATURITY OF PROVISIONS					
• within one year					812
• over one year					0

29 SHARE CAPITAL

	31.12.2021 No. of shares	Nominal CHF	31.12.2020 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

	31.12.2021 No. of shares	in CHF 1,000	31.12.2020 No. of shares	in CHF 1,000
Registered shares A at the beginning of the financial year	530,171	55,681	598,065	62,812
Purchases	0	0	0	0
Sales	–41,237	–4,331	–67,894	–7,131
Balance of registered shares A as of balance sheet date	**488,934**	**51,350**	**530,171**	**55,681**
Registered shares B at the beginning of the financial year	344,369	5,390	327,419	5,192
Purchases	4,500	50	16,950	198
Sales	0	0	0	0
Balance of registered shares B as of balance sheet date	**348,869**	**5,440**	**344,369**	**5,390**

31 ASSETS PLEDGED OR ASSIGNED TO SECURE OWN LIABILITIES AND ASSETS SUBJECT TO RESERVATION OF TITLE

in CHF 1,000	31.12.2021		31.12.2020	
	Market value	Actual liability	Market value	Actual liability
Securities	692,214	0	705,465	0
Money market paper	0	0	0	0
Other	1,443	0	1,077	0
Total pledged assets	**693,657**	**0**	**706,542**	**0**

The assets are pledged to maintain limits for the repo business with national and central banks, for stock exchange deposits, and to secure the business activities of foreign organisations pursuant to local legal provisions. Pledged or assigned assets within the framework of securities lending transactions or of repurchase and reverse-repurchase transactions are not reflected in the above analysis. They are shown in the table "Securities lending and repurchase and reverse-repurchase transactions with securities" (note 44).

32 LEASING

The Group rents various office and warehousing buildings as well as motor vehicles. As a rule, rental agreements are entered into for fixed periods of two to eight years but may have renewal options.

Leases in the balance sheet

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
PROPERTY AND EQUIPMENT				
Right of use – buildings and premises	20,723	27,840	–7,117	–25.6
Right of use – motor vehicles	662	840	–178	–21.2
Total assets	**21,385**	**28,680**	**-7,295**	**-25.4**
Remaining duration of up to 1 year	5,741	5,746	–5	–0.1
Remaining duration of 1 to 5 years	16,772	16,376	396	2.4
Remaining duration of over 5 years	3,063	6,863	–3,800	–55.4
Total lease liabilities	**25,576**	**28,985**	**-3,409**	**-11.8**

Leases in the profit and loss statement

in CHF 1,000	2021	2020	Variance absolute	Variance in %
NET INTEREST INCOME				
Interest expenses on right-of-use assets	265	303	–38	–12.5
DEPRECIATION OF PROPERTY AND EQUIPMENT				
Depreciation and impairment on right-of-use assets	9,392	5,730	3,662	63.9

33 LITIGATION

As part of its ordinary banking activities, VP Bank Group is involved in various legal and regulatory 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 a contingent liability may be created.

The risks described below are not necessarily the only ones to which VP Bank Group is exposed. Additional risks which are presently unknown or risks and proceedings which are currently considered insignificant may equally impact the future course of business, operating results and the outlook of VP Bank Group.

The Deposit Insurance Agency of Russia (DIA), as part of the bankruptcy proceedings of two Russian banks, asserts that third-party pledges created in connection with the granting of loans to foreign companies shortly prior to the revocation of the banking licence and commencement of bankruptcy proceedings should not have been realised on the open market by VP Bank Group. Both proceedings are at different stages of development.

In the first proceedings against VP Bank (Switzerland) Ltd involving a disputed amount of USD 10 million, the Ninth Arbitration Court of Appeal on 24 May 2017 upheld the nullity of the realisation pursuant to Russian bankruptcy law. The court obligated VP Bank (Switzerland) Ltd to pay an amount of approximately USD 10 million. The judgement became res judicata on 19 September 2017. All extraordinary legal remedies without suspensive effect were dismissed. The debt collection procedure opened on 7 June 2018 in Moscow has so far gone nowhere. In a letter dated 31 July 2019, the DIA, in its capacity as insolvency administrator, issued the first call for payment to VP Bank (Switzerland) Ltd. VP Bank Group has not complied with this request as it contests this ruling. Further developments will be monitored by local lawyers in Moscow.

The second proceedings against VP Bank Ltd, and VP Bank (Switzerland) Ltd, in an amount in dispute of USD 15 million, are of a similar nature, but are not yet closed. On 16 March 2018, the Supreme Court confirmed the jurisdiction of the Russian courts and dismissed the case to the Arbitration Court for substantive judgement.

On 22 May 2019, the Arbitration Court ruled in favour of VP Bank Ltd and VP Bank (Switzerland) Ltd. This judgement was confirmed by the Court of Appeal on 12 August 2019. On 19 November 2019, the Court of Cassation overturned the judgements of the lower-instance courts and dismissed the case to the court of first instance (Arbitration Court) for a new ruling.

VP Bank Ltd and VP Bank (Switzerland) Ltd appealed to the Judicial Chamber of the Supreme Court against the ruling on 17 January 2020, which had not yet heard the appeal by 16 March 2020. The case, therefore, had to be heard again at the first instance. On 3 August 2020, the judge ordered the submission of various documents and requested the DIA to explain its claim in detail, which had been amended several times in the meantime. In the hearing of 13 November 2020, the relevant submissions were made and the litigation continued throughout several hearings in 2021.

On 8 June 2021, the first-instance ruling was issued in which the action against VP Bank (Switzerland) Ltd was dismissed in its entirety and/or, with respect to VP Bank Ltd, upheld to a limited extent (20 per cent). As a result, the Bank was ordered to repay an amount of USD 2.9 million. The DIA and the two accused immediately appealed this decision to the next higher instance (Ninth Arbitration Court of Appeal), which confirmed the judgement of the Arbitration Court on 20 August 2021. This ruling was again appealed against to the Court of Cassation on 31 August 2021 on the grounds of nullity. At a hearing held on 21 October 2021, the judgements of the lower-instance courts were upheld. The reasons for this ruling were announced on 29 October 2021. The parties were entitled to a two-month period to appeal the case to the Supreme Court. The accused have instructed their Russian lawyer to pursue this course of action.

In both cases, VP Bank Ltd considers the risk of outflow of funds to be small, which is why no provision has been formed.

In another case, the High Court of Justice in London served a civil suit on VP Bank (Switzerland) Ltd at the beginning of 2020. VP Bank Ltd is also named as a defendant and was notified of the action in March 2020. The main defendant is a former governing body of a foreign pension fund. The latter is said to have acted unlawfully in its role by accepting distribution remunerations for investment funds. The action names 38 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 successfully challenged the UK jurisdiction in the first instance. VP Bank Group considers the risk of outflow of funds to be small, which is why no provision has been formed.

34 BALANCE SHEET PER CURRENCY

in CHF 1,000	CHF	USD	EUR	Other	Total 2021
ASSETS					
Cash and cash equivalents	2,128,173	494	252,794	2,676	2,384,137
Receivables arising from money market paper		28,238		101,163	129,401
Due from banks	1,207,791	81,370	109,367	290,342	1,688,870
Due from customers	3,660,949	1,255,934	923,764	396,611	6,237,258
Trading portfolios			10,207	276	10,483
Derivative financial instruments	41,776	2,144	123	2,832	46,875
Financial instruments at fair value	75,856	18,064	96,627	5,380	195,927
Financial instruments at amortised cost	516,454	918,111	786,097	42,574	2,263,236
Joint venture companies	24				24
Property and equipment	90,668	2,225		2,299	95,192
Intangible assets	83,918	190			84,108
Tax receivables			249	48	297
Deferred tax assets	7,432			160	7,592
Accrued liabilities and deferred items	22,465	7,436	4,167	711	34,779
Assets held for sale					0
Other assets	6,646	1,195	9,322	1,088	18,251
Total assets 31.12.2021	**7,842,152**	**2,315,401**	**2,192,717**	**846,160**	**13,196,430**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	26,140	13,825	20,292	10,629	70,886
Due to customers – savings and deposits	574,559		645		575,204
Due to customers – other liabilities	2,546,131	3,807,621	2,909,631	1,620,150	10,883,533
Derivative financial instruments	77,107	2,290	238	2,674	82,309
Medium-term notes	47,423	3,750	2,824		53,997
Debenture issues	255,134				255,134
Tax liabilities	10,713			257	10,970
Deferred tax liabilities	859				859
Accrued liabilities and deferred items	30,154	889	2,595	3,427	37,065
Other liabilities	79,271	26,956	31,236	2,318	139,781
Provisions	518	134	238	235	1,125
Total liabilities	3,648,009	3,855,465	2,967,699	1,639,690	12,110,863
Total shareholders' equity	1,021,260	61,981	0	2,326	1,085,567
Total liabilities and shareholders' equity 31.12.2021	**4,669,269**	**3,917,446**	**2,967,699**	**1,642,016**	**13,196,430**

in CHF 1,000	CHF	USD	EUR	Other	Total 2020
ASSETS					
Cash and cash equivalents	2,369,868	826	219,750	2,262	2,592,706
Receivables arising from money market paper		62,715		53,451	116,166
Due from banks	1,201,058	84,969	215,610	282,683	1,784,320
Due from customers	3,671,800	1,124,277	1,029,690	455,762	6,281,529
Trading portfolios				290	290
Derivative financial instruments	63,005	7,954	732	7,800	79,491
Financial instruments at fair value	64,692	37,376	75,844	5,024	182,936
Financial instruments at amortised cost	487,362	840,912	834,821	38,208	2,201,303
Joint venture companies	25				25
Property and equipment	104,061	3,408		687	108,156
Intangible assets	66,412	267			66,679
Tax receivables			11	148	159
Deferred tax assets	10,173				10,173
Accrued liabilities and deferred items	19,929	6,858	4,821	821	32,429
Assets held for sale					0
Other assets	4,242	49,392	11,194	2,161	66,989
Total assets 31.12.2020	**8,062,627**	**2,218,954**	**2,392,473**	**849,297**	**13,523,351**

in CHF 1,000	CHF	USD	EUR	Other	Total 2020
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	180,514	23,172	16,855	29,885	250,426
Due to customers – savings and deposits	589,370		414		589,784
Due to customers – other liabilities	2,707,151	3,962,950	2,920,381	1,331,389	10,921,871
Derivative financial instruments	92,461	3,306	780	7,824	104,371
Medium-term notes	65,512	3,978	6,658		76,148
Debenture issues	355,205				355,205
Tax liabilities	11,065			1,143	12,208
Deferred tax liabilities	132			9	141
Accrued liabilities and deferred items	29,345	1,123	2,550	3,067	36,085
Other liabilities	82,522	7,568	59,356	1,797	151,243
Provisions	353	189	270		812
Total liabilities	4,113,630	4,002,286	3,007,264	1,375,114	12,498,294
Total shareholders' equity	965,450	58,000		1,607	1,025,057
Total liabilities and shareholders' equity 31.12.2020	**5,079,080**	**4,060,286**	**3,007,264**	**1,376,721**	**13,523,351**

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 2021
ASSETS						
Cash and cash equivalents	2,384,137					2,384,137
Receivables arising from money market paper			129,401			129,401
Due from banks	491,589		1,197,281			1,688,870
Due from customers	288,582	188,744	4,605,670	795,232	359,030	6,237,258
Trading portfolios	10,483					10,483
Derivative financial instruments	46,875					46,875
Financial instruments at fair value	62,833				133,094	195,927
Financial instruments at amortised cost			350,466	1,343,929	568,841	2,263,236
Joint venture companies	24					24
Property and equipment[1]					95,192	95,192
Intangible assets					84,108	84,108
Tax receivables	297					297
Deferred tax assets				7,592		7,592
Accrued liabilities and deferred items	34,779					34,779
Assets held for sale						0
Other assets	17,954	297				18,251
Total assets 31.12.2021	**3,337,553**	**189,041**	**6,282,818**	**2,146,753**	**1,240,265**	**13,196,430**
LIABILITIES						
Due to banks	70,886					70,886
Due to customers – savings and deposits		575,204				575,204
Due to customers – other liabilities	8,956,997	1,027,888	898,648			10,883,533
Derivative financial instruments	82,309					82,309
Medium-term notes			20,828	27,704	5,465	53,997
Debenture issues				100,154	154,980	255,134
Tax liabilities	10,970					10,970
Deferred tax liabilities				859		859
Accrued liabilities and deferred items	37,065					37,065
Other liabilities	138,385		1,396			139,781
Provisions	1,125					1,125
Total liabilities 31.12.2021	**9,297,737**	**1,603,092**	**920,872**	**128,717**	**160,445**	**12,110,863**

[1] Without maturity.

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 2020
ASSETS						
Cash and cash equivalents	2,592,706					2,592,706
Receivables arising from money market paper			116,166			116,166
Due from banks	612,509		1,171,811			1,784,320
Due from customers	262,736	224,087	4,555,734	868,332	370,640	6,281,529
Trading portfolios	290					290
Derivative financial instruments	79,491					79,491
Financial instruments at fair value	83,574				99,362	182,936
Financial instruments at amortised cost			267,288	1,414,221	519,794	2,201,303
Joint venture companies	25					25
Property and equipment[1]					108,156	108,156
Intangible assets					66,679	66,679
Tax receivables	159					159
Deferred tax assets				10,173		10,173
Accrued liabilities and deferred items	32,429					32,429
Assets held for sale						0
Other assets	66,545	444				66,989
Total assets 31.12.2020	**3,730,464**	**224,531**	**6,110,999**	**2,292,726**	**1,164,631**	**13,523,351**
LIABILITIES						
Due to banks	250,426					250,426
Due to customers – savings and deposits		589,784				589,784
Due to customers – other liabilities	8,861,495	895,989	1,164,387			10,921,871
Derivative financial instruments	104,371					104,371
Medium-term notes			36,889	36,852	2,407	76,148
Debenture issues			100,019	100,209	154,977	355,205
Tax liabilities	12,208					12,208
Deferred tax liabilities				141		141
Accrued liabilities and deferred items	36,085					36,085
Other liabilities	150,631		612			151,243
Provisions	812					812
Total liabilities 31.12.2020	**9,416,028**	**1,485,773**	**1,301,907**	**137,202**	**157,384**	**12,498,294**

[1] Without maturity.

36 CLASSIFICATION OF ASSETS BY COUNTRY OR GROUPS OF COUNTRIES

	31.12.2021 in CHF 1,000	Proportion in %	31.12.2020 in CHF 1,000	Proportion in %
Liechtenstein and Switzerland	8,276,629	62.7	8,574,557	63.4
Rest of Europe	2,238,186	17.0	2,309,034	17.1
North America	830,471	6.3	826,658	6.1
Other countries	1,851,144	14.0	1,813,102	13.4
Total assets	**13,196,430**	**100.0**	**13,523,351**	**100.0**

The classification is made according to the principle of domicile of the counterparties. Diversified collateral existing in the area of lombard loans is not taken into consideration in this respect.

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 31.12.2021	Fair value 31.12.2021	Variance	Carrying value 31.12.2020	Fair value 31.12.2020	Variance
ASSETS						
Cash and cash equivalents	2,384	2,384	0	2,593	2,593	0
Receivables arising from money market paper	129	129	0	116	116	0
Due from banks	1,689	1,689	0	1,784	1,785	1
Due from customers	6,237	6,328	91	6,282	6,400	118
Trading portfolios	10	10	0	0	0	0
Derivative financial instruments	47	47	0	79	79	0
Financial instruments at fair value	196	196	0	183	183	0
of which designated on initial recognition	0	0	0	0	0	0
of which mandatory under IFRS 9	63	63	0	84	84	0
of which recognised in other comprehensive income with no effect on net income	133	133	0	99	99	0
Financial instruments at amortised cost	2,263	2,295	32	2,201	2,279	78
Subtotal			**123**			**197**
LIABILITIES						
Due to banks	71	71	0	250	250	0
Due to customers	11,459	11,458	1	11,512	11,538	–26
Derivative financial instruments	82	82	0	104	104	0
Medium-term notes	54	55	–1	76	77	–1
Debentures issued	255	259	–4	355	361	–6
Subtotal			**–4**			**–33**
Total variance			**119**			**164**

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, debenture issues

In determining the fair value of amounts due from/to banks, due from/to customers (including mortgage receivables and due to customers in the form of savings and deposits), as well as of medium-term notes and debenture issues 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 loans) is determined only on the basis of external traders’ prices 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 31.12.2021	Nominal value of hedging instruments	Book value of hedging instruments		Balance sheet position under which hedging instruments are disclosed
		Assets	Liabilities	
Interest-rate swaps	72,228	0	2,798	Derivative financial instruments

Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period[1]	1,000

[1] Ineffectiveness mainly results from variations in duration, e.g. due to different interest rates, interest payment dates or maturities of transactions.

in CHF 1,000 31.12.2020	Nominal value of hedging instruments	Book value of hedging instruments		Balance sheet position under which hedging instruments are disclosed
		Assets	Liabilities	
Interest-rate swaps	87,390	14	4,663	Derivative financial instruments

Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period[1]	159

[1] Ineffectiveness mainly results from variations in duration, e.g. due to different interest rates, interest payment dates or maturities of transactions.

in CHF 1,000 31.12.2021	Book value of underlying transactions		Accumulated valuation adjustments, included in the book value of the underlying transactions		Balance sheet position under which underlying transactions are disclosed
	Assets	Liabilities	Assets	Liabilities	
Client receivables	75,642	0	1,134	0	Due from customers
of which active hedge relationships	73,340	0	1,112	0	Due from customers
of which closed hedge relationships (client receivables)	2,302	0	22	0	Due from customers

in CHF 1,000 31.12.2020	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	103,338	0	2,197	0	Due from customers
of which active hedge relationships	89,527	0	2,137	0	Due from customers
of which closed hedge relationships (client receivables)	13,811	0	60	0	Due from customers

Maturity of interest-rate swaps

in CHF million	1 year	Due within 1 to 5 years	Over 5 years	Total 2021
FAIR VALUE HEDGES				
Hedging of interest-rate risk				
Interest-rate swaps	26	39	7	72

in CHF million	1 year	Due within 1 to 5 years	Over 5 years	Total 2020
FAIR VALUE HEDGES				
Hedging of interest-rate risk				
Interest-rate swaps	15	65	7	87

Valuation methods for financial instruments

The fair value of listed securities held for trading purposes or as financial instruments, as well as that of listed derivatives and other financial instruments with a price established in an active market, is determined on the basis of current market value (Level 1). Valuation methods or pricing models are used to determine the fair value of financial instruments if no direct market prices are available. If possible, the underlying assumptions are based on observed market prices or other market indicators as at the balance sheet date (Level 2). For most of the derivatives traded over the counter, as well as for other financial instruments that are not traded in an active market, fair value is determined by means of valuation methods or pricing models. Among the most frequently applied of those methods and models are discounted-cash-flow-based forward pricing and swap models, as well as options pricing models such as the Black-Scholes model or derivations thereof.

The fair values arrived at on the basis of these methods and models are influenced to a significant degree by the choice of the specific valuation model and the underlying assumptions applied, for example the amounts and time sequence of future cash flows, discount rates, volatilities and/or credit risks.

If neither current market prices nor valuation methods/models based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods or pricing models supported by realistic assumptions derived from actual market data are used (Level 3). Level 3 principally includes investment funds, for which an obligatory 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 future distributions, 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 31.12.2021
ASSETS				
Cash and cash equivalents	2,384			2,384
Receivables arising from money market paper	129			129
Due from banks		1,689		1,689
Due from customers		6,328		6,328
Trading portfolios			10	10
Derivative financial instruments		47		47
Financial instruments at fair value	133	44	19	196
Financial instruments at amortised cost	2,295			2,295
LIABILITIES				
Due to banks		71		71
Due to customers		11,458		11,458
Derivative financial instruments		82		82
Medium-term notes		55		55
Debentures issued	259			259

Apart from one equity position (reclassification from Level 2 to Level 1), there were no further reclassifications in the 2021 financial year. In Level 3, two positions of around CHF 8 million were sold, while new investments led to an increase to CHF 28.7 million.

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 31.12.2020
ASSETS				
Cash and cash equivalents	2,593			2,593
Receivables arising from money market paper	116			116
Due from banks		1,785		1,785
Due from customers		6,400		6,400
Trading portfolios				0
Derivative financial instruments		79		79
Financial instruments at fair value	136	38	8	183
Financial instruments at amortised cost	2,279			2,279
LIABILITIES				
Due to banks		250		250
Due to customers		11,538		11,538
Derivative financial instruments		104		104
Medium-term notes		77		77
Debentures issued	361			361

Level 3 financial instruments in CHF million	2021	2020
BALANCE SHEET		
Holdings at the beginning of the year	8.3	8.6
Investments	28.4	0.0
Disposals	–8.4	0.0
Losses recognised in the income statement	0.0	–0.4
Gains recognised in the income statement	0.4	0.0
Reclassification to Level 3	0.0	0.1
Total book value at balance sheet date	**28.7**	**8.3**
INCOME ON HOLDINGS AT BALANCE SHEET DATE		
Unrealised losses recognised in the income statement	0.0	0.4
Unrealised losses recognised as other comprehensive income	0.0	0.0
Unrealised gains recognised in the income statement	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 2021 or 31 December 2020.

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 equity of VP Bank Group's shareholders.

Netting agreements

In order to reduce the credit risks in connection with financial derivatives, repurchase and reverse repurchase as well as securities lending and borrowing transactions, VP Bank Group enters into global offset agreements or similar arrangements (netting agreements) with its counterparties. These include ISDA Master Netting Agreements, Global Master Securities Lending Agreements and Global Master Repurchasing Agreements. Using netting agreements, VP Bank Group can protect itself against losses arising from possible insolvency proceedings or other circumstances in which the counterparty is unable to meet its obligations. In such cases, netting agreements stipulate the immediate offset and/or settlement of all financial instruments falling under the related agreement. A right of offset, in principle, exists only whenever a default in payment or other circumstances occur which are not expected in the ordinary course of business. Financial instruments falling under a netting agreement do not meet the set-off requirements for balance sheet purposes, which is why the related financial instruments are not netted in the balance sheet.

NETTING AGREEMENTS

31.12.2021 in CHF 1,000	**Balance sheet netting**			**Netting potential**		**Assets**
	Amount prior to balance sheet netting	**Balance sheet netting**	**Carrying value**	**Financial liabilities**	**Collateral received**	**after taking account of netting potential**
FINANCIAL ASSETS						
Reverse repurchase transactions			0			0
Positive replacement values	46,875		46,875	34,057	1,500	11,318
Collateral deposited for transactions with derivatives	58,222		58,222	25,254		32,968
Total assets	**105,096**	**0**	**105,096**	**59,311**	**1,500**	**44,285**

31.12.2021 in CHF 1,000	**Balance sheet netting**			**Netting potential**		**Liabilities**
	Amount prior to balance sheet netting	**Balance sheet netting**	**Carrying value**	**Financial assets**	**Collateral provided**	**after taking account of netting potential**
FINANCIAL LIABILITIES						
Repurchase transactions			0			0
Negative replacement values	82,309		82,309	34,057	19,811	28,442
Collateral received from transactions with derivatives	1,500		1,500	1,895		0
Total liabilities	**83,809**	**0**	**83,809**	**35,952**	**19,811**	**28,442**

31.12.2020 in CHF 1,000	**Balance sheet netting**			**Netting potential**		**Assets**
	Amount prior to balance sheet netting	**Balance sheet netting**	**Carrying value**	**Financial assets**	**Collateral provided**	**after taking account of netting potential**
FINANCIAL ASSETS						
Reverse repurchase transactions			0			0
Positive replacement values	79,491		79,491	74,107		5,384
Collateral deposited for transactions with derivatives	63,396		63,396	31,605		31,791
Total assets	**142,887**	**0**	**142,887**	**105,712**	**0**	**37,175**

31.12.2020 in CHF 1,000	**Balance sheet netting**			**Netting potential**		**Liabilities**
	Amount prior to balance sheet netting	**Balance sheet netting**	**Carrying value**	**Financial assets**	**Collateral provided**	**after taking account of netting potential**
FINANCIAL LIABILITIES						
Repurchase transactions			0		0	0
Negative replacement values	104,371		104,371	74,107	17,817	12,447
Collateral received from transactions with derivatives			0			0
Total liabilities	**104,371**	**0**	**104,371**	**74,107**	**17,817**	**12,447**

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	21,000,000	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 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

Related companies and individuals include the members of the Board of Directors and the Group Executive Board as well as their close relatives and companies in which one of these persons has a significant influence either through a majority shareholding or as a result of their role as a member of the Board of Directors and/or the Group Executive Board in these companies.

in CHF 1,000	2021	2020
REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS[1, 2]		
Remuneration due in the short term	1,159	1,200
Share-based payment[3]	387	392
REMUNERATION OF THE MEMBERS OF GROUP EXECUTIVE MANAGEMENT[2]		
Remuneration due in the short term	3,855	4,307
Remuneration due upon termination of contract of employment		1,499
Share-based payments[4]	1,136	2,136

1 The social security costs on the emoluments paid to Board members are not included.
2 Compensation for out-of-pocket expenses is not included.
3 The shares are not subject to any minimum holding period (see notes 42 and 43).
4 Performance-related and restricted shares with conditional entitlement to receive registered shares A of VP Bank.

VP Bank Group also makes payments to related persons within the framework of brokerage services and bought-in advisory services. These correspond to customary market conditions. The aggregate amount of such payments and fees in 2021 was CHF 0.7 million (previous year: CHF 0.6 million). The Board of Directors and Group Executive Management as well as parties related thereto (excluding qualifying shareholders) and retirement pension plans as of 31 December 2021 held 47,152 registered shares A of VP Bank Ltd, Vaduz (previous year: 43,022 registered shares A).

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

in CHF 1,000	2021	2020
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	2021	2020
Mortgages and loans at the beginning of the financial year	2,167	2,892
Additions	2,198	2,167
Repayments	0	–2,892
Mortgages and loans at the end of the financial year	**4,365**	**2,167**

With regard to members of the Board of Directors and Group Executive Management, basically the same conditions apply as for all other employees. They correspond to customary market conditions excluding a credit margin. Loans to related individuals and companies were granted under normal market conditions. A guarantee of CHF 60,099 million (previous year: CHF 62.739 million) was issued for related parties. The collateral/surety for this guarantee is considerably above the usual market requirements.

40 RETIREMENT PENSION PLANS

Benefits after termination of employment

The Group maintains a number of pension plans in the Principality of Liechtenstein and abroad for employees meeting the criteria for admission to the pension plans. Amongst these are both defined-benefit and defined-contribution plans which insure most employees against the effects of death, invalidity and retirement. In addition, there are schemes for service anniversaries which qualify as other long-term employee benefits.

Defined-contribution pension plans

The Group offers defined-contribution pension plans to those employees who meet the appropriate admission criteria. The company is obligated to transfer a predetermined percentage of the annual salary to the pension plans. For certain plans, the employees are also obligated to make contributions. These contributions are typically deducted by the employer from the salary each month and also passed on to the pension plans. Apart from the payment of contributions and the transfer of employee contributions, there are presently no further obligations incumbent on the employer.

The employer contributions to contribution-defined pension plans for 2021 amounted to CHF 3.2 million (previous year: CHF 2.6 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 beneficiaries (current actively insured employees and pensioners). Thus, in this plan, the employer cannot himself determine pension benefits and their financing, but resolutions are taken on an equal representation basis. The foundation board is responsible for setting the investment strategy, for changes to the rules of the pension fund and, in particular, also for determining how pension benefits are to be financed.

Retirement benefits in this plan are based upon the balance of accumulated capital savings. Annual savings credits and interest (no negative interest is possible) are added to the employee's capital savings account. Upon retirement, the insured person has the option between a lifetime pension which includes a reversionary spouse's pension, or the payment of a capital sum.

In addition to retirement benefits, employee benefits also include an invalidity pension and a partner pension. These are computed as a percentage of the insured annual salary. An insured person can also purchase additional benefits to improve his/her pension situation up to a maximum allowed under the pension rules. Upon termination of employment, the accumulated savings capital is transferred to the pension plan of the new employer or to a vested benefits scheme. This form of employment benefit can lead to a situation where pension payments may vary significantly between the various years.

The minimum provisions of the Law on Occupational Pension Plans (BPVG) or the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and their implementing provisions are to be observed in determining employee benefits. The minimum insurable salary and the minimum savings credits are laid down in the BPVG. The OPA includes more extensive stipulations.

As a result of the form of the pension plan and the legal provisions of the BPVG and OPA respectively, the employer is exposed to actuarial risks, the most significant of which are investment risk, interest-rate risk, invalidity risk and 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 present value of the defined-benefit obligations and service costs was carried out as of 31 December 2021 by independent actuaries using the projected unit credit method. The fair value of plan assets as of 31 December 2021 was determined based upon information available at the time of preparation of the annual financial statements.

In December 2020, VP Bank Ltd decided to outsource part of the IT in connection with the implementation of the new IT strategy. Due to the outsourcing, employees switch to a new employer, which leads to a curtailment of plans. The effect of this measure was calculated as of 31 December 2020 and leads to a profit from plan curtailment of CHF 2.0 million.

The most significant assumptions underlying the actuarial computations may be summarised as follows:

	31.12.2021	31.12.2020
Discount rate	0.30%	0.17%
Rate of future salary increases	1.00%	0.50%
Rate of future pension increases	0.00%	0.00%
Lump sum payments at retirement	37.50%	40.00%
Actuarial fundamentals	BVG 2020 generation-tables	BVG 2015 generation-tables
LIFE EXPECTANCY AT THE AGE OF 65, IN YEARS		
Year of birth	**1956**	**1955**
men	22.57	22.72
women	24.37	24.76
Year of birth	**1976**	**1975**
men	24.86	24.48
women	26.40	26.51

The net position of pension obligations recognised in the balance sheet may be summarised as follows:

Pension costs

in CHF 1,000	2021	2020
PENSION EXPENSES RECOGNISED IN INCOME STATEMENT		
Service cost		
• current service cost	12,275	11,533
• past service cost incl. effects from curtailments	0	–1,984
• plan settlements	0	0
Net interest expenses	53	91
Administrative costs	223	233
Total pension cost expenses of the period	**12,551**	**9,873**
REVALUATION COMPONENTS RECOGNISED IN COMPREHENSIVE INCOME		
Actuarial gains/losses		
Result of changes to demographic assumptions	–13,788	0
Result of changes to financial assumptions	6,960	–405
Experience adjustments	3,618	2,833
Return on plan assets (excluding amounts in net interest expenses)	–24,118	–6,149
Total expenses recognised in comprehensive income	**–27,328**	**–3,721**
Total pension cost	**–14,777**	**6,152**

The movement in pension obligations and plan assets may be summarised as follows:

Movement in present value of defined-benefit obligations

in CHF 1,000	2021	2020
Present value of defined-benefit obligations at the beginning of the financial year	378,287	365,237
Current service cost	12,275	11,533
Employee contributions	6,589	6,475
Interest expenses on present value of pension obligations	626	906
Actuarial gains/losses	–3,210	2,428
(Gains)/losses from curtailment	0	–1,984
Transfer of assets through compensation	0	0
Acquisitions	0	0
Plan settlement	0	0
Pension payments financed by plan assets	–18,694	–6,308
Balance at the end of the financial year	**375,873**	**378,287**

Movement in plan assets

in CHF 1,000	2021	2020
Plan assets at the beginning of the financial year	338,079	321,220
Employee contributions	6,589	6,475
Employer contributions	10,333	9,961
Interest income on plan assets	573	815
Return on plan assets (excluding amounts under interest income)	24,118	6,149
Acquisitions	0	0
Transfer of assets through compensation	0	0
Pension payments financed by plan assets	–18,694	–6,308
Administrative costs	–223	–233
Balance at the end of the financial year	**360,775**	**338,079**

The net position of pension obligations recognised in the balance sheet may be summarised as follows:

Net position of pension obligations recognised in balance sheet

in CHF 1,000	31.12.2021	31.12.2020
Present value of pension obligations financed through a fund	375,873	378,287
Market value of plan assets	–360,775	–338,079
Lack / excess of funding	**15,098**	**40,208**
Present value of pension obligations not financed through a fund	0	0
Unrecognised assets	0	0
Recognised pension obligations	**15,098**	**40,208**

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	31.12.2021	31.12.2020
Equity shares	133,866	123,389
thereof quoted market prices (Level 1)	133,866	123,389
Bonds	124,633	142,128
thereof quoted market prices (Level 1)	124,633	142,128
Alternative financial investments	37,549	26,995
thereof quoted market prices (Level 1)	0	4,124
Real estate	24,212	23,387
thereof quoted market prices (Level 1)	12,788	0
Qualifying insurance paper	11,978	12,036
Cash equivalents	26,013	10,216
Other financial investments	2,524	–72
Total	**360,775**	**338,079**
• thereof quoted market prices (Level 1)	271,287	269,641

The pension plans hold shares in VP Bank Ltd, Vaduz, with a market value totalling CHF 1.6 million (previous year: CHF 1.9 million). In 2021, the return on plan assets was CHF 24.7 million (previous year: CHF 7.0 million). Expected employer contributions for the year 2022 amount to CHF 9.9 million.

The defined-benefit pension obligations may be allocated as follows to the currently active insured employees, those who have left the Group with vested rights and pensioners, as well as the duration of the pension obligations:

in CHF 1,000	31.12.2021	31.12.2020
Current actively insured employees	268,849	267,332
Pensioners	107,024	110,955
Total	**375,873**	**378,287**

The duration of pension obligations is approximately 15.2 years (previous year: 16 years).

Presented in the following table are the sensitivities for the most important factors in the computation of the present value of pension obligations. Due to the expected interest volatility in CHF, sensitivities are stated as 25 basis points. For the first time, sensitivities are shown for changes in life expectancy with ± 1 year. In each case, only the assumption stated is changed, all other assumptions remaining unchanged.

Changes in present value of defined-benefit obligations

in CHF 1,000	31.12.2021		31.12.2020	
Variance	**0.25%**	**–0.25%**	**0.25%**	**–0.25%**
Discount rate	–12,795	13,728	–13,127	14,160
Interest on pension capital accounts	3,223	–3,324	3,112	–3,035
Development of salaries	1,643	–1,678	967	–950
Variance	**+1 year**	**–1 year**	**+1 year**	**–1 year**
Life expectancy	8,770	–8,762	8,877	–8,936

Other employee benefits payable in the long term

in CHF 1,000	2021	2020
Balance at the beginning of the financial year	3,531	3,502
Expenses financial year	330	525
Acquisitions	0	0
Employee payments	–419	–492
Exchange differences	2	–4
Balance at the end of the financial year	**3,444**	**3,531**

Other employee benefits payable in the long term exist in the form of long service awards. Analogously to the defined-benefit pension plans, actuarial calculations have been performed and accrued expenses have been recognised for these benefits. In 2015, the Group introduced a uniform regulation for the calculation of benefits from long service awards for most Group employees. For some employees abroad, separate regulations apply. These regulations qualify as plans for other employee benefits payable in the long term.

41 SIGNIFICANT FOREIGN EXCHANGE RATES

The following exchange rates were used for the most important currencies:

	Year-end rates 31.12.2021	31.12.2020	Annual average rates 2021	2020
USD/CHF	0.9112	0.8841	0.91428	0.93830
EUR/CHF	1.0362	1.0817	1.08097	1.07032
SGD/CHF	0.6759	0.6689	0.68024	0.68030
HKD/CHF	0.1169	0.1140	0.11762	0.12097
GBP/CHF	1.2343	1.2084	1.25747	1.20378

42 EMPLOYEE STOCK-OWNERSHIP PLAN

The stock-ownership plan enables employees to subscribe annually to a defined number of registered shares A 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 registered shares A on the Swiss Exchange (ex-dividend). The shares issued in this manner derive either from share holdings of VP Bank Group or must be purchased for this purpose over the exchange. The expense thereby incurred is charged directly to personnel costs. During 2021, 16,041 shares were issued at a preferential price (previous year: 15,416 shares). Share issue expenses in 2021 were CHF 0.9 million (previous year: CHF 1.0 million). There is no stock-ownership plan for the Board of Directors. Its members, however, receive a part of their compensation/bonuses 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 management members (note 43). VP Bank has defined lock-up periods for the Board of Directors, Group Executive Management and selected executives and employees, during which it is prohibited to trade in the shares of VP Bank.

43 MANAGEMENT STOCK-OWNERSHIP PLAN

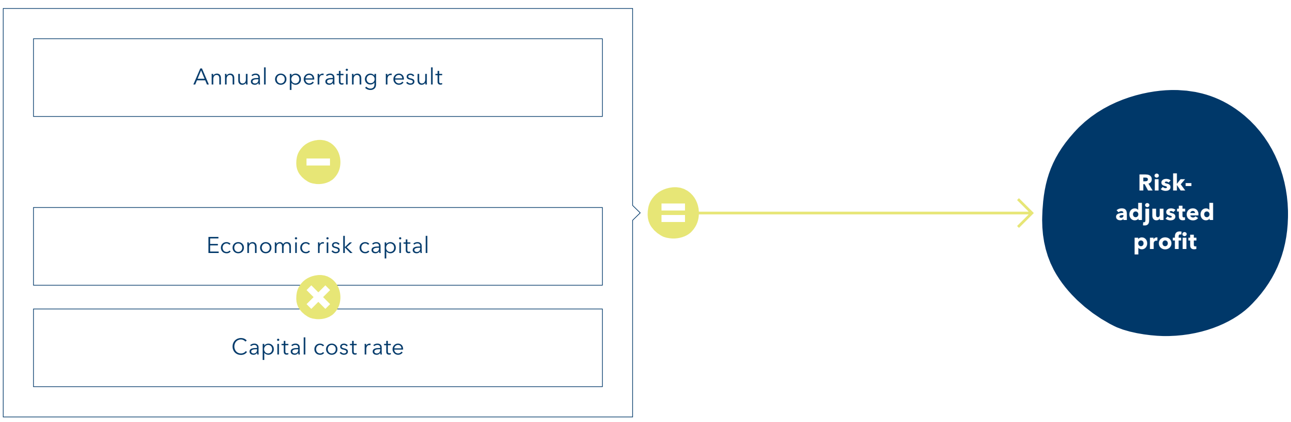
A long-term and value-oriented compensation model is in place for Group Executive Management and selected key managers. Details thereof are to be found in the "Compensation report" (➔ pages 92 ff.).

Regardless of the actual cash flow, management stock-ownership plans are recognised in the financial year to which they economically belong. For deferred share plans, the expense for the entire vesting period is estimated, updated and recognised pro rata temporis over this period in personnel expenses.

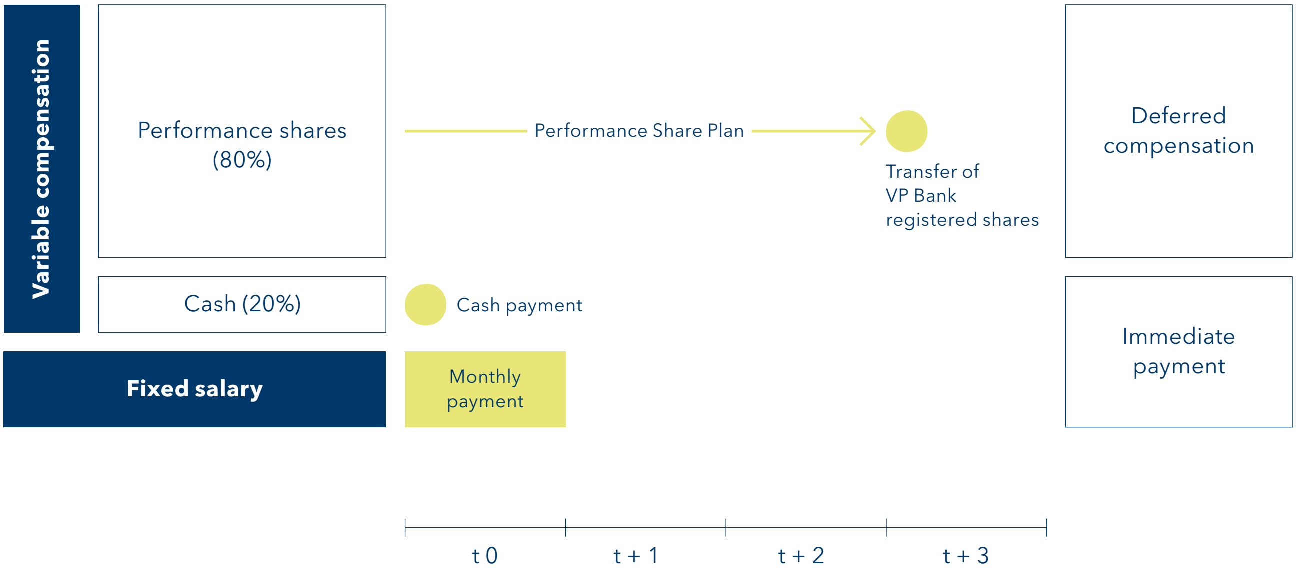
The overall amount of variable compensation is determined by the Board of Directors and is based upon performance indicators as well as qualitative performance criteria. The overall amount takes into consideration the multi-annual, risk-adjusted profitability of VP Bank Group, the sustainable level of profitability and the capital costs, and thus takes into account current and future risks (see chart below).

The Board of Directors makes a facts-based assessment of the total amount of variable compensation and can adapt the amount on a limited scale. In times of adverse operating conditions, the overall amount of variable compensation is reduced accordingly and can even amount to zero. 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

CALCULATION OF THE RISK-ADJUSTED PROFIT



INSTRUMENTS OF VARIABLE REMUNERATION



financial difficulties as a result. The impact on the Group's equity situation is taken into consideration in this process.

A Performance Share Plan (PSP) exists for the Executive Board and selected key managers. The PSP is a long-term variable management stock-ownership programme in the form of registered shares A of VP Bank Ltd and is applied for programme participants.

The Restricted Share Plan (RSP) may also be used, in justified cases, to compensate for any postponed variable salary components, to implement special retention measures or to compensate for loss of benefits at previous employers. The RSP will be paid out annually in thirds over a scheduled duration of three years in the form of registered shares A.

In accordance with the model approved by the Board of Directors on 5 July 2018, the compensation payable to the Executive Board consists of the following three components:

1. A fixed base salary that is contractually agreed between the Nomination & Compensation Committee and the individual members. In addition to the base salary, VP Bank pays proportionate contributions to the management insurance scheme and the pension fund.
2. A Performance Share Plan (PSP) which is a long-term variable management stock-ownership plan (in the form of registered shares A of VP Bank Ltd). It is based on the risk-adjusted profit (operating annual result adjusted for non-recurring items, less capital costs), weighted over three years, as well as the long-term commitment of management to a variable compensation component in the form of equity shares. At the end of the plan period and depending upon performance, 50 to 150 per cent of the allocated vested benefits are transferred in the form of equity shares. This vesting multiple is determined from the weighting of an average Group net income and the average net inflow of new client assets over a three-year period. Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences and in extraordinary situations. The share of the PSP generally makes up 80 per cent of total variable performance-related compensation. In 2021, the share of the PSP made up 80 per cent of the total variable compensation.
3. A cash compensation which also depends on the risk-adjusted profit weighted over three years. The share of this profit-related compensation makes up 40 per cent of total variable performance-related compensation. In 2021, the share of the profit-related participation made up 20 per cent of the total variable compensation.

The chart above gives an overview over the various instruments of compensation for the Executive Board and selected key managers using a time axis (Y).

Each year, the Board of Directors lays down the planning parameters of the profit-related compensation (PSP and cash-based compensation) for the following three years. The target share of total compensation varies according to function and market customs.

In 2021, a total of 3,327 performance shares (previous year: 21,987) with a market value on the date of allocation of CHF 397,909 (previous year: CHF 3,189,375) were transferred to the Executive Board from the 2018–2020 management stock-ownership plan and the 2018–2020 RSP. The vested benefits from previous management stock-ownership plans (2019–2021, 2020–2022 and 2021–2023) continue to run unchanged until the end of the plan period.

In the following table (management equity-sharing plan), in harmony with the compensation principles described above, all share plans operated at VP Bank are shown, and not just the share plans that affect management.

Management equity-sharing plan (LTI)

Number	2021	2020	Variance in %
Balance of entitlements at the beginning of the year	30,970	71,001	–56.4
New entitlements	19,131	31,424	–39.1
Changes in entitlements as a result of allocation	–21,526	–48,927	–56.0
Changes in entitlements as a result of expiration	–3,425	–13,429	–74.5
Changes in entitlements as a result of changes in factors	–2,376	–9,099	–73.9
Balance of calculated entitlements at the end of the year	22,774	30,970	–26.5

in CHF 1,000	2021	2020	Variance in %
Personnel expenses recorded over vesting period for allocated management sharing plan	2,892	5,403	–46.5
Fair value of management sharing plan at date of allocation	2,575	7,258	–64.5
Personnel expenses for management sharing plan expenses for reporting period	1,698	1,446	17.4
Accrual for management sharing plan in equity at the end of the year	3,150	4,344	–27.5

44 CONSOLIDATED OFF-BALANCE-SHEET TRANSACTIONS

in CHF 1,000	31.12.2021	31.12.2020
CONTINGENT LIABILITIES		
Credit guarantees and similar	7,730	16,232
Performance guarantees and similar	94,248	99,107
Irrevocable commitments	0	0
Other contingent liabilities	0	0
Total contingent liabilities	**101,978**	**115,339**
CREDIT RISKS		
Irrevocable facilities granted	79,086	81,668
Total credit risks	**79,086**	**81,668**
FIDUCIARY TRANSACTIONS		
Fiduciary deposits[1]	593,950	549,043
Total fiduciary transactions	**593,950**	**549,043**
Exposure to credit risk on loan commitments and financial guarantee contracts	–148	–201

[1] Placements that Group companies made with banks outside the scope of consolidation in their own name but at the risk and expense of the client.

Maturity structure

in CHF 1,000	At sight	1 year	Maturing within 1 to 5 years	Over 5 years	Total
31.12.2021					
Contingent liabilities	9,172	26,002	2,775	64,029	101,978
Credit risks	15,986	31,056	13,274	18,770	79,086
31.12.2020					
Contingent liabilities	29,755	4,087	6,234	75,263	115,339
Credit risks	13,464	42,142	10,732	15,330	81,668

Securities lending and repurchase and reverse-repurchase transactions

in CHF 1,000	31.12.2021	31.12.2020
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	239,999	207,174
of which securities where the unlimited right to sell on or pledge has been granted	163,695	147,403
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	241,231	183,545
of which securities which have been resold or repledged	76,304	59,771

These transactions were conducted in accordance with conditions which are customary for securities lending and borrowing activities as well as trades for which VP Bank acts as intermediary.

45 CLIENT ASSETS

in CHF million	31.12.2021	31.12.2020	Variance absolute	Variance in %
ANALYSIS OF CLIENT ASSETS UNDER MANAGEMENT				
Assets in self-administered investment funds	9,702.6	10,107.0	–404.4	–4.0
Assets in discretionary asset management accounts	5,293.0	4,866.6	426.4	8.8
Other client assets under management	36,281.1	32,463.5	3,817.6	11.8
Total client assets under management (including amounts counted twice)	**51,276.6**	**47,437.1**	**3,839.5**	**8.1**
of which amounts counted twice	2,235.7	2,025.7	210.0	10.4
CHANGE OF ASSETS UNDER MANAGEMENT				
Total client assets under management (including amounts counted twice) at the beginning of the financial year	47,437.1	46,777.0	660.1	1.4
of which net new money	276.9	1,382.5	–1,105.6	–80.0
of which change in market value	2,608.2	–722.3	3,330.5	n.a.
of which other effects[1]	954.4	0.0	954.4	n.a.
Total client assets under management (including amounts counted twice) as of balance sheet date	**51,276.6**	**47,437.1**	**3,839.5**	**8.1**
Custody assets	**7,495.3**	**7,442.6**	**52.7**	**0.7**
TOTAL CLIENT ASSETS				
Total client assets under management (including amounts counted twice)	51,276.6	47,437.1	3,839.5	8.1
Custody assets	7,495.3	7,442.6	52.7	0.7
Total client assets	**58,771.9**	**54,879.7**	**3,892.2**	**7.1**
Net new money	**276.9**	**1,382.5**	**-1,105.6**	**-80.0**

[1] Acquisition of the private banking business of Öhman Bank S.A. in Luxembourg (note 46).

Calculation method

All client assets that are managed or held for investment purposes for which investment-advisory and asset management services are provided are considered as client assets under management. In principle, all amounts owed to clients, fiduciary deposits and all assets in security deposits with a value are included therein. The calculation is made on the basis of the provisions of the Liechtenstein Banking Ordinance (Note 3, Point 88a, BankO) and the internal guidelines of VP Bank Group.

Assets in self-administered investment funds

This item contains the assets of all administered investment funds of VP Bank Group.

Assets in discretionary asset management accounts

The assets in discretionary asset management accounts encompass securities, uncertificated securities, precious metals, fiduciary deposits placed with third parties valued at market value and client deposits. The data include both assets deposited with Group companies and with third parties which are the object of a discretionary asset management agreement with a Group company.

Other client assets under management

Other client assets under management encompass securities, uncertificated securities, precious metals, fiduciary deposits placed with third parties valued at market value and client deposits. The data encompass assets which are the object of an administration or advisory mandate.

Amounts counted twice

This item encompasses unit shares in self-administered investment funds which are in client portfolios subject to a discretionary asset management agreement and other security deposits of clients.

Net new money inflows/outflows

This item comprises the acquisition of new clients, lost clients, and inflows or outflows from existing clients. Performance-related changes in assets such as share price movements, interest and dividend payments and interest charged to clients are not considered as inflows and outflows. Acquisition-related changes in assets are presented separately. If the service provided changes and if assets under management are reclassified as assets held for custody purposes, or vice versa, this will generally be recognised, respectively, as an outflow or inflow of new client assets.

Custody assets

Assets held exclusively for the purposes of trading and custody for which the involvement of VP Bank Group is limited to custodian and collection activities.

46 Acquisition

On 8 July 2020, VP Bank (Luxembourg) SA signed and announced an agreement to acquire the private banking business of Öhman Bank S.A. in Luxembourg. The transaction was successfully completed as planned on 1 January 2021 and closed in spring 2021. It includes the takeover of a client advisory team of nine employees and client assets of around EUR 852 million. The purchase price was CHF 8.5 million. The other business activities and divisions of Öhman Bank S.A. are excluded from the takeover.

The following assets and liabilities were acquired as part of the merger as per 1 January 2021:

in CHF million	Fair value
Cash and cash equivalents	60.1
Amounts due from banks and clients	54.7
Derivative financial instruments	70.6
Other intangible assets	7.8
Total assets	**193.2**
Amounts due to banks and clients	–111.6
Derivative financial instruments	–73.8
Total liabilities	**–185.4**
Total net assets	**7.8**
Net assets acquired	**7.8**
Purchase price to be settled in cash and cash equivalents[1]	8.5
Purchase consideration	**8.5**
Goodwill arising from acquisition	**0.8**
Purchase consideration settled in cash and cash equivalents	6.7
Cash inflow arising from the transaction	53.4

Assets under management of EUR 852 million were taken over as part of the acquisition. The transaction gave rise to intangible assets (client relationships) of CHF 7.8 million. The client relationships will be amortised over nine years. The costs of the transaction incurred in the reporting period (advisory, legal, auditing, valuation costs, etc.) amount to CHF 0.3 million and are recognised in general and administrative expenses (note 7) (financial year 2020: CHF 1.2 million).

The individual factors underlying the amount of goodwill recognised consist of, in particular, the employees transferred, the know-how available as well as the strategic market expansion in the Nordics.

The purchase price as of January 2021 was CHF 8.5 million. This includes a deferred purchase price payment of CHF 1.8 million due on 14 January 2022 and an earn-out component of CHF 0. The final payment includes the deferred purchase price payment resulting from the development of assets under management until 3 January 2022 and an earn-out component. The earn-out component depends on the development of assets under management up to the earn-out date of 1 January 2023.

[1] The final purchase price depends on the actual transferred client assets and client assets managed after one year from the transfer.

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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 2021, the consolidated balance sheet as at 31 December 2021, 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 114 – 182) give a true and fair view of the consolidated financial position of VP Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for Opinion

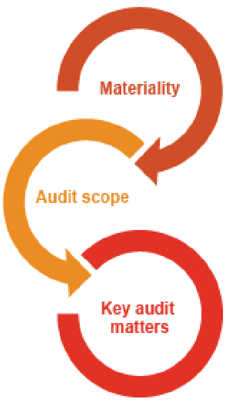
We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the VP Bank Group in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Audit Approach

Overview



Overall Group materiality: CHF 3,170,000

Our audit ("full scope") included three Group companies and covered 86 % of earnings before income tax. In addition, specific audit procedures were performed for one other Group company which covers additional 7 % 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 3,170,000
Benchmark applied	Earnings before income tax (average of the last three years)
Rationale for the materiality benchmark applied	We chose earnings before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the VP Bank Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee of VP Bank Ltd that we would report to them misstatements above CHF 158,500 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the VP Bank Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement.

Reporting on Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Testing of Due from Customers

Key Audit Matter	How our Audit addressed the Key Audit Matter
As at 31 December 2021, the VP Bank Group reported due from customers in the amount of CHF 6.237 billion, of which 0.43 % were assessed as impaired. Due from customers is the Group's largest asset and about 52.3 % are backed by mortgages and 43.2 % by other collateral provided by customers (i.e., mainly in the form of Lombard loans).	Our audit procedures were primarily tests of the proper functioning of the internal controls performed by the VP Bank Group. We tested compliance with the rules and processes as well as the effectiveness of these controls through risk-based sample testing. In doing so, we assessed the design of the key controls and, on a sample basis, tested compliance with them.

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 122 and 123 (Principles underlying financial-statement reporting), page 157 (Notes to the consolidated financial statements: 15 Due from banks and customers) and pages 137 to 146 (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

As at 31 December 2021, VP Bank Group has recorded no provisions for legal risks.

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 and litigation 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 125 (Principles underlying financial statement reporting) and page 164 (Notes to the consolidated financial statements: 28 Provisions) and page 166 (Notes: 33 Litigation).

How our Audit addressed the Key Audit Matter

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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 for the first time on 26 April 2019. We have been the statutory auditor of the Company without interruption since the financial year ending as of 31 December 2020.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

Further, we declare that no prohibited non-audit services pursuant to Article 5 in accordance with Article 10 para. 2 lit. f Regulation (EU) No. 537/2014 Article 5 para. 1 Regulation (EU) No. 537/2014 were provided.

Other Confirmations persuant to Article 196 PGR

The consolidated financial statements (pages 112 to 113) as at 31 December 2021 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 recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Birrer	Tobias Scheiwiller
Liechtenstein Certified Public Accountant Auditor in charge	

Zurich, 4 March 2022

The abstract image is a form of visual thought that condenses into a sensation.

Jürgen Partenheimer is one of the outstanding artists of his generation.

TEXT / Cornelia Kolb-Wieczorek

With the oil painting "Ada I" and the bronze sculpture "Kiwa", the collection of the VP Bank Art Foundation includes two important works by Jürgen Partenheimer that illustrate in an exemplary manner the essential aspects of his oeuvre. The artist consistently unfolds his very distinctive, individual visual language, which always creates the synthesis of a mental and emotional spirit of research. Partenheimer, who is internationally one of the outstanding German artists of his generation, uses abstract expression when he makes the seen, the felt and the thought, the physical and the metaphysical, the objective and the subjective the content of his art. He is inspired – also on his numerous journeys – equally by the natural and urban landscape as by the confrontation with social, historical, literary and cultural experiences and insights.

His works develop from the poetry of line and surface not only in drawing, which plays a central role in his oeuvre, but also in painting as well as in his sculptures and installations. As such, the work "Kiwa", which alludes to ceremonial and assembly spaces of Pueblo cultures, could also be interpreted as a three-dimensional drawing in its linear layout. Whereas the Puebloans' kivas are constructed underground and are stable and protected, Partenheimer's tent-like sculpture of angular rods rises above ground. Seemingly arranged loosely, the rods do not reach all the way to the floor. The "dwelling" appears fragile and transparent. Thus, through its formal inversion, the artistic work may also refer to the fragility of endangered cultural heritage.

While "Kiwa" can be seen against an ethnological background, the painting "Ada I" can be traced back to a literary context. Very often, prose or poetry provide the substrate for the artist's sensitive pictorial creations. Even if one believes that the delicate, cool pink on the left edge of the picture, the round shapes composed of brittle lines and the "vessel" enclosing delicate yellow spots can also be ascribed a feminine quality, these are only some of the possible interpretations. It may have been inspired by a female character in a novel. Yet Partenheimer's art is characterised by subjective openness, both in the artist's design and in the viewer's perception. As he puts it, "Abstract art, or the non-representational image, does not represent a special form of arbitrary stylistic adventurism that only requires a high degree of imagination, but is, like every artistic expression, conditioned by content. The viewer begins to see and read and experiences himself or herself in the process."

Biography and artist's profile of Jürgen Partenheimer
vpbank.com/juergen-partenheimer-en

TOP IMAGE / "Kiwa", 2008,
Triesen location, ground floor.

CENTRE IMAGE / The work "Ada I", 2007, was previously displayed on loan at the Pinakothek der Moderne in Munich (detail see p. 187)

BOTTOM IMAGE / "The Den IX (Raven Diaries)", 2019, right, and "Roots in the Sky (100 Poets)", 2019, left, at Jürgen Partenheimer's studio in Munich

CHAPTER 7

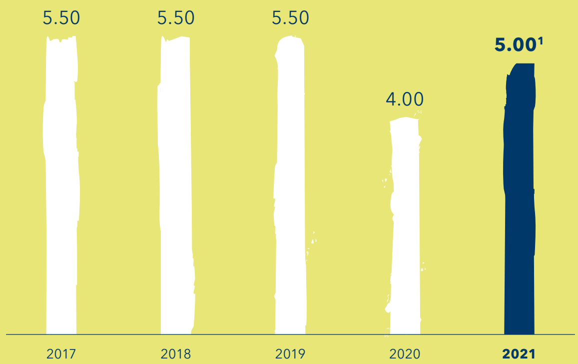
Financial report 2021 of VP Bank Ltd, Vaduz

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

As of the balance sheet date, VP Bank Ltd, Vaduz, and its subsidiaries held in total 488,934 registered shares A and 348,869 registered shares B (previous year: 530,171 registered shares A and 344,369 registered shares B). This equates to a capital share of approximately 7.9 per cent (previous year: 8.5 per cent). In addition, reference is made to the notes to the relevant annual financial statements regarding the number of and changes in treasury shares in the parent company.

In keeping with the spirit of the Group's long-term dividend policy, the Board of Directors will propose a dividend of CHF 5.00 per registered share A and CHF 0.50 per registered share B (previous year: CHF 4.00 per registered share A and CHF 0.40 per registered share B) at the annual general meeting of shareholders to be held on 29 April 2022.

DIVIDEND / IN CHF



[1] Proposal to the annual general meeting

ASSETS

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
Cash and cash equivalents	1,901,448	2,136,637	–235,189	–11.0
Due from banks	1,741,735	1,914,393	–172,658	–9.0
• maturing daily	534,461	682,587	–148,126	–21.7
• other receivables	1,207,274	1,231,806	–24,532	–2.0
Due from customers	4,980,022	5,096,511	–116,489	–2.3
of which mortgage receivables	2,943,733	3,050,955	–107,222	–3.5
Debentures and other interest-bearing securities	2,135,682	2,087,968	47,714	2.3
• money-market papers	129,402	116,167	13,235	11.4
from public-sector issuers	129,402	116,167	13,235	11.4
from other issuers	0	0	0	0.0
• debt securities	2,006,280	1,971,800	34,480	1.7
from public-sector issuers	451,896	494,684	–42,788	–8.7
from other issuers	1,554,384	1,477,116	77,268	5.2
Equity shares and other non-interest-bearing securities	153,169	126,132	27,037	21.4
Participations	56	74	–18	–24.4
Shares in affiliated companies	169,414	167,527	1,887	1.1
Intangible assets	43,107	29,521	13,586	46.0
Property and equipment	65,716	70,921	–5,205	–7.3
Treasury shares	46,989	53,605	–6,616	–12.3
Other assets	61,281	90,736	–29,455	–32.5
Accrued receivables and prepaid expenses	22,636	20,314	2,322	11.4
Total assets	**11,321,255**	**11,794,339**	**–473,084**	**–4.0**

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
Due to banks	2,507,141	2,675,464	–168,323	–6.3
• maturing daily	1,919,268	1,847,353	71,915	3.9
• with agreed duration or term of notice	587,873	828,111	–240,238	–29.0
Due to customers	7,379,796	7,542,314	–162,518	–2.2
• savings deposits	573,299	587,937	–14,638	–2.5
• other liabilities	6,806,497	6,954,377	–147,880	–2.1
maturing daily	6,279,452	5,692,890	586,562	10.3
with agreed duration or term of notice	527,045	1,261,487	–734,442	–58.2
Securitised liabilities	311,997	434,148	–122,151	–28.1
• debentures issued	311,997	434,148	–122,151	–28.1
of which medium-term notes	56,997	79,148	–22,151	–28.0
Other liabilities	152,925	170,347	–17,422	–10.2
Accrued liabilities and deferred items	22,011	23,750	–1,739	–7.3
Provisions	11,434	13,345	–1,911	–14.3
• tax provisions	9,433	10,329	–896	–8.7
• other provisions	2,001	3,016	–1,015	–33.6
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	600,862	598,689	2,173	0.4
• legal reserves	239,800	239,800	0	0.0
• reserves for treasury shares	46,989	53,605	–6,616	–12.3
• other reserves	314,073	305,284	8,789	2.9
Balance brought forward	133,467	120,370	13,097	10.9
Net income for the year	25,269	39,559	–14,290	–36.1
Total liabilities and shareholders' equity	**11,321,255**	**11,794,339**	**-473,084**	**-4.0**

OFF-BALANCE-SHEET TRANSACTIONS

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
Contingent liabilities	73,435	84,885	–11,450	–13.5
Credit risks	60,407	70,819	–10,412	–14.7
• irrevocable facilities granted	60,407	70,819	–10,412	–14.7
DERIVATIVE FINANCIAL INSTRUMENTS				
• positive replacement values	46,686	79,366	–32,680	–41.2
• negative replacement values	82,525	104,641	–22,116	–21.1
• contract volumes	11,061,402	11,250,159	–188,757	–1.7
Fiduciary transactions	311,466	306,907	4,559	1.5

INCOME STATEMENT

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Interest income	73,217	81,999	–8,782	–10.7
of which from interest-bearing securities	25,251	26,022	–771	–3.0
of which from trading transactions	183	0	183	n.a.
Interest expense	6,121	18,885	–12,764	–67.6
Net interest income	**67,096**	**63,114**	**3,982**	**6.3**
Current income from securities	**14,721**	**15,002**	**–281**	**–1.9**
• shares and other non-interest-bearing securities	7,360	4,722	2,638	55.9
of which from trading transactions	0	0	0	0.0
• participations	1	2	–1	–28.3
• shares in affiliated companies	7,360	10,278	–2,918	–28.4
Income from commission business and services	98,220	91,873	6,347	6.9
• commission income from credit business	710	848	–138	–16.2
• commission income from securities and investment business	84,684	79,862	4,822	6.0
• commission income from other services	12,826	11,163	1,663	14.9
Commission expenses	16,227	14,817	1,410	9.5
Net income from commission business and services	**81,993**	**77,056**	**4,937**	**6.4**
Income from financial transactions	**41,064**	**52,339**	**–11,275**	**–21.5**
of which from trading transactions	48,935	62,466	–13,531	–21.7
Other ordinary income	**12,006**	**20,266**	**–8,260**	**–40.8**
• income from real estate	180	223	–43	–19.1
• other ordinary income	11,826	20,043	–8,217	–41.0
Total net operating income	**216,880**	**227,777**	**–10,897**	**–4.8**
Operating expenses	163,203	156,211	6,992	4.5
• personnel expenses	115,035	109,682	5,353	4.9
• general and administrative expenses	48,168	46,529	1,639	3.5
Gross income	**53,677**	**71,566**	**–17,889**	**–25.0**
Depreciation and amortisation of intangible assets and property and equipment	20,004	18,004	2,000	11.1
Other ordinary expenses	4,110	6,437	–2,327	–36.1
Valuation allowances on receivables and increases in provisions for contingent liabilities and credit risks	1,560	3,000	–1,440	–48.0
Income from release of valuation allowances on receivables and from the release of provisions for contingent liabilities and credit risks	1,783	3,762	–1,979	–52.6
Write-offs on participations, shares in affiliated companies and securities dealt with as non-current assets	0	2,795	–2,795	–100.0
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	**29,786**	**45,092**	**–15,306**	**–33.9**
Extraordinary income	0	0	0	0.0
Extraordinary expenses	0	0	0	0.0
Taxes on income	3,632	5,023	–1,391	–27.7
Other taxes if not included in above items	885	510	375	73.7
Net income for the year	**25,269**	**39,559**	**–14,290**	**–36.1**

APPROPRIATION OF PROFIT

in CHF 1,000	2021	2020	Variance absolute	Variance in %
Net income for the year	25,269	39,559	–14,290	–36.1
Retained earnings brought forward	133,467	120,370	13,097	10.9
Retained earnings	158,736	159,929	–1,193	–0.7
APPROPRIATION OF PROFIT				
Appropriation to other reserves	0	0	0	0.0
Distribution on the basis of company capital	33,077	26,462	6,615	25.0
Other appropriation of profit	0	0	0	0.0
Retained earnings to be carried forward	**125,659**	**133,467**	**-7,808**	**-5.9**

THE BOARD OF DIRECTORS PROPOSES THAT THE PROFIT BE DISTRIBUTED AS FOLLOWS (IN CHF):	
At the disposal of the annual general meeting	158,736,069.45
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	125,658,985.95

INFORMATION REGARDING BUSINESS ACTIVITIES AND THE NUMBER OF EMPLOYEES

VP Bank Ltd, which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. Today, VP Bank Group owns subsidiary companies in Zurich, Luxembourg, the British Virgin Islands and Hong Kong, a branch in Singapore and a representative office in Hong Kong. Adjusted to reflect full-time equivalents, at year-end 2021 VP Bank Ltd had 631.1 individuals under its employment (previous year: 628.1).

Wealth management and investment consulting services 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 advice, safekeeping and trustee services. VP Bank Ltd earns a significant portion of its total commission-related revenue from transactions in securities on behalf of clients.

Lending business

The lending business of the Bank 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 financial transactions. 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 interest-bearing security and equity positions.

Principles of accounting and valuation

Basis

Accounting and valuation principles 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 established valuation principles, all business transactions are recorded in the Bank's accounts as of their trading date. Forward contracts are recorded under off-balance-sheet transactions as of their settlement or value date.

Income 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 translation differences are recorded on the income statement.

Cash balances, 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 minus 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 minus 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 reduction 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 general 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.

Portfolios of securities and precious metals are valued at the lower of cost or market and interest-bearing securities, in part, in accordance with the accrual method. In accordance with the accrual method, the premium or discount 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 remaining term (i.e. until the original final maturity). Interest income arising on interest-bearing 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 cost minus 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 cost minus economically required valuation adjustments.

These affiliated companies are fully consolidated for the purposes of the published consolidated financial statements.

Intangible assets

Value-enhancing expenditures in connection with the acquisition and installation of software are capitalised and amortised on a straight-line basis over the estimated service life of three to seven years. Internally-developed intangible assets are not capitalised. 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 cost, minus accumulated depreciation and amortisation. Depreciation and amortisation are charged on a systematic basis over the estimated useful lives (bank buildings and other real estate: 25 years; fixtures: 10 to 15 years; furniture and equipment: 8 years; IT installations: 3 years; software: 3 to 7 years). The property, plant and equipment is reviewed annually for impairment in value.

Other assets, other liabilities

Other assets and other liabilities include the positive and negative replacement values of all financial derivative instruments open on the balance sheet date arising from nostro transactions as well as over-the-counter contracts (OTC) arising from transactions on behalf of clients. In addition, these items include balances of various settlement and clearing accounts.

Valuation adjustments and provisions

Valuation adjustments and provisions are established to reflect identifiable risks, as dictated by the principle of prudence. Individual and lump-sum valuation adjustments for receivables from banks and clients as well as on mortgage receivables are deducted directly from the corresponding asset item. Provisions can be raised for receivables subject to a country risk as dictated by the principle of prudence.

Provisions for general banking risks

Provisions for general banking risks are prudently established reserves to cover latent risks arising from the normal course of business of the Bank. As required by the prescriptions governing financial statement reporting, they are shown as a separate item on the balance sheet. Changes thereto are disclosed separately on the income statement.

Contingent liabilities, irrevocable facilities granted, capital subscription and margin obligations

Amounts disclosed as off-balance-sheet items are stated at nominal values. Lump-sum provisions exist on the balance sheet for latent default risks.

Statement of cash flow

VP Bank Ltd is exempted from drawing up a statement of cash flow as a result of the obligation to prepare consolidated financial statements (Art. 24l BankO). The consolidated statement of cash flow of VP Bank Group is a part of the consolidated financial statements.

Post-balance-sheet-date events

There were no significant events after the balance sheet date for the 2021 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 (➔ pages 129 ff.).

ANALYSIS OF COLLATERAL

in CHF 1,000	Mortgage collateral	Other collateral	Without collateral	Total
LOANS				
Due from customers	26,743	1,749,294	260,252	2,036,289
Mortgage receivables	2,899,149	27,913	16,671	2,943,733
• Residential property	2,063,829	27,328	9,173	2,100,330
• Office and business premises	71,969	0	0	71,969
• Commercial and industrial premises	665,162	472	7,155	672,789
• Other	98,189	113	344	98,645
Total loans, 31.12.2021	**2,925,892**	**1,777,207**	**276,923**	**4,980,022**
Total loans, 31.12.2020	3,062,441	1,649,735	384,335	5,096,511
OFF-BALANCE-SHEET TRANSACTIONS				
Contingent liabilities	573	10,280	62,581	73,435
Irrevocable facilities granted	10,319	15,558	34,530	60,407
Total off-balance-sheet transactions, 31.12.2021	**10,892**	**25,838**	**97,111**	**133,842**
Total off-balance-sheet transactions, 31.12.2020	17,954	43,480	94,270	155,704

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, 31.12.2021	**54,115**	**35,006**	**19,109**	**19,109**
Total value-impaired loans, 31.12.2020	51,441	34,572	16,869	16,869

TRADING PORTFOLIOS OF SECURITIES AND PRECIOUS METALS

in CHF 1,000	Carrying value		Acquisition cost		Market value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
TRADING PORTFOLIOS OF SECURITIES AND PRECIOUS METALS						
Debt securities	10,207	0	10,266	0	10,207	0
• listed on a stock exchange (traded on a recognised market)	10,207	0	10,266	0	10,207	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	29	34	26	26	29	34
of which equity shares in the treasury	29	34	26	26	29	34
Precious metals	276	289	275	285	276	289
Total	**10,512**	**323**	**10,567**	**311**	**10,512**	**323**
MATERIAL RECEIVABLES AND LIABILITIES INCLUDED IN OTHER BALANCE SHEET POSITIONS WHICH ARE MARKED TO MARKET VALUE AND WHOSE REVALUATION IS RECORDED IN THE ITEM "GAINS/LOSSES FROM TRADING TRANSACTIONS"						
Positive replacement values of derivative financial instruments in trading portfolios (other assets)	46,686	79,353			46,686	79,353
Negative replacement values of derivative financial instruments in trading portfolios (other liabilities)	78,891	98,309			78,891	98,309
Total	**125,577**	**177,662**			**125,577**	**177,662**
PORTFOLIOS OF SECURITIES AND PRECIOUS METALS IN CURRENT ASSETS (EXCLUDING TRADING PORTFOLIOS)						
Debt securities	2,125,475	2,087,967	2,227,352	2,202,963	2,160,258	2,157,755
Equity shares	200,129	179,703	247,107	230,642	224,874	200,574
of which equity shares in the treasury	46,960	53,571	60,365	63,701	50,586	63,202
Total	**2,325,604**	**2,267,670**	**2,474,459**	**2,433,605**	**2,385,132**	**2,358,329**
of which repo-eligible securities	608,786	618,442	634,118	633,759	618,625	636,973
of which exchange-listed securities	2,255,654	2,233,699	2,385,274	2,370,149	2,309,560	2,321,092

DISCLOSURES ON TREASURY SHARES INCLUDED IN CURRENT ASSETS (EXCLUDING TRADING PORTFOLIOS)

in numbers / in CHF 1,000	Number 2021	2020	Carrying value 2021	2020
REGISTERED SHARES A				
Balance at the beginning of the year	530,171	598,065	50,098	62,341
Purchase				
Disposals	–41,237	–67,894	–4,780	–9,557
Valuation allowances			–1,550	–2,687
Appreciation				
Balance at the end of the year	**488,934**	**530,171**	**43,767**	**50,098**
REGISTERED SHARES B				
Balance at the beginning of the year	341,337	324,387	3,473	4,127
Purchase	4,500	16,950	50	198
Disposals				
Valuation allowances			–331	–851
Appreciation				
Balance at the end of the year	**345,837**	**341,337**	**3,192**	**3,473**

PARTICIPATIONS AND SHARES IN AFFILIATED COMPANIES

in CHF 1,000	Carrying value 31.12.2021	Carrying value 31.12.2020
PARTICIPATIONS		
without quoted market value	56	74
Total participations	**56**	**74**
SHARES IN AFFILIATED COMPANIES		
without quoted market value[1]	169,414	167,527
Total shares in affiliated companies	**169,414**	**167,527**

[1] In 2021, recoveries in value of CHF 0.0 million were recorded pursuant to Art. 1090 PGR (previous year: CHF 16.4 million).

in CHF 1,000	31.12.2021 Currency	Corporate capital	Percentage ownership	31.12.2020 Currency	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	21,000	100%	HKD	5,000	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	Acquisition cost	Cumulative depreciation to date	Carrying value 31.12.2020	Financial year 2021 Investments/ additions	Divestments	Depr. and amortisation	Foreign-currency translation	Carrying value 31.12.2021
Total participations (minority participations)	126	–52	74	0	–18	0	0	56
Total shares in affiliated companies	174,119	–6,592	167,527	1,887	0	0	0	169,414
Total intangible assets (excluding goodwill)	198,438	–168,917	29,521	25,394	0	–11,817	9	43,107
Real estate								
• bank premises	195,728	–133,290	62,438	831	0	–5,087	0	58,182
• other real estate	3,331	–398	2,933	105	0	–71	5	2,972
Other property and equipment	35,483	–29,933	5,550	2,038	0	–3,029	3	4,562
Total property and equipment	234,542	–163,621	70,921	2,974	0	–8,187	8	65,716
Fire-insurance values of real estate			153,750					153,750
Fire-insurance values of other property and equipment			33,257					33,308

Future commitments under operating leases

At year-end, there were various operating lease contracts for real estate and other property and equipment which are principally used to conduct the business activities of the Bank. The material lease contracts include renewal options as well as escape clauses.

in CHF 1,000	31.12.2021	31.12.2020
Total minimum commitments arising from operating leases	**6,993**	**9,338**

Operating expenses as of 31 December 2021 include CHF 2.563 million arising from operating leases (previous year: CHF 2.487 million).

ASSETS PLEDGED OR ASSIGNED TO SECURE OWN OR THIRD-PARTY LIABILITIES AND ASSETS SUBJECT TO RESERVATION OF TITLE

in CHF 1,000	31.12.2021	31.12.2020
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	682,386	685,137
Effective liabilities	0	0
SECURITIES LENDING/BORROWING AND REPURCHASE TRANSACTIONS		
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse-repurchase transactions	0	0
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities owned by the Bank lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing or transferred within the scope of repurchase transactions	239,999	207,174
of which securities for which an unconditional right has been granted to sell on or repledge	163,695	147,403
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	241,231	183,545
of which securities repledged or sold on	76,304	59,771

LIABILITIES TO OWN RETIREMENT PENSION PLANS

in CHF 1,000	31.12.2021	31.12.2020
Due to customers	31,298	11,661
Securitised liabilities	200	200
Other liabilities	3,161	463
Total liabilities to own retirement pension plans	**34,659**	**12,324**

OUTSTANDING DEBENTURE ISSUES

in CHF 1,000	Interest rate in %	Year of issue	Maturity	Nominal amount 31.12.2021	Nominal amount 31.12.2020
VP Bank Ltd, Vaduz	0.875	2015	07.10.2024	100,000	100,000
VP Bank Ltd, Vaduz	0.500	2015	07.04.2021		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 01.01.2021	Utilisation in accordance with purpose	Recoveries, overdue interest, forex diff.	Provisions charged to income statement	Provisions released to income statement	Balance on 31.12.2021
VALUATION ALLOWANCES FOR DEFAULT RISKS						
• Individual valuation allowances	16,869		2,304		64	19,109
• Lump-sum valuation allowances	1,124		3	1,411	1,508	1,028
Provisions for contingent liabilities and credit risks	199		6	150	210	145
Provisions for taxes and deferred taxes	10,329	4,544	15	3,669	37	9,433
Other provisions	2,817	1,946	–10	996		1,857
Total valuation allowances and provisions	**31,338**	**6,490**	**2,318**	**6,226**	**1,820**	**31,572**
minus: valuation allowances	17,993					20,137
Total provisions as per balance sheet	**13,345**					**11,434**
Provisions for general banking risks	**63,150**					**63,150**

COMPANY CAPITAL

in CHF 1,000	31.12.2021 Total par value	31.12.2021 Number	31.12.2021 Capital entitled to dividends	31.12.2020 Total par value	31.12.2020 Number	31.12.2020 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	31.12.2021 Par value	31.12.2021 Share in % of par value	31.12.2021 Share of voting rights in %	31.12.2020 Par value	31.12.2020 Share in % of par value	31.12.2020 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	6,440	9.7	10.3	6,437	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	2021
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	53,605
Other reserves	305,284
Provisions for general banking risks	63,150
Retained earnings	159,929
Total shareholders' equity at the beginning of the financial year	**934,971**

in CHF 1,000	2021
Other appropriations / releases from reserves (–)	2,173
Dividends and other distributions from net income of the previous year[1]	–26,462
Net income/loss (–) for the financial year	25,269
Total shareholders' equity at the end of the financial year	**935,951**
OF WHICH	
Subscribed and paid-up capital	66,154
Capital reserves	47,049
Legal reserves	239,800
Reserve for treasury shares	46,989
Other reserves	314,073
Provisions for general banking risks	63,150
Retained earnings	158,736

[1] Only dividends 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	1,901,448							1,901,448
Due from banks	534,440		1,036,936	169,972	387			1,741,735
Due from customers	3,275	154,952	3,038,180	736,023	748,876	298,716		4,980,022
of which mortgage receivables	520	21,918	1,441,437	488,139	693,003	298,716		2,943,733
Trading portfolios of securities and precious metals	10,512							10,512
Portfolios of securities and precious metals in current assets (excluding trading portfolios)	2,298,231							2,298,231
Portfolios of securities and precious metals in fixed assets	27,373							27,373
Other assets	299,972		808				61,154	361,934
Total assets, 31.12.2021	**5,075,251**	**154,952**	**4,075,924**	**905,995**	**749,263**	**298,716**	**61,154**	**11,321,255**
Total assets, 31.12.2020	5,400,556	198,505	4,079,151	923,847	812,405	314,504	65,370	11,794,339
LIABILITIES AND PROVISIONS								
Due to banks	1,919,268	48,412	402,532	100,481	36,448			2,507,141
Due to customers	5,159,967	1,692,785	456,767	70,277				7,379,796
• savings deposits		573,299						573,299
• other liabilities	5,159,967	1,119,486	456,767	70,277				6,806,497
Securitised liabilities			1,395	19,433	130,704	160,465		311,997
• debentures issued			1,395	19,433	130,704	160,465		311,997
of which medium-term notes			1,395	19,433	30,704	5,465		56,997
Provisions (excluding provisions for general banking risks)	11,434							11,434
Other liabilities	173,412		1,524					174,936
Total liabilities, 31.12.2021	**7,264,081**	**1,741,197**	**862,218**	**190,191**	**167,152**	**160,465**		**10,385,304**
Total liabilities, 31.12.2020	7,395,954	1,722,483	962,357	302,035	297,029	179,510		10,859,368

Debentures and other interest-bearing securities which mature in the following financial year	452,667
Issued debentures which mature in the following financial year	20,828

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	31.12.2021	31.12.2020
RECEIVABLES FROM AND PAYABLES TO PARTICIPATIONS, AFFILIATED COMPANIES AND QUALIFYING PARTICIPANTS		
Receivables from participations	0	0
Payables to participations	53	60
Receivables from affiliated companies	60,704	139,829
Payables to affiliated companies	2,448,264	2,435,829
Receivables from qualifying participants	0	0
Payables to qualifying participants	99,363	95,990
LOANS TO GOVERNING BODIES		
Members of Group Executive Management and parties related thereto	3,355	2,167
Members of the Board of Directors and parties related thereto[1]	1,010	0

[1] Excluding receivables from related qualifying participants.

VP Bank also makes payments to related persons within the framework of brokerage services and bought-in advisory services. These correspond to customary market conditions. The aggregate amount of such payments and fees in 2021 totalled CHF 0.667 million (previous year: CHF 0.613 million).

REMUNERATION PAID TO MEMBERS OF GOVERNING BODIES

in CHF 1,000		Remuneration[1, 2]						Total remuneration	
		Fixed		thereof in registered shares A (market value)		Retirement benefit plans			
		2021	2020	2021	2020	2021	2020	2021	2020
BOARD OF DIRECTORS									
Dr Thomas R. Meier	Chairman[A, G, N]	490	390	123	98			490	390
Markus Thomas Hilti	Vice Chairman[B]	130	130	32	33			130	130
Prof. Dr Teodoro D. Cocca	BoD[I]		43		11			0	43
Philipp Elkuch	BoD[B, H, M]	93		23				93	0
Dr Beat Graf	BoD[D, F]	145	145	36	36			145	145
Ursula Lang	BoD[D, E]	160	160	40	40			160	160
Dr Gabriela Payer	BoD[B, H]	140	140	35	35			140	140
Michael Riesen	BoD[C, F]	160	160	40	40			160	160
Katja Rosenplänter-Marxer	BoD[D, F, K]	140	93	35	23			140	93
Fredy Vogt	BoD[L, O]	88	303	22	76		27	88	330
Total Board of Directors		**1,546**	**1,565**	**387**	**392**		**27**	**1,546**	**1,592**

[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 up to 24 April 2020.
[K] Member of the Board of Directors from 24 April 2020.
[L] Member of the Board of Directors up to 30 April 2021.
[M] Member of the Board of Directors from 30 April 2021.
[N] Chairman of the Board of Directors from 24 April 2020.
[O] Chairman of the Board of Directors up to 24 April 2020.
[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.

Remuneration paid to members of governing bodies (continued)

in CHF 1,000	Remuneration[1, 2]										Total remuneration	
	Fixed basic salary		Short Term Incentive (STI)		Performance Share Plan (PSP)		Restricted Share Plan (RSP)		Retirement benefit plans			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Group Executive Management	**3,158**	**3,092**	**284**	**2,224**	**1,136**	**1,716**		**420**	**414**	**490**	**4,991**	**7,942**
HIGHEST REMUNERATION												
Paul H. Arni	700		120		480				107		1,407	
Christoph Mauchle		289		644		546		420		70		1,968

[1] Compensation for out-of-pocket expenses is not included.
[2] Gifts for length of service and termination pay are included.

The compensation model described in the section on corporate governance (pages 92 ff.), both the fixed basic salary and the cash compensation (STI), and the entitlement to performance shares are disclosed. The number of registered shares A (entitlement to the performance share plan) as well as the related monetary benefit are fixed definitively only at the end of the respective planning period (or at the time of transferring the registered shares A). As part of the 2021–2023 plan, Group Executive Management received 10,451 performance shares (previous year: 12,438 performance shares). The computation of the number of shares transferred upon expiry of the plan period is dependent upon the achievement of the targets (net profit and net new money). The monetary benefit from the respective PSP and RSP programme will by definition be determined by the equity share price at the time of transfer of title to the shares. In the 2021 financial year, 3,327 performance shares (previous year: 21,987) with a market value of CHF 397,909 on the date of allocation (previous year: CHF 3,189,375) were transferred from the Management Plan 2018–2020 as well as the RSP 2018–2020.

SHAREHOLDINGS AND LOANS TO GOVERNING BODIES AND RELATED PARTIES

in CHF 1,000	Shareholdings in VP Bank Number of shares (including related parties, excluding qualifying participants)				Loans and credits	
	Registered shares A		Registered shares B			
	2021	2020	2021	2020	2021	2020
BOARD OF DIRECTORS						
Dr Thomas R. Meier	2,483	1,316				
Markus Thomas Hilti	7,286	6,976				
Philipp Elkuch[A]	223				1,010	
Dr Beat Graf	2,113	1,767				
Ursula Lang	1,724	1,343				
Dr Gabriela Payer	2,310	1,976				
Michael Riesen	2,686	2,305				
Katja Rosenplänter-Marxer	550	216				
Fredy Vogt[B]		3,373				
Total Board of Directors	**19,375**	**19,272**	**0**	**0**	**1,010**	**0**
GROUP EXECUTIVE MANAGEMENT						
Paul H. Arni, CEO						
Roger Barmettler, CFO[C]						
Tobias Wehrli	5,826	4,316			2,135	1,247
Dr Urs Monstein, COO	5,451	3,634			1,220	920
Thomas von Hohenhau						
Patrick Bont, CRO						
Total Group Executive Management	**11,277**	**7,950**	**0**	**0**	**3,355**	**2,167**

Remuneration, loans and credits to related parties (Art. 16 OaEC): VP Bank Ltd, respectively Group, has provided remuneration by issuing a guarantee to related parties which is at at arm's length terms in accordance with Art. 16 OaEC.

[A] Member of the Board of Directors from 30 April 2021.
[B] Member of the Board of Directors up to 30 April 2021.
[C] Member of the Group Executive Management from 1 March 2021.

ASSETS AND LIABILITIES BY DOMESTIC AND FOREIGN ORIGIN

in CHF 1,000	31.12.2021 Domestic	Foreign	31.12.2020 Domestic	Foreign
ASSETS				
Cash and cash equivalents	1,899,205	2,243	2,134,783	1,854
Due from banks	1,615,115	126,620	1,764,366	150,027
Due from customers	3,523,916	1,456,106	3,575,972	1,520,539
of which mortgage receivables	2,857,712	86,021	2,949,428	101,527
Debentures and other interest-bearing securities	312,902	1,822,780	282,539	1,805,428
Equity shares and other non-interest-bearing securities	69,220	83,949	58,490	67,642
Participations	35	21	35	39
Shares in affiliated companies	96,000	73,414	96,000	71,527
Intangible assets	42,916	191	29,254	267
Property and equipment	65,505	211	70,661	260
Treasury shares	46,989		53,605	
Other assets	35,794	25,487	47,274	43,462
Accrued receivables and prepaid expenses	12,704	9,932	9,831	10,483
Total assets	**7,720,301**	**3,600,954**	**8,122,810**	**3,671,528**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	1,542,033	965,108	1,593,230	1,082,234
Due to customers	4,877,927	2,501,869	4,832,278	2,710,036
• savings deposits	484,634	88,665	494,692	93,245
• other liabilities	4,393,293	2,413,204	4,337,586	2,616,791
Securitised liabilities	311,997		434,148	
Other liabilities	110,893	42,032	110,030	60,317
Accrued liabilities and deferred items	18,650	3,361	20,023	3,727
Provisions	10,874	560	11,752	1,593
Provisions for general banking risks	63,150		63,150	
Share capital	66,154		66,154	
Capital reserves	47,049		47,049	
Income reserves	600,862		598,689	
• legal reserves	239,800		239,800	
• reserves for treasury shares	46,989		53,605	
• other reserves	314,073		305,284	
Balance brought forward	133,467		120,370	
Net income for the year	25,269		39,559	
Total liabilities and shareholders' equity	**7,808,325**	**3,512,930**	**7,936,432**	**3,857,907**

In accordance with the Banking Ordinance (Art. 24e Par. 1), Switzerland counts as domestic.

TOTAL ASSETS BY COUNTRY OR GROUP OF COUNTRIES (DOMICILE PRINCIPLE)

in CHF 1,000	31.12.2021 Absolute	Share in %	31.12.2020 Absolute	Share in %
ASSETS				
Liechtenstein/Switzerland	7,720,301	68.2	8,122,810	68.9
Europe (excluding Liechtenstein/Switzerland)	1,360,433	12.0	1,457,678	12.4
North America	622,024	5.5	663,857	5.6
Asia	876,366	7.7	816,142	6.9
Caribbean	628,361	5.6	617,432	5.2
Other	113,770	1.0	116,420	1.0
Total assets	**11,321,255**	**100.0**	**11,794,339**	**100.0**

BALANCE SHEET BY CURRENCY

in CHF 1,000	CHF	USD	EUR	Other	Total
ASSETS					
Cash and cash equivalents	1,894,702	360	3,795	2,591	1,901,448
Due from banks	1,231,020	81,293	109,353	320,069	1,741,735
Due from customers	3,434,312	889,545	421,335	234,830	4,980,022
of which mortgage receivables	2,808,480	5,818	36,948	92,487	2,943,733
Debentures and other interest-bearing securities	502,717	789,708	742,093	101,164	2,135,682
Equity shares and other non-interest-bearing securities	65,553	13,835	69,058	4,723	153,169
Participations	35		21		56
Shares in affiliated companies	169,414				169,414
Intangible assets	42,916	191			43,107
Property and equipment	65,505	211			65,716
Treasury shares	46,989				46,989
Other assets	51,012	2,526	4,132	3,611	61,281
Accrued receivables and prepaid expenses	12,785	6,083	3,521	247	22,636
Total on-balance-sheet assets	**7,516,960**	**1,783,752**	**1,353,308**	**667,235**	**11,321,255**
Delivery claims arising from foreign-exchange spot, forward and option transactions	2,108,289	2,639,712	3,964,394	2,212,529	10,924,924
Total assets, 31.12.2021	**9,625,249**	**4,423,464**	**5,317,702**	**2,879,764**	**22,246,179**
Total assets, 31.12.2020	8,247,468	5,179,771	5,470,141	3,991,311	22,888,692
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	204,357	1,295,571	495,404	511,809	2,507,141
Due to customers	2,739,283	2,075,214	1,618,869	946,430	7,379,796
• savings deposits	572,653		646		573,299
• other liabilities	2,166,630	2,075,214	1,618,223	946,430	6,806,497
Securitised liabilities	305,423	3,750	2,824		311,997
Other liabilities	108,842	17,759	22,954	3,370	152,925
Accrued liabilities and deferred items	18,268	697	9	3,037	22,011
Provisions	11,064	134	236		11,434
Provisions for general banking risks	63,150				63,150
Share capital	66,154				66,154
Capital reserves	47,049				47,049
Income reserves	600,862				600,862
• legal reserves	239,800				239,800
• reserves for treasury shares	46,989				46,989
• other reserves	314,073				314,073
Balance brought forward	133,467				133,467
Net income for the year	25,269				25,269
Total on-balance-sheet liabilities	**4,323,188**	**3,393,125**	**2,140,296**	**1,464,646**	**11,321,255**
Delivery obligations arising from foreign-exchange spot, forward and option transactions	5,366,912	1,031,316	3,144,255	1,414,411	10,956,894
Total liabilities, 31.12.2021	**9,690,100**	**4,424,441**	**5,284,551**	**2,879,057**	**22,278,149**
Total liabilities, 31.12.2020	8,296,956	5,170,829	5,450,192	3,989,771	22,907,748
Net position per currency	**-64,851**	**-977**	**33,151**	**707**	

CONTINGENT LIABILITIES

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
CONTINGENT LIABILITIES				
Credit guarantees and similar	62,466	70,494	–8,028	–11.4
Performance guarantees and similar	10,969	14,391	–3,422	–23.8
Other contingent liabilities	0	0	0	0.0
Total contingent liabilities	**73,435**	**84,885**	**-11,450**	**-13.5**

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					3,634	108,500
Futures						
FOREIGN EXCHANGE / PRECIOUS METALS						
Forward contracts	33,916	35,961	5,523,875			
Combined interest-rate/currency swaps	8,476	38,398	4,384,794			
Options (OTC)	3,487	3,487	1,016,255			
EQUITY INSTRUMENTS/INDICES						
Futures						
Options (OTC)	807	807	24,725			
Options (exchange-traded)		237	3,253			
Total prior to consideration of netting agreements, 31.12.2021	**46,686**	**78,891**	**10,952,902**	**0**	**3,634**	**108,500**
Total prior to consideration of netting agreements, 31.12.2020	79,352	98,309	11,112,397	14	6,332	137,762

Financial instruments falling under a netting agreement do not meet the requirements for offsetting for balance-sheet purposes, which is why the carrying values of the related financial instruments are not netted in the balance sheet (Group financial statements – note 37, page 170).

FIDUCIARY TRANSACTIONS

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
FIDUCIARY TRANSACTIONS				
Fiduciary deposits	311,466	306,907	4,559	1.5
• Fiduciary deposits with third-party banks	284,882	300,866	–15,984	–5.3
• Fiduciary deposits with affiliated banks and finance companies	26,584	6,041	20,543	n.a.
Fiduciary loans	0	0	0	0.0
Other fiduciary transactions of financial nature	0	0	0	0.0
Total fiduciary transactions	**311,466**	**306,907**	**4,559**	**1.5**

INFORMATION REGARDING THE INCOME STATEMENT

in CHF 1,000	2021	2020	Variance absolute	Variance in %
INCOME FROM TRADING ACTIVITIES				
Gains from securities	104	–4	108	n.a.
Gains from trading derivatives	–1,476	151	–1,627	n.a.
Gains from foreign-exchange transactions	49,272	61,173	–11,901	–19.5
Gains from trading in banknotes	684	627	57	8.9
Gains from precious metals	351	519	–168	–32.3
Total income from trading activities	**48,935**	**62,466**	**–13,531**	**–21.7**

in CHF 1,000	2021	2020	Variance absolute	Variance in %
PERSONNEL EXPENSES				
Salaries and wages	92,909	89,711	3,198	3.6
Social security costs and staff retirement pensions and assistance costs	17,593	16,445	1,148	7.0
of which for staff retirement pensions	15,519	14,488	1,031	7.1
Other personnel expenses	4,533	3,526	1,007	28.6
Total personnel expenses	**115,035**	**109,682**	**5,353**	**4.9**

Salaries of members of the Board of Directors and the Executive Board are disclosed under “Remuneration paid to members of governing bodies” (pages 205 ff.).

Information regarding the income statement (continued)

in CHF 1,000	2021	2020	Variance absolute	Variance in %
GENERAL AND ADMINISTRATIVE EXPENSES				
Occupancy expenses	3,671	3,438	233	6.8
Expenses for IT, equipment, furniture, motor vehicles and other installations	16,923	15,074	1,849	12.3
Other operating expenses	27,574	28,017	-443	-1.6
Total general and administrative expenses	**48,168**	**46,529**	**1,639**	**3.5**

in CHF 1,000	2021	2020	Variance absolute	Variance in %
OTHER ORDINARY EXPENSES				
Losses and differences	540	645	-105	-16.3
Other ordinary expenses[1]	3,570	5,792	-2,222	-38.4
Total other ordinary expenses	**4,110**	**6,437**	**-2,327**	**-36.1**

[1] 2021: thereof CHF 3.570 million resulting from accruals for onerous contracts for renting.
2020: thereof CHF 5.765 million resulting from taxation expenses in other accounting periods.

in %	2021	2020	Variance absolute	Variance in %
Return on capital[1]	**0.22**	**0.34**	**-0.12**	**-35.3**

[1] Net income / average balance sheet total.

in CHF 1,000	2021	2020	Variance absolute	Variance in %
OTHER ORDINARY INCOME				
Income from real estate	180	223	-43	-19.1
Other ordinary income[1]	11,826	20,043	-8,217	-41.0
Total other ordinary income	**12,006**	**20,266**	**-8,260**	**-40.8**

[1] 2021: thereof CHF 10.750 million resulting from service level agreements within the group.
2020: thereof CHF 3.245 million resulting from service level agreements and CHF 16.400 million resulting from gains from appreciations on shares in affiliated companies in other accounting periods.

OTHER ASSETS AND LIABILITIES

in CHF 1,000	31.12.2021	31.12.2020	Variance absolute	Variance in %
OTHER ASSETS				
Precious metals	276	289	-13	-4.7
Unsettled derivative financial instruments (positive replacement values)	46,686	79,366	-32,680	-41.2
• Trading positions	46,686	79,353	-32,667	-41.2
• Liquidity positions	0	13	-13	-100.0
Compensation accounts	3,239	5,581	-2,342	-42.0
Settlement accounts	8,004	3,396	4,608	135.7
Miscellaneous other assets	3,076	2,104	972	46.2
Total other assets	**61,281**	**90,736**	**-29,455**	**-32.5**
OTHER LIABILITIES				
Accounts for disbursement of taxes and fees	4,643	4,851	-208	-4.3
Unsettled derivative financial instruments (negative replacement values)	82,525	104,641	-22,116	-21.1
• Trading positions	78,891	98,309	-19,418	-19.8
• Liquidity positions	3,634	6,332	-2,698	-42.6
Compensation accounts	0	6	-6	-100.0
Settlement accounts	64,792	59,645	5,147	8.6
Miscellaneous other liabilities	965	1,204	-239	-19.9
Total other liabilities	**152,925**	**170,347**	**-17,422**	**-10.2**

INCOME AND EXPENSE ANALYSED BY PERMANENT ESTABLISHMENT

in CHF 1,000	2021 Domestic	2021 Foreign	2020 Domestic	2020 Foreign
Interest income	65,932	8,158	71,020	12,551
Interest expenses	5,815	1,174	17,925	2,524
Current income from securities	14,721		15,002	
Income from commission business and services	87,772	11,008	81,892	10,541
Commission expenses	14,091	2,299	13,067	1,914
Income from financial transactions	36,923	4,117	47,746	5,048
Other ordinary income	13,372		20,929	
Operating expenses	147,060	17,911	141,458	15,806
Other ordinary expenses	3,861	249	6,381	55

The split between domestic and foreign is based upon the domicile of the branch recording the transactions.

The values reported under foreign relate to the VP Bank Ltd Singapore Branch in Singapore (business activity: bank). As per 31.12.2021, this unit employs 80 individuals (31.12.2020: 75 individuals) expressed in terms of full-time equivalents. In 2021, total operating income on a consolidated basis amounts to an equivalent of CHF 20,471 million (2020: 24,065 million) and the pre-tax net income CHF 4.097 million (2020: 8.561 million). During 2021, the unit received an equivalent of CHF 0.325 million in state subsidies (2020: 0.826 million).

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 2021, the consolidated balance sheet as at 31 December 2021, 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 114 – 182) give a true and fair view of the consolidated financial position of VP Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for Opinion

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

We are independent of the VP Bank Group in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Audit Approach

Overview

Overall Group materiality: CHF 3,170,000

Our audit ("full scope") included three Group companies and covered 86 % of earnings before income tax. In addition, specific audit procedures were performed for one other Group company which covers additional 7 % 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 3,170,000
Benchmark applied	Earnings before income tax (average of the last three years)
Rationale for the materiality benchmark applied	We chose earnings before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the VP Bank Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee of VP Bank Ltd that we would report to them misstatements above CHF 158,500 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the VP Bank Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement.

Reporting on Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Testing of Due from Customers

Key Audit Matter	How our Audit addressed the Key Audit Matter
As at 31 December 2021, the VP Bank Group reported due from customers in the amount of CHF 6.237 billion, of which 0.43 % were assessed as impaired. Due from customers is the Group's largest asset and about 52.3 % are backed by mortgages and 43.2 % by other collateral provided by customers (i.e., mainly in the form of Lombard loans).	Our audit procedures were primarily tests of the proper functioning of the internal controls performed by the VP Bank Group. We tested compliance with the rules and processes as well as the effectiveness of these controls through risk-based sample testing. In doing so, we assessed the design of the key controls and, on a sample basis, tested compliance with them.

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 122 and 123 (Principles underlying financial-statement reporting), page 157 (Notes to the consolidated financial statements: 15 Due from banks and customers) and pages 137 to 146 (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

As at 31 December 2021, VP Bank Group has recorded no provisions for legal risks.

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 and litigation 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 125 (Principles underlying financial statement reporting) and page 164 (Notes to the consolidated financial statements: 28 Provisions) and page 166 (Notes: 33 Litigation).

How our Audit addressed the Key Audit Matter

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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 for the first time on 26 April 2019. We have been the statutory auditor of the Company without interruption since the financial year ending as of 31 December 2020.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

Further, we declare that no prohibited non-audit services pursuant to Article 5 in accordance with Article 10 para. 2 lit. f Regulation (EU) No. 537/2014 Article 5 para. 1 Regulation (EU) No. 537/2014 were provided.

Other Confirmations persuant to Article 196 PGR

The consolidated financial statements (pages 112 to 113) as at 31 December 2021 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 recommend that the consolidated financial statements submitted to you be approved.

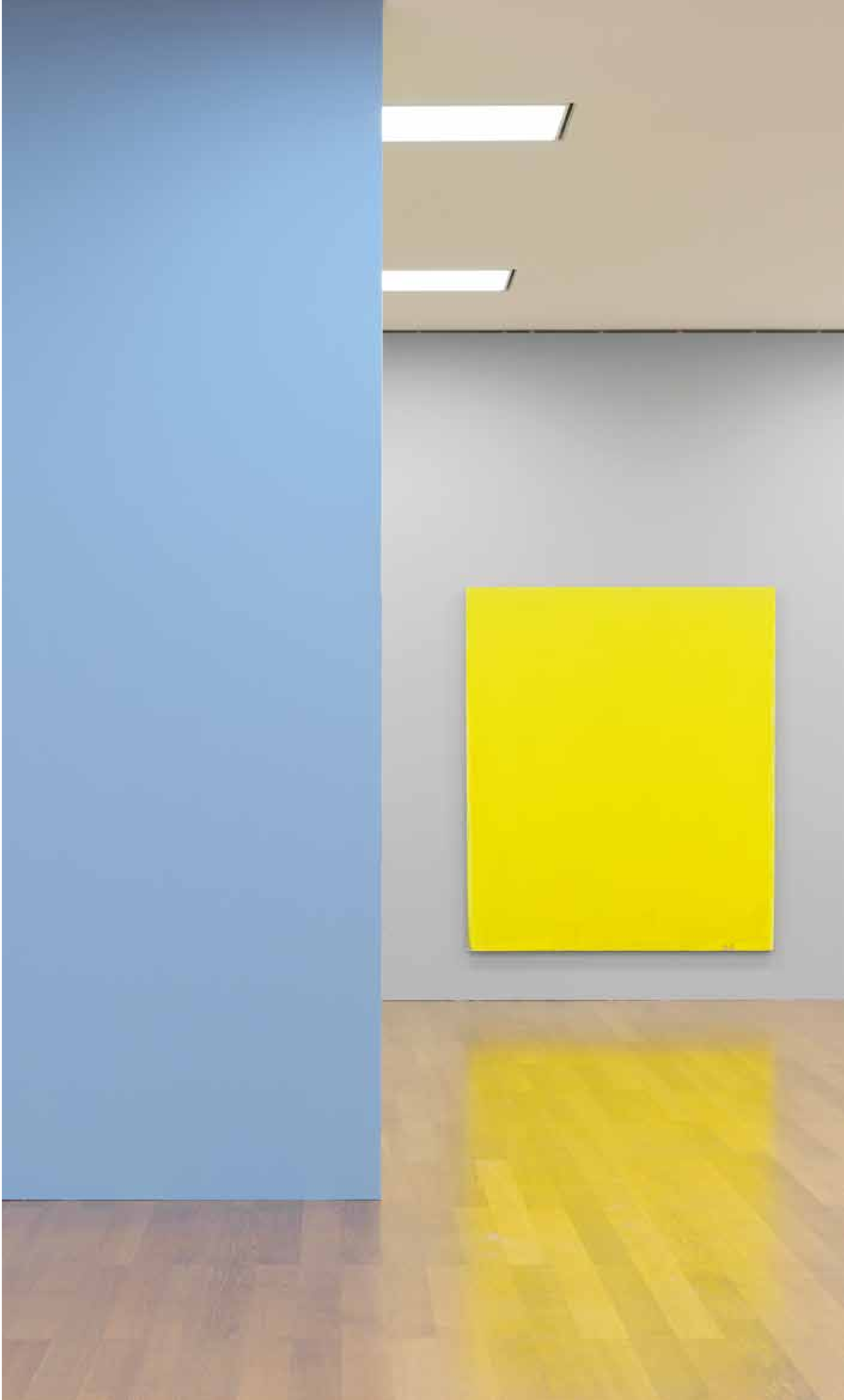
PricewaterhouseCoopers AG

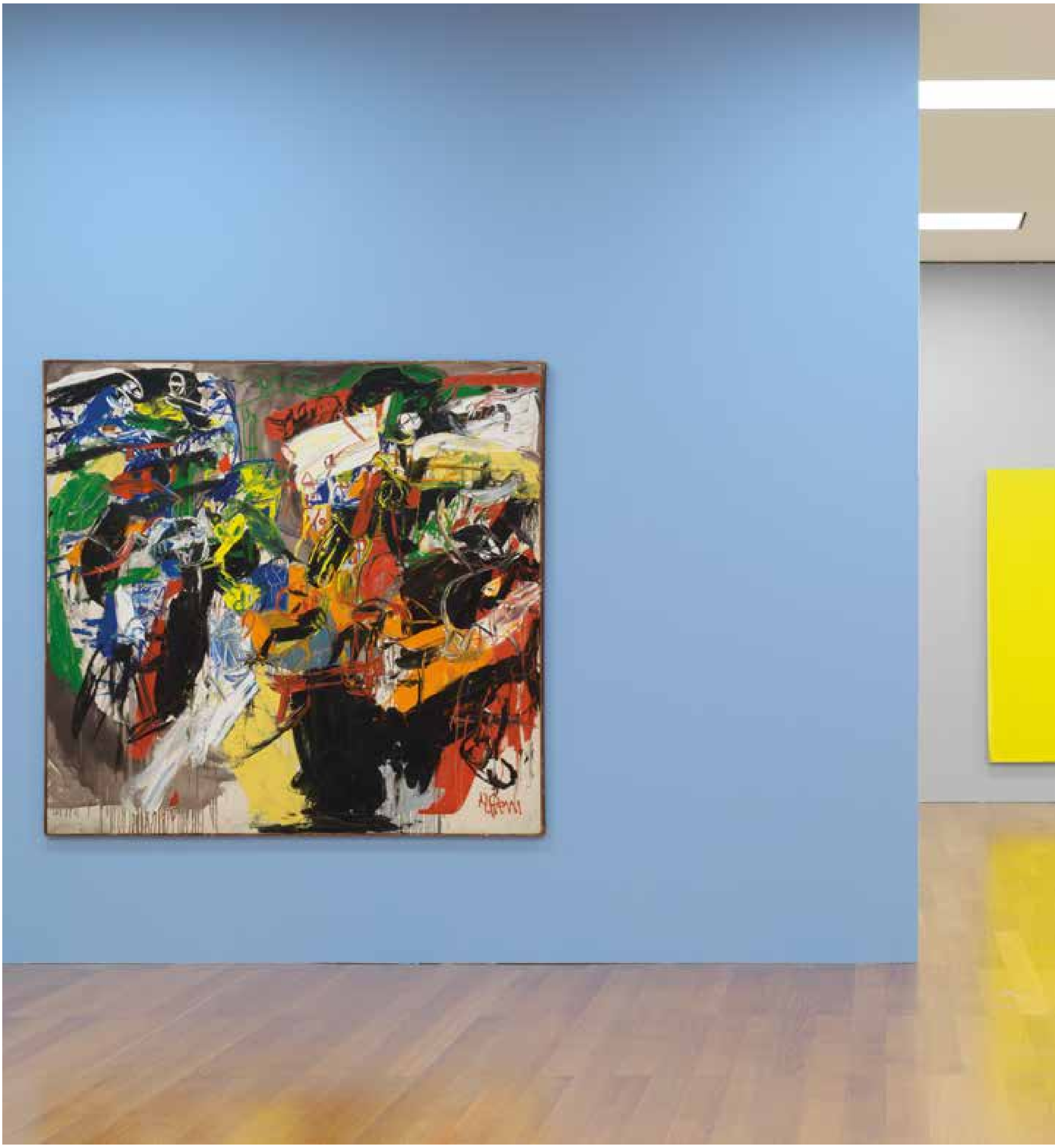
Rolf Birrer

Liechtenstein Certified Public Accountant
Auditor in charge

Tobias Scheiwiller

Zurich, 4 March 2022





WORLD OF COLOUR / The work on the left, "O.T.", 1961, is by Heimrad Prem, the work by Joseph Marioni behind it is called "Yellow Painting", 2002 (also see p. 8, 21 and 217). Not shown in this photo are the American artist's "White Painting" and "Green Painting", which are also on display at the OUT OF OFFICE exhibition in the Kunstmuseum Liechtenstein.

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Mike Pickles, Hong Kong: p. 21 centre left

Lauretta Suter, Zurich: p. 20 top left, p. 48, 49 top half

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