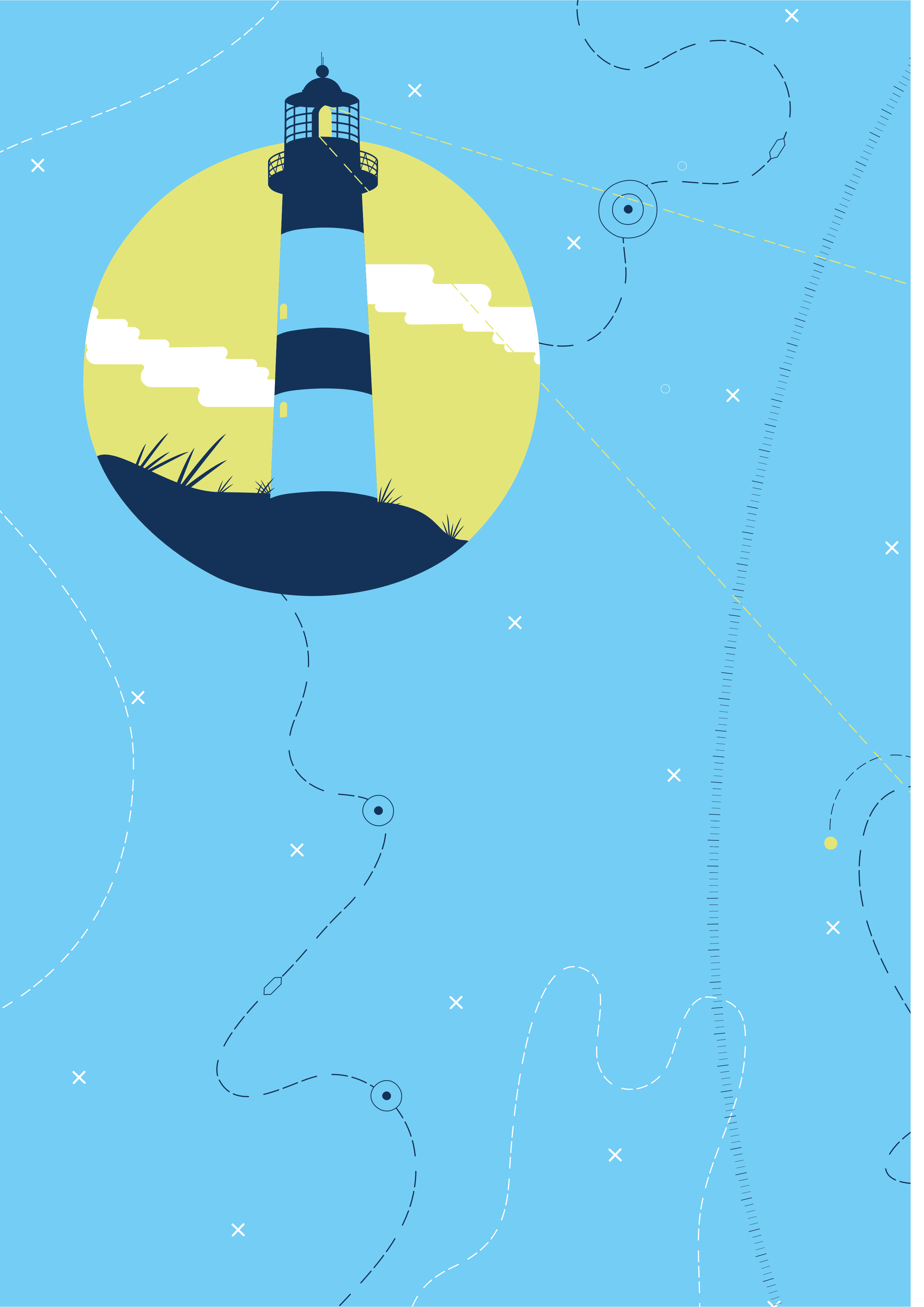
Safely ahead.

Annual Report 2013



Editorial

"Passionate professionals" is the creative leitmotif of our 2013 annual report. The report centres on the action pyramid of VP Bank Group, which we developed and adopted 2013.

The key elements of this pyramid are our vision, brand promise, and the marketing slogan derived from those concepts: "Safely ahead".

VP Bank Group's vision represents the foundation for the strategic orientation of the entire Group. Through its resolute implementation, VP Bank Group stands out from the crowd with a clear position, and our employees develop an emotional bond with the company. Our vision: **"We are the most recommended private bank because we generate enthusiasm through unique client experiences".** The brand promise that builds upon this vision constitutes specific differentiation and character attributes, and is conveyed in the form of a story. All of its key messages are imparted to the reader in our new advertising theme and in the illustrations included in this annual report. The tale is told in the form of words and images by selected "passionate professionals".

In the same way that these "passionate professionals" guide you through this annual report, the team at VP Bank Group accompany clients with passion on the path to their investment goals.

For more than 50 years now, this is the way VP Bank Group has guided its clients "safely ahead".

Further information on VP Bank Group's action pyramid can be found in the "Corporate strategy" section of this annual report on pages 34 ff.

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Statement by the Chairman of the Board

Dear Shareholders,
Ladies and Gentlemen

A modest economic recovery, supportive measures by the national banks, as well as interest rates at very low levels were the key factors that shaped the global economy in 2013. This was the environment in which VP Bank had to prove itself.

Annual results

For the 2013 financial year, VP Bank Group recorded consolidated net income of CHF 38.7 million compared to the prior-year figure of CHF 47.2 million, whereas the latter reflects significant one-time effects totalling CHF 22.8 million in connection with the changeover from a defined-benefit to a defined-contribution employee pension scheme as well as the early adoption of the revised standard IAS 19. So compared to the adjusted profit of CHF 24.4 million in the previous year, VP Bank did indeed make considerable progress in 2013.

Total shareholders' equity remained essentially unchanged at CHF 888.7 million. While the total assets of VP Bank increased in 2013 by 5.3 per cent to CHF 11.2 billion, operating expenses – thanks to strict cost discipline – declined versus the adjusted prior-year level by 1.5 per cent to CHF 168.0 million. Thus yet again in 2013, VP Bank achieved savings in general and administrative costs.

A gratifying increase was to be seen in the total of client assets under management: at the end of 2013, they amounted to CHF 30.6 billion versus the CHF 28.5 billion recorded in the previous year, a 7.4 per cent gain. Because there was also a 2.0 per cent increase in assets held in custody, total client assets on 31 December 2013 stood at CHF 39.6 billion compared to CHF 37.3 billion in the previous year. The strategic orientation of VP Bank was reinforced through the takeover of the private banking activities of HSBC Trinkaus & Burkhardt (International) SA as well as the private banking related fund business of HSBC Trinkaus Investment Managers SA in Luxembourg, an asset deal in the magnitude of CHF 2.0 billion in client assets.

Dividend proposal

At the annual general meeting on 25 April 2014, the Board of Directors will propose a dividend of CHF 3.50 per bearer share (previous year: CHF 2.50) and CHF 0.35 per registered share (previous year: CHF 0.25). This dividend increase reflects the revised dividend policy adopted by the Board of Directors: 40 to 60 per cent of VP Bank Group's total net income is to be distributed to shareholders as long as the Bank's medium-term tier 1 ratio exceeds the target of 16 per cent. The aim is to cultivate a consistent dividend trend.

Strategic orientation and positioning

2013 was a year of vast changes for VP Bank Group. These changes were accompanied by significant personnel alterations and organisational realignments that enhance VP Bank Group's sharpened focus on current market and client needs. The importance of having an efficient management structure which is centred on clients and marketing has been underscored by the appropriate measures that have been taken.

One of the major steps in this regard was the establishment of the new "Client Business" division, which comprises all of the Group's client-oriented units. As of 1 July 2013, the "Banking Liechtenstein & Regional Market" and "Private Banking International" were integrated into this division.

VP Bank continued to pursue its growth strategy in 2013 by taking over the private banking activities of HSBC Trinkaus & Burkhardt (International) SA as well as the private banking related fund business of HSBC Trinkaus Investment Managers SA in Luxembourg. This asset deal reflects our strategic aim to grow both in terms of the mid-range private banking segment and the intermediaries business. Simultaneously, the importance of the fund business at our Luxembourg location is being accentuated, as is the fund competence of the entire VP Bank Group.

In conjunction with the aforementioned sharper focus on two business fields, the Board of Directors resolved to divest the Group's fiduciary companies in 2013. The IGT Intergestions Trust reg. subsidiary in Vaduz was separated from VP Bank Group via a management buyout.

In the same vein, the structures of the VP Bank and Trust Company (BVI) Limited holding company in Tortola (British Virgin Islands), which has been a long-standing joint venture with Liechtenstein-based Allgemeines Treuunternehmen (ATU), have been tranched off. In 2013, VP Bank Group acquired full ownership of VP Bank (BVI) Limited and ceded the other financial interests to ATU.

The Board of Directors stands by its medium-term goals – an annual 5 per cent increase in net new money based on client assets under management, a cost/income ratio reduction to an average of 65 per cent and a core capital (tier 1) ratio of at least 16 per cent. Compared to its peers, VP Bank Group has a very solid equity capital base which will afford a high degree of stability and security even after the introduction of Basel III.

As one of the largest banks in Liechtenstein, VP Bank is deemed by the Financial Market Authority to be "system relevant". Accordingly, VP Bank will also need to fulfil higher minimum capital requirements in the years ahead.

For us, the subject of sustainability is of central importance, and is crystallised in the business policy of VP Bank. Further information in this regard can be found in the newly structured "Corporate strategy" section of this annual report.

The Liechtenstein financial centre

In the autumn of 2013, the Government of Liechtenstein issued a Governmental Declaration on international tax cooperation. With this declaration, it formally acknowledged the applicable OECD standard regarding international tax cooperation and subsequently signed the OECD and European Council convention on mutual administrative assistance in tax matters. By doing so, Liechtenstein has reinforced its commitment to implementing the standards on transparency and the exchange of information, and thereby the integrity and reputation of the Liechtenstein financial centre. The strategy of VP Bank takes these developments into account.

Personnel changes

At the outset of 2013, the Board of Directors elected Alfred W. Moeckli to become Chief Executive Officer (CEO) of VP Bank Group. He took up his new role on 1 May 2013, replacing Siegbert Näscher, Chief Financial Officer (CFO), and Juerg W. Sturzenegger, Chief Operating Officer (COO), who had headed the Bank on an ad interim basis since mid-July 2012.

As of 1 July 2013, the two client-oriented business units "Banking Liechtenstein & Regional Market" and "Private Banking International" were combined to create the new "Client Business" division. Since 1 October 2013, Christoph Mauchle bears responsibility for the division as "Head of Client Business".

In connection with the adaptation of the organisation to the changed overall and market-specific circumstances, Juerg W. Sturzenegger, Chief Operating Officer, decided to leave VP Bank Group at the end of 2013. Over the past five years, he successfully conducted important strategic projects and in particular played a major role in the further development of the Investment Management product range and other product-related areas. The Board of Directors would like to take this occasion to express its thanks for his valuable commitment.

Martin Engler, Head of Private Banking Liechtenstein, Günther Kaufmann, Head of Intermediaries & Transaction Banking, as well as Rolf Jermann, Head of Commercial Banking, each a member of Executive Management at the main office in Vaduz, stepped down from that body as of 1 January 2014 in order to concentrate fully on the cultivation of their areas of responsibility. The Board of Directors also thanks them for their great efforts.

As of 1 January 2014, Executive Management at the main office in Vaduz – which in the form of a personnel union now performs the function of Group Executive Management – comprises Chief Executive Officer Alfred W. Moeckli, Head of Client Business Christoph Mauchle, and Chief Financial Officer & Head of Banking Services Siegbert Näscher.

With this streamlined management structure, the processes and competencies are simplified and the reaction times shortened. While this is aimed at the further reduction of redundancies, it is mainly intended as a means of redoubling our client focus through intensified Group-wide collaboration and the bundling of skills.

In April 2013, Roland Feger – after a 12-year term of office on the Board of Directors of VP Bank – opted not to stand for re-election. Roland Feger was also a member of the Audit & Risk Management Committee; he played an important role in both bodies and contributed a wealth of experience. The Board of Directors is very grateful to Roland Feger for his valuable and dedicated contribution.

For personal reasons, Max E. Katz stepped down from the Board of Directors of VP Bank Group on 23 September 2013. We thank him for his devoted efforts in the transformation process of VP Bank Group and his work as a member of the Audit & Risk Management Committee.

After twelve years of service to VP Bank, Walo Frischknecht will step down from the Board of Directors on 25 April 2014. VP Bank thanks Walo Frischknecht for his dedicated contribution, in particular as chair of the Audit & Risk Management Committee.

The Board of Directors will propose to the general assembly on 25 April 2014 that Dr Beat Graf and Michael Riesen be elected as new Board members. It is envisioned that Michael Riesen will be the successor to Walo Frischknecht as Chairman of the Audit & Risk Management Committee.

Outlook

Going forward, our focus on clients and marketing will enable us to cultivate our target markets even more efficiently than in the past and contribute to the commercial success of VP Bank Group.

The primary strategic goal of VP Bank is to grow profitably as a Group and thereby preserve our independence. The special strengths of VP Bank, such as its solid equity capital and shareholder base, also contribute to that aspiration. That substantial amount of capital enables us to invest in growth – also via acquisitions. Thus, VP Bank will take advantage of attractive market opportunities as they arise, provided they are a suitable fit from a strategic and cultural standpoint.

In previous financial reports, we have underscored the challenges with which VP Bank Group has been faced due to the rapidly changing regulatory environment. Today, we can look back on our successful mastery of those challenges. We actively nurture collaboration with all relevant partners in the Liechtenstein financial centre and in our target markets.

Words of gratitude

We are well equipped for the future thanks to a healthy mix of the tried and true and the readiness to accommodate change. We look forward to having our employees, shareholders, clients and partners continue to accompany of us along this successful path.

Our thanks firstly go to our employees, who each and every day demonstrate their tremendous commitment to our clients and thus to the success of VP Bank Group. And of course it would be remiss of us not to express our sincerest gratitude to our clients for their abiding loyalty – and to you, our valued shareholders, for your support of and confidence in our Bank.

Fredy Vogt
Chairman of the Board of Directors

Fredy Vogt
Chairman of the Board of Directors

Alfred W. Moeckli
Chief Executive Officer

Statement by the Chief Executive Officer

Dear Shareholders,
Valued Clients and Employees

I am delighted to report that 2013 was a generally encouraging financial year for our institution.

In what continued to be a challenging business environment, VP Bank Group achieved consolidated net income of CHF 38.7 million, a solid result given the circumstances. We recorded gains, for example in net operating income (plus 1.8 per cent), total assets (plus 5.3 per cent) as well as client assets under management (plus 7.4 per cent).

Our tier 1 core capital ratio in 2013 remained at a very high level of 20.4 per cent (previous year: 21.5 per cent). Thus, we once again far exceeded our medium-term minimum goal of a 16 per cent core capital ratio.

The second medium-term goal of VP Bank is to achieve and maintain a cost/income ratio of 65 per cent. In 2013, that ratio increased from 62.8 per cent in the previous year to 70.2 per cent. However, the 2012 figure must be viewed in the light of one-time effects; adjusted for these effects, the 2013 cost/income ratio was in fact 2.3 per cent lower than the prior-year level. Thus, VP Bank is well on track towards reaching its defined goal.

Our third medium-term goal is to achieve an average annual increase in net new money of 5 per cent. Despite stiff competition and unfavourable market conditions, we managed to record a net inflow of 3.4 per cent in terms of new client assets.

A cost-cutting programme initiated in 2012 was aimed at reducing our cost base to CHF 160 million by the end of 2013. Thanks to strict cost discipline, operating expenses in 2013 declined versus the adjusted prior-year level by 1.5 per cent to CHF 168.0 million. Decreases of 1.5 per cent each in adjusted personnel expenses and general and administrative expenses contrasted with several extraordinary cost factors. In addition to acquisition-related outlays, Group-wide reorganisation and recruiting expenses were also incurred in 2013. Also pressuring costs were the higher internal and external expenses involved in the tax transparency process, as well as further successfully implemented growth initiatives. During the course of 2014, we will press ahead with our efforts to leverage Group-wide synergies and thereby achieve additional cost savings.

Key strategic approaches

"We are the most recommended private bank because we generate enthusiasm through unique client experiences." This claim stands at the pinnacle of VP Bank's action pyramid. It is not only our vision; it is also a mandate for me personally. I assumed the role of CEO of VP Bank Group in May 2013, and it is my responsibility to lead our Bank to that goal.

A number of significant redirection measures have been necessary in this regard. Upon taking up my position, I set three major objectives:

- Focus on the core business: efficiency gains and reduced complexity are just as important here as is heightened cost consciousness. In 2013, through strong focus on our target markets, the divestment of our participation in trust companies, and an adjustment of the fee schedule for our services, we took important steps in this direction.
- Exploitation of growth opportunities: not only with our successfully integrated asset deal in Luxembourg, but also through the utilisation of new technologies, we have demonstrated our asset gathering capabilities.
- Reorganisation measures: new, simplified and more efficient organisational structure strengthened the position of VP Bank Group.

The following provides more insight into these key strategic approaches:

Focus

Focusing on our core business represented a key theme in the past financial year. We are resolutely pursuing our strategy of concentrating on two business fields – intermediaries and private banking – as well as reducing the number of our geographic target markets to nine.

In our home market of Liechtenstein, we offer an additional range of services to retail and commercial clients. These local activities bring increased diversification to VP Bank's business model and make a gratifying contribution to our bottom line.

We have also examined our range of products and services, and accordingly aligned the fee structure with market conditions. It is also of great importance to us that we make optimum use of the Bank's existing infrastructure. For that reason, we will continue to invest in our client service units in 2014 in an effort to boost growth, while never losing sight of the importance of profitability.

VP Bank Group has attained an outstanding level of competence in the area of investment funds. With our "Fund Solutions" unit, we are a leading provider of complex, private label fund solutions. Especially for the Liechtenstein and Luxembourg markets, we have a well-engineered, client-friendly model in place. A further bundling of our internal fund expertise is envisaged for 2014.

Growth

The 2013 takeover of the private banking activities of HSBC Trinkaus & Burkhardt and its private banking related fund business in Luxembourg represented a milestone in the implementation of our growth strategy. This asset deal involved the acquisition of tax-compliant holdings to the value of roughly CHF 2.0 billion.

So as you can see, we are taking advantage of attractive market opportunities in effort to achieve both qualitative and quantitative growth in our targeted client segments. In addition, we want to retain our existing base of client assets under management in conformity with the new tax law regulations.

Reorganisation

By changing the orientation of our organisation and creating the new "Client Business" division, we placed even sharper focus on our clients in 2013.

VP Bank's leaner organisational structure – which took effect on 1 January 2014 – simplifies Group-wide processes and responsibilities. Redundancies have been dramatically reduced and our client orientation is now squarely in the spotlight thanks to increased collaboration between the Group companies and the bundling of competencies. We have clearly optimised our structure through these steps. Also a part of this is the greater involvement of VP Bank Group's second-level management members.

Outlook

At the Group level, we effectively concluded the major reorganisation measures in 2013 and are now ideally positioned for the future.

We will continue to closely monitor the consolidation process within the financial services industry.

The reorientation of the Liechtenstein financial centre, tax transparency and the exchange of tax-related information are developments that will continue to occupy us in the years ahead. As an internationally active private bank, we must be able to succeed in the market and confront challenges with an open mind each and every day. On the path to tax transparency, we are accompanying clients with extreme diligence and allowing no room for compromise.

The market price of VP Bank shares is another focal point for us. Our targeted investor relations activity in recent months is one of the factors behind the share price increase in the second half of 2013. This is a great incentive for us to maintain our close dialogue with our shareholders and other stakeholders.

The subject of sustainability is rapidly gaining in significance. VP Bank Group has always championed the principles of sustainable business management. In our strategy report, we discuss a number of VP Bank's related measures and initiatives.

"Safely ahead" is the new marketing slogan for VP Bank – and rightfully so: we are well positioned to face strong competition and to rise to the challenges ahead with specific measures for overcoming them. Our solid capital base provides the ideal basis for accomplishing this. Going forward, closeness to our clients, reliability and first class service will continue to be of central importance to VP Bank and its ongoing business success.

A word of gratitude

We extend our sincere thanks to you – our clients, partners and employees, as well as their families – for the support extended to us in the past year. VP Bank needs the continued trust of its shareholders and stakeholders in order to meet the challeges posed by its reorientation.

We thank you for continuing to accompany us on our promising path.

Alfred W. Moeckli
CEO of VP Bank Group

Flexibility means being disciplined.

VP Bank is both disciplined and flexible –
always ready to adapt to the latest developments.
Be prepared for constant change.
Because you have to stay on your toes to succeed.

Safely ahead.

1

VP Bank Group

VP Bank Group at a glance

VP Bank Group is an internationally active private bank focused on rendering asset management services for private individuals and financial intermediaries.

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 six other locations around the globe: Switzerland, Luxembourg, the British Virgin Islands, Singapore, Russia and Hong Kong.

The shares of VP Bank are listed on SIX Swiss Exchange. An "A–" rating from Standard & Poor's vouches for the financial strength of this banking enterprise. A large proportion of its equity capital is in the hands of three major shareholders: Stiftung Fürstlicher Kommerzienrat Guido Feger, U.M.M. Hilti-Stiftung and Ethenea Independent Investors S.A. – a guarantee for continuity, independence and sustainability.

VP Bank's workforce of more than 700 employees administer clients assets totalling almost CHF 40.0 billion. Its client advisors are supported by a global network of partner firms that contribute to the outstanding international know-how of VP Bank Group.

Tradition and quality

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 founder of VP Bank, Guido Feger, was a successful entrepreneur and one of Liechtenstein's most highly regarded fiduciaries. Right from the start, he demonstrated innovation, competence and courage, while never veering from the fundamental principles of client orientation and financial security. These tenets have been resolutely upheld for what is now more than half a century.

Performance and trust – Guido Feger lived and breathed this business philosophy. To this very day, each and every employee of VP Bank Group lays claim to that ethos of quality. A number of international awards for the quality of the Bank's client advice and ancillary services, as well as its competence in transaction processing, attest to this pronounced quality consciousness.

In 1983, VP Bank became Liechtenstein's first exchange-listed company, and ever since then it has been present in the international banking system via the euro money market. The philanthropic activities of the Bank's founder have been continued by its major shareholder, Stiftung Fürstlicher Kommerzienrat Guido Feger.

Competencies and client advice

Tailor-made wealth planning, asset management and investment advice for a demanding private clientele represent VP Bank's core competencies. The Bank is also an established partner for financial intermediaries who especially count on decades of experience and a modern infrastructure.

One of the strengths of VP Bank is its independence in terms of providing financial advice. The investment solutions are based on the principle of "open architecture", an approach that also takes into account the best-in-class products and services of third-party providers. The result: conflicts of interest are avoided right from the start.

Together with its partners throughout the world, VP Bank recommends either the best traditional investment instruments to its clients or develops proprietary, innovative solutions. The global presence of VP Bank Group means that it can draw on a vast pool of expertise, so that country-specific circumstances can be taken into account when necessary. Thanks to this open architecture and best-in-class approach, clients can always rest assured that they have the most suitable investment instruments in their portfolio.

In addition, VP Bank's innovative e-banking application affords clients freedom of movement and maximum security when conducting banking transactions. They have round-the-clock electronic access to their securities and deposit accounts.

With roughly 700 employees, VP Bank Group has the right size to offer top-notch solutions with a personal touch. Clients enjoy the individualised advice of a private bank while simultaneously gaining access to a worldwide network of specialists. And not least of all, the structured and transparent investment process ensures straightforward decisions, which accrue to the benefit of the client.

Important developments in 2013

January

Alfred W. Moeckli elected new CEO of VP Bank
The Board of Directors of Verwaltungs- und Privat-Bank Aktiengesellschaft elects Alfred W. Moeckli to become Chief Executive Officer (CEO) of VP Bank Group. He will take up his new position as of 1 May 2013.

March

2012 annual results of VP Bank Group: consolidated net income of CHF 47.2 million, an increase in earnings of 8 per cent
VP Bank Group posts a significant increase in consolidated net income, up to CHF 47.2 million in 2012. Earnings are up 8 per cent, while costs are down 14.5 per cent.

April

Annual general meeting of shareholders: all proposals approved
All proposals put forth by the Board of Directors were approved at the 50th annual general meeting of shareholders in Vaduz. Dr Guido Meier and Markus Thomas Hilti are re-elected as members of the Board of Directors for a further three-year term of office. Roland Feger steps down from the Board of Directors.

June

Organisational structure to be aligned more closely with market and client needs
As of 1 July 2013, the two client-oriented business segments "Banking Liechtenstein & Regional Market" and "Private Banking International" will be combined to create the new "Client Business" segment.

VP Bank makes banking mobile
The new version of VP Bank's e-banking mobile turns the smartphone into a mobile bank.

July

VP Bank initiates takeover of the private banking activities of HSBC Trinkaus & Burkhardt (International) SA as well as its private banking related fund business in Luxembourg
VP Bank is forging ahead with its growth strategy and taking over the private banking activities of HSBC Trinkaus & Burkhardt (International) SA as well as the private banking related fund business of HSBC Trinkaus Investment Managers SA. The completion of the transaction and the transfer of the around 20 employees are set to occur before the end of 2013.

VP Bank reinforces Group Executive Management
Christoph Mauchle is to become a member of Group Executive Management of VP Bank Group on 1 October 2013. In this capacity, he will be responsible for the newly created "Client Business" segment.

New Managing Director at VP Bank in Singapore
After more than six years of service, Reto Isenring will be leaving VP Bank (Singapore) Ltd. As of 1 September 2013, his successor will be Rajagopal Govindarajoo.

August

Solid half-year results: VP Bank Group achieves higher profits and reduces costs
For the first half of 2013, VP Bank Group records consolidated net income of CHF 28.3 million. Versus the comparable prior-year period, operating earnings increased, while operating expenses were reduced yet again thanks to strict cost discipline.

IFOS receives AIFM licence
The investment fund company IFOS, a subsidiary of VP Bank Group, becomes the second financial institution in Liechtenstein to receive a full alternative investment fund manager (AIFM) licence. This strengthens the company's role as a leading provider of fund services in Liechtenstein.

August

Divestiture of VP Bank Group's fiduciary companies

As part of a strategic reorientation, the Board of Directors decides to divest VP Bank Group's own fiduciary companies. The IGT Intergestions Trust reg. subsidiary in Vaduz will be tranched off within the framework of a management buyout in Vaduz; all employees will be retained by the existing company.
VP Bank Group is also reorganising the structures of its umbrella holding entity, VP Bank and Trust Company (BVI) Limited in Tortola (British Virgin Islands), which for years has been a joint venture between VP Bank and Liechtenstein's Allgemeines Treuunternehmen (ATU). VP Bank Group will fully take over VP Bank (BVI) Limited and cede the remaining financial interests to Allgemeines Treuunternehmen (ATU).

Management change at VP Bank (Schweiz) AG

The Board of Directors of VP Bank (Schweiz) AG names Joachim Künzi as the subsidiary's new Chief Executive Officer (CEO). He will take up his duties as of 1 October 2013.

September

Standard & Poor's reconfirms rating of VP Bank and raises outlook

Standard & Poor's maintains its "A–" rating (A–/A–2) of VP Bank Group and boosts its outlook from negative to stable.

November

VP Bank Stiftung donates CHF 87,000 to charitable and social institutions

In connection with the VP Bank Foundation's "Lichtblick" donation campaign, 36 Liechtenstein institutions involved in social and charitable work will be handed a total of donation of CHF 87,000.

Leaner organisational structure at VP Bank Group

As part of its determined efforts to orient the organisation towards changing economic and market conditions, the Board of Directors of VP Bank Group makes a number of decisions regarding management and personnel. Group Executive Management will be merged with the Executive Board at the Head Office in Vaduz in a dual role as of 1 January 2014. The organisational structure is to be streamlined in terms of personnel, and going forward will consist of the "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services" business units.

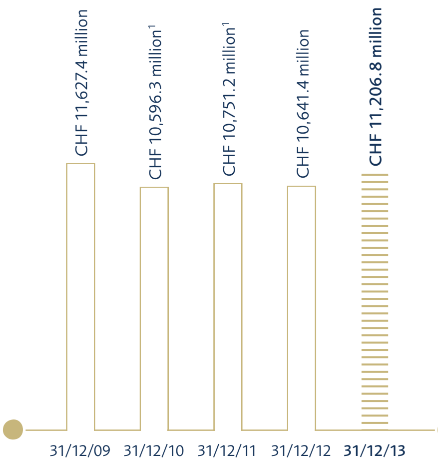
December

VP Bank (Switzerland) Ltd. to participate in US programme

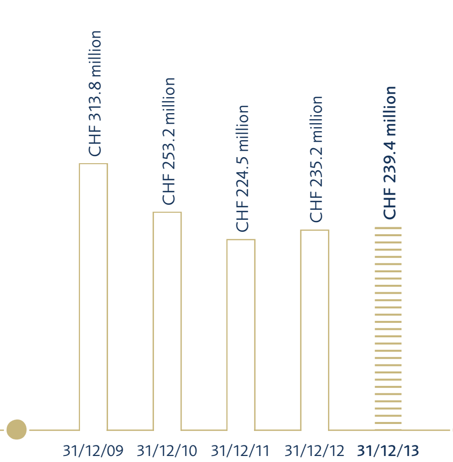
VP Bank (Schweiz) AG decides to participate in Category 2 of the US programme to settle the tax dispute between Swiss banks and the United States. This decision does not rule out the possibility of switching to Category 3 at a later date. The financial stability of the company will not be affected by this decision.

Detailed information can be accessed at www.vpbank.com → Investors & Media → Media releases

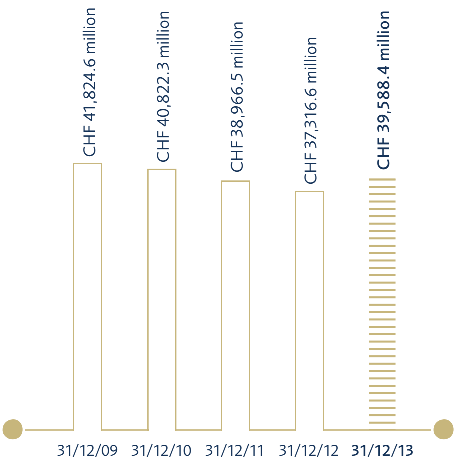
Key figures of VP Bank Group



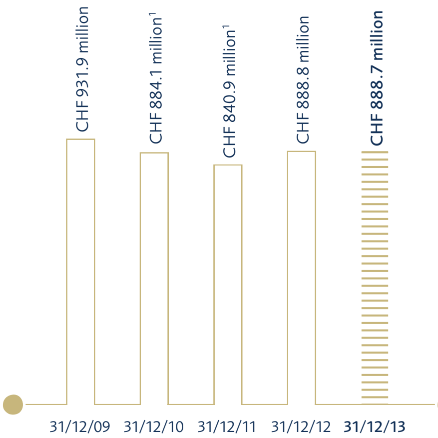
Total assets



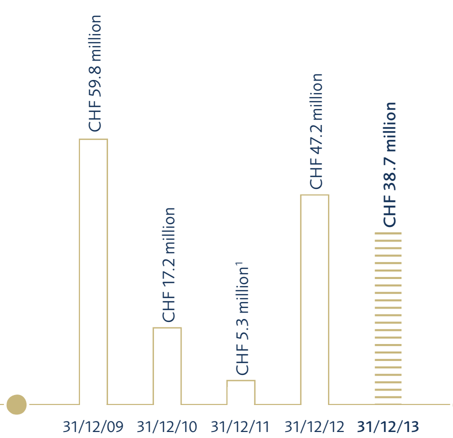
Total net operating income



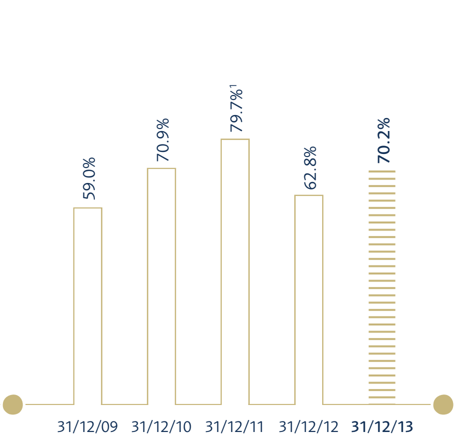
Client assets



Total shareholders' equity



Net income/loss



Cost/income ratio

[1] adjusted (IAS 19R)

Key figures of VP Bank Group

	2013	2012 adjusted [1]	Variance in %
Key balance sheet data in CHF million [2]			
Total assets	11,206.8	10,641.4	5.3
Due from banks	4,502.0	4,789.1	–6.0
Due from customers	3,926.7	3,713.3	5.7
Due to customers	9,404.7	8,702.0	8.1
Total shareholders' equity	888.7	888.8	0.0
Shareholders' equity, attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	888.7	871.1	2.0
Equity ratio (in %)	7.9	8.2	–3.1
Tier 1 ratio (in %) [3]	20.4	21.5	–4.9
Key income statement data in CHF million [3]			
Total net operating income	239.4	235.2	1.8
Interest income	86.9	83.5	4.1
Income from commission business and services	114.1	108.1	5.6
Income from trading activities	19.5	21.1	–7.7
Operating expenses	168.0	147.8	13.7
Net income	38.7	47.2	–18.0
Net income attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	35.7	49.0	–27.1
Client assets in CHF million [3]	**39,588.4**	**37,316.6**	**6.1**
On-balance-sheet customer deposits (excluding custody assets)	9,594.0	8,979.9	6.8
Fiduciary deposits (excluding custody assets)	231.7	513.8	–54.9
Client securities accounts	20,759.3	18,996.9	9.3
Custody assets	9,003.5	8,826.1	2.0
Net new money	965.0	–192.0	n. a.
Key operating indicators			
Ratio of foreign assets (in %)	43.6	44.1	–1.1
Return on equity (in %) [2,4]	4.4	5.7	–23.1
Cost/income ratio (in %) [5]	70.2	62.8	11.7
Headcount (expressed as full-time equivalents, excluding trainees) [6]	705.8	706.9	–0.2
Total net operating income per employee (in CHF 1,000)	339.2	332.8	1.9
Total operating expenses per employee (in CHF 1,000)	238.0	209.1	13.8
Net income per employee (in CHF 1,000)	50.6	69.3	–27.0
Key indicators related to shares of VP Bank in CHF [2]			
Net income per bearer share [7]	6.58	8.37	–21.4
Net income per registered share [7]	0.66	0.84	–21.4
Dividend per bearer share	3.50 [8]	2.50	40.0
Dividend per registered share	0.35 [8]	0.25	40.0
Dividend yield (in %)	3.6	3.8	–6.7
Payout ratio (in %)	53.2	29.9	78.1
Total shareholders' return on bearer shares (in %)	53.8	–19.9	n. a.
Shareholders' equity per bearer share on the balance-sheet date	153.37	150.97	1.6
Shareholders' equity per registered share on the balance-sheet date	15.10	14.84	1.8
Quoted price per bearer share	97.50	65.00	50.0
Quoted price per registered share	8.50	5.50	54.5
Highest quoted price per bearer share	97.50	85.00	14.7
Lowest quoted price per bearer share	63.50	60.00	5.8
Market capitalisation (in CHF million) [9]	569	378	50.4
Price/earnings ratio per bearer share	14.81	7.76	90.8
Price/earnings ratio per registered share	12.91	6.57	96.6
Rating Standard & Poor's	**A–/Stable/A–2**	**A–/Negative/A–2**	

1 Due to the adjustments made for discontinued business activities, several of the amounts shown here do not correspond to the figures provided in the 2012 financial report. Details in this regard can be found in note 45 on page 155.
2 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 Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz.
3 Details in the notes to the consolidated income statement and consolidated balance sheet.
4 Net income / average shareholders' equity less dividend.
5 Total operating expenses / total net operating income.
6 In accordance with legal requirements, trainees are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
7 Based on the weighted average number of shares (bearer) (note 11, page 135).
8 Subject to approval by the annual general meeting.
9 Including registered shares.

The organisational structure of VP Bank Group

VP Bank Group is subdivided into four business segments: "Client Business Liechtenstein", "Client Business International", "Chief Operating Officer (COO)" and "Corporate Center".

Changes to the organisational structure in the 2013 financial year

At the beginning of 2013, VP Bank Group expanded the Executive Board of the parent bank in Vaduz (Verwaltungs- und Privat-Bank Aktiengesellschaft) through the addition of Martin Engler, Head of Private Banking Liechtenstein, and Günther Kaufmann, Head of Intermediaries & Transaction Banking.

Consequently, as of 1 January 2013, the Executive Board of the parent bank comprised all three members of Group Executive Management of VP Bank Group, namely Chief Financial Officer Siegbert Näscher, Chief Operating Officer Juerg W. Sturzenegger and Head of Commercial Banking Rolf Jermann, as well as its new members Martin Engler and Günther Kaufmann.

As of 1 January 2013, the "Investment Services Center" and "Group Trading" units were combined to create the "Group Investment & Trading Center".

Also at the beginning of the year, four new units were created at IFOS Internationale Fonds Service AG, the responsibility for each of which is assigned to a member of Executive Management. As a result, Executive Management at IFOS was expanded to include two new members. Reto Grässli and Ralf Konrad were appointed to join the existing two members, Alex Boss and Sothearith Kol. At the same time, a switch has been made in the chairmanship of Executive Management of IFOS: Sothearith Kol took over from Alex Boss as chair. The new organisation became operative on 1 January 2013 and was formally recognised as of 1 February 2013.

In 2013, VP Bank Group redoubled its focus on market and client needs by adding a new member to Group Executive Management. As of 1 July 2013, the client-oriented business segments "Banking Liechtenstein & Regional Market" and "Private Banking International" were merged into the new "Client Business" organisational unit. The Board of Directors of VP Bank Group named Christoph Mauchle to be the fourth member of Group Executive Management. He assumed responsibility for the "Client Business" division on 1 October 2013. Thus, as of that date, Group Executive Management comprises Alfred W. Moeckli (Chief Executive Officer), Christoph Mauchle (Head of Client Business), Juerg W. Sturzenegger (Chief Operating Officer) and Siegbert Näscher (Chief Financial Officer).

As part of a strategic reorientation, the Board of Directors decided to divest VP Bank Group's own fiduciary companies. The IGT Intergestions Trust reg. subsidiary in Vaduz was tranched off in the autumn of 2013 within the framework of a management buyout.

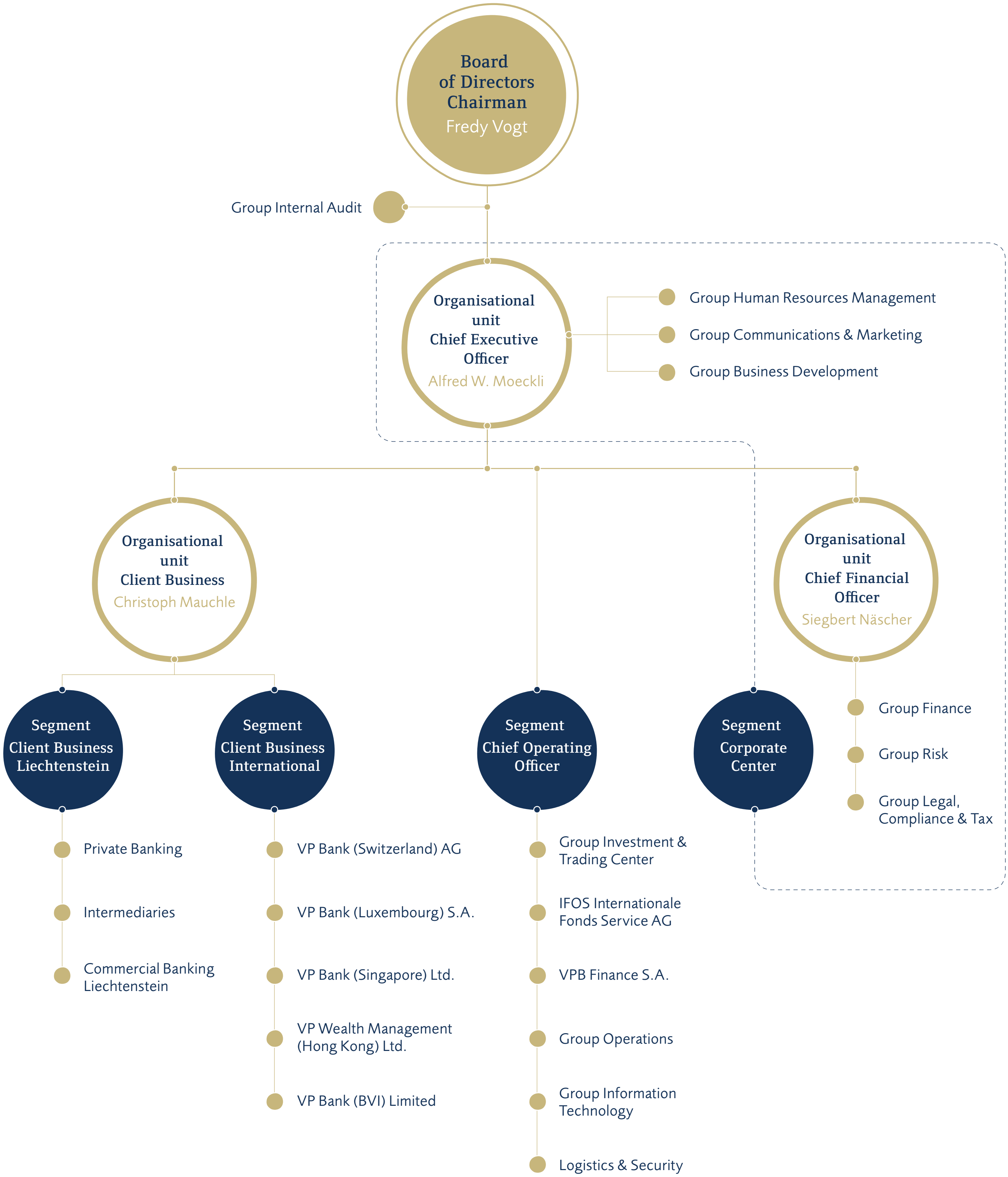
During the course of the year, VP Bank Group also reorganised the structures of its umbrella holding entity, VP Bank and Trust Company (BVI) Limited in Tortola (British Virgin Islands), which for years has been a joint venture between VP Bank and Liechtenstein's Allgemeines Treuunternehmen (ATU). In 2013, VP Bank Group fully took over VP Bank (BVI) Limited and ceded the remaining financial interests to ATU.

Changes to the organisational structure subsequent to 31 December 2013

The structural organisation has been streamlined as of 1 January 2014, and going forward will comprise three business segments: "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services". Also as of 1 January 2014, the function of the Executive Board at the head office in Vaduz has been accorded to the Group Executive Management in the form of a personnel union comprised of Chief Executive Officer Alfred W. Moeckli, Head of Client Business Christoph Mauchle, and Chief Financial Officer Siegbert Näscher.

New regulations across the entire banking industry and the goal of building an efficient, client- and marketing-oriented management structure were the reasons for establishing this leaner VP Bank Group executive team at the beginning of the year. As part of this reorientation, Juerg W. Sturzenegger decided to step down from his role as Chief Operating Officer of VP Bank Group as of 31 December 2013.

Martin Engler, Head of Private Banking Liechtenstein, Günther Kaufmann, Head of Intermediaries & Transaction Banking, and Rolf Jermann, Head of Commercial Banking, each of whom was a member of the Executive Board of the parent bank in Vaduz, stepped down from that body as of 1 January 2014 in order to concentrate fully on ensuring success in their fields of responsibility.



Organisational chart as of 31/12/2013

Group Executive Management as of 01/01/2014.
From left to right: Christoph Mauchle, Alfred W. Moeckli, Siegbert Näscher

VP Bank, Vaduz, Head Office

Segment	Area	Head
Board of Directors	Group Internal Audit	Nikolaus Blöchlinger
Chief Executive Officer	Group Communications & Marketing Group Human Resources Management Group Business Development	Tanja Muster Dr Karl Walch a.i. Alfred W. Moeckli
Chief Financial Officer	Group Finance Group Risk Group Legal, Compliance & Tax	Dr Hanspeter Kaspar Dr Hanspeter Kaspar Monika Vicandi
Client Business	Private Banking Intermediaries Commercial Banking	Martin Engler Günther Kaufmann Rolf Jermann
Chief Operating Officer	Group Investment & Trading Center Group Information Technology Group Operations Logistics & Security	Hendrik Breitenstein Dr Andreas Benz Andreas Zimmerli Lorenz Kindle

Subsidiaries with bank status

Company	Country	City	Head
Verwaltungs- und Privat-Bank Aktiengesellschaft	Liechtenstein	Vaduz	Alfred W. Moeckli, Siegbert Näscher, Christoph Mauchle, Martin Engler, Rolf Jermann, Günther Kaufmann
VP Bank (Switzerland) AG	Switzerland	Zurich	Joachim Künzi, Katharina Vogt-Schädler, Marc Wallach
VP Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	Yves de Vos, Romain Moebus, Marco Predetti
VP Bank (BVI) Limited	British Virgin Islands	Tortola	Sjoerd Koster
VP Bank (Singapore) Ltd.	Singapore	Singapore	Rajagopal Govindarajoo

Asset management companies

Company	Country	City	Head
VP Wealth Management (Hong Kong) Ltd.	China	Hong Kong	Clare Lam

Trust companies

Company	Country	City	Head
IFOS Internationale Fonds Service AG	Liechtenstein	Vaduz	Sothearith Kol, Alexander Boss, Reto Grässli, Ralf Konrad
VPB Finance S.A.	Luxembourg	Luxembourg	Enrico Mela, Joachim Kuske, Jos Wautraets, Ralf Funk

Representative offices

Company	Country	City	Head
VP Bank (Switzerland) Limited Moscow Representative Office	Russia	Moscow	a.i. René Flammer
Verwaltungs- und Privat-Bank Aktiengesellschaft Hong Kong Representative Office	China	Hong Kong	Clare Lam

Segments

Structure

Changes in the organisational structure of VP Bank Group were made as of 1 July 2013. VP Bank Group has since this date been split into the business segments "Client Business Liechtenstein", "Client Business International", "Chief Operating Officer" and "Corporate Center". As already announced in the 2013 semi-annual report of VP Bank Group, the two client-focused business segments "Banking Liechtenstein & Regional Market" and "Private Banking International" were merged into a new organisational unit "Client Business" as from 1 July 2013. For the purposes of segment reporting, this organisational unit which is under the leadership of Christoph Mauchle is divided into the two business segments "Client Business Liechtenstein" and "Client Business International". The prior-year comparative figures for segment reporting were restated retroactively. Further information about the segments can be found on pages 123 ff.

Client Business Liechtenstein

The Client Business Liechtenstein business segment encompasses international private banking and the business with intermediaries, as well as the universal banking and credit-granting businesses located in Liechtenstein. The business units of VP Bank Vaduz which are in direct client contact are allocated to this business segment.

Segment results

	2013	2012
Total net operating income (in CHF million)	121.3	115.5
Income before income tax (in CHF million)	59.8	48.9
Client assets under management (in CHF billion)	17.7	17.8
Headcount (number of employees)	115	115

Client Business International

The Client Business International business segment encompasses the private-banking business in international locations. VP Bank (Switzerland) Ltd., VP Bank (Luxembourg) S.A., VP Bank (BVI) Limited, VP Bank (Singapore) Ltd. and VP Wealth Management (Hong Kong) Ltd. are allocated to this business segment.

Segment results

	2013	2012
Total net operating income (in CHF million)	59.9	62.2
Income before income tax (in CHF million)	–3.5	4.8
Client assets under management (in CHF billion)	11.5	9.3
Headcount (number of employees)	234	209

Chief Operating Officer

The Chief Operating Officer business segment is responsible for banking operations. It encompasses the business units Group Investment & Trading Center, Group Operations, Group Information Technology and Logistics & Security of the entire VP Bank Group. In addition, IFOS Internationale Fonds Service Aktiengesellschaft and VPB Finance S.A. are allocated to the COO.

Segment results

	2013	2012
Total net operating income (in CHF million)	8.6	10.3
Income before income tax (in CHF million)	–25.2	–25.7
Client assets under management (in CHF billion)	1.2	1.1
Headcount (number of employees)	281	287

Corporate Center

The Corporate Center includes the areas Group Business Development, Group Human Resources Management, Group Communications & Marketing, Group Finance, Group Risk and Group Legal, Compliance & Tax. In addition, those revenues and expenses having no direct relationship to the operating divisions, as well as consolidation adjustments are reported under the Corporate Center.

Segment results

	2013	2012
Total net operating income (in CHF million)	49.5	47.3
Income before income tax (in CHF million)	6.9	22.8
Client assets under management (in CHF billion)	0.2	0.2
Headcount (number of employees)	134	127

VP Bank Group shares

Economic outlook

Growth expectations for 2013 were not entirely fulfilled. For instance, the International Monetary Fund saw fit to reduce its global economic growth forecasts several times during the course of the year. On balance, the world economy grew by a mere 3.0 per cent, a figure lower than that of the previous year. Despite this, 2013 was a successful year from a business perspective. There were hardly any major natural catastrophes. In the peripheral states of the Eurozone, there were initial glimmers of hope after the hard times they have suffered in recent years. Positive growth rates were recorded in countries such as Portugal, and other states, notably Greece, showed signs of stabilising.

While the Eurozone gradually moved on from the recent crisis, the economic landmines shifted to the USA. America's two major political parties were unable to agree on a budget, which is why at the beginning of the new fiscal year on 1 October, many US federal agencies were forced to temporarily stop work. The so-called "government shutdown" lasted until 16 October, when a temporary compromise was reached. To the amazement of many economists, this political stalemate left only minor bruises on general business activity: the key leading indicators of the world's largest economy continued to trend higher. According to preliminary calculations, the USA's domestic product rose by 1.9 per cent in 2013 – a solid reading given the strict US government cutbacks.

Amongst the industrialised nations, the Swiss economy proved to be extremely robust: with a GDP growth rate of 2.0 per cent, Switzerland managed to avoid the difficulties in the surrounding Eurozone. High levels of construction activity and buoyant private spending were the main reasons for this anomaly. The Swiss National Bank (SNB) stayed its charted course by resolutely defending the 1.20 exchange-rate floor versus the euro.

Thanks to inflation rates which, from a historical standpoint, remain moderate, the major central banks were able to stick to their expansive monetary policies. In November 2013, the European Central Bank (ECB) cut its benchmark lending rate to a new all-time low of 0.25 per cent, and at its December meeting, the US central bank's Federal Open Market Committee (FOMC) resolved to reduce its monthly purchases of securities by USD 10 billion to USD 75 billion. As speculation about such a move had already arisen last spring, thereby causing considerable turbulence in the financial markets, investors took the December FOMC decision with a pinch of salt. The Fed announced that further tapering would be handled cautiously, further adding that the base lending rate would remain close to zero for quite a long time, a statement echoed by all major central banks. In light of Switzerland's very low inflation rate, it is also unlikely that the SNB will raise interest rates any time soon.

VP Bank bearer shares versus the SWX Banks Index in 2013

Equity markets

2013 was an outstanding year for equity investors. The global benchmark index (MSCI World AC) recorded a gain of more than 20 per cent, its strongest performance since 2009.

The reasons for the sharp price gains are manifold. The seemingly never-ending discussion surrounding the European debt crisis faded into the background, while today's negative real interest rates have forced many investors to opt for riskier asset classes.

Fundamentally, corporate profit levels have also increased, but the recent price gains are mainly attributable to nothing more than an expansion of valuations (i.e. higher price-earnings ratios). What at the beginning of the year were considerable valuation discounts compared to historical levels were largely dissipated during the course of the year.

While the equity markets of industrialised nations generally marched to the same drum, those in the emerging nations broke rank by falling by average of almost 5 per cent. One reason for this rather unusual divergence is the fear amongst many investors of an impending monetary policy shift. In response, those investments perceived as being especially risky were sold practically across the board, a wave of selling that struck emerging nations' shares, bonds and currencies.

The shares of VP Bank Group

VP Bank Group shares have been listed on Switzerland's stock exchange (SIX Swiss Exchange) since 1983. The company's average market capitalisation in 2013 amounted to CHF 569 million. Banks were amongst the beneficiaries of the favourable overall market trend. Expressed in Swiss francs, the global banking index (MSCI World Banks) recorded a gain of roughly 22.5 per cent (including dividends) in 2013. With a return of 25.9 per cent for the year, European financial institutions in particular benefited from the revival in investor risk appetite.

VP Bank Group stock was a clear outperformer. With a year-on-year performance of 50.0 per cent, the shares now stand at a level (including dividends) they last saw in the summer of 2011. The price gains were achieved only in the 3rd and 4th quarters. The annual high of CHF 97.5 was hit at year's end (December) and the low of CHF 63.5 at the beginning of the year (January). The average price for the year was CHF 78.6.

Investor relations

The goal of VP Bank Group's investor relations efforts is to foster an open, ongoing dialogue with shareholders and other capital market participants by providing them with a true and fair view of VP Bank Group, while also informing the interested public in a prompt manner about the latest developments at the company.

The tasks involved in this investor relations work include conducting discussions with analysts and investors, disclosing ad hoc information regarding business issues of relevance under securities law, producing the company's annual and semi-annual reports and publishing the related financial results, as well as organising the annual general meeting of shareholders. In 2013, the investor relation activities were intensified. Numerous analyst and media conferences were key events for intensifying the communication with investors and financial intermediaries. The first-ever Investors' day in Liechtenstein is planned for 2014.

Regular presentations addressing the current trend in financial results serve to enhance the dialogue with institutional and private investors. An additional means of communication is the website www.vpbank.com, where all up-to-date information on VP Bank Group can be accessed.

The 2012 annual report of VP Bank Group received a number of awards in 2013. It was awarded gold as part of the international "ARC Awards" as well as by the "League of American Communications Professionals" in its ratings of corporate annual reports. It came away with "silver" from the "Vision Award Annual Report Competition". Also, the completely redesigned online annual report of VP Bank Group found international acclaim: in America's "Vision Awards" and "Stevie Awards" competitions, VP Bank Group won "bronze" in the category "Best Annual Reports". These awards attest to the high quality of VP Bank Group's information policy.

In September 2013, Standard & Poor's maintained its "A–" (A–/A–2) rating of VP Bank Group, thereby underscoring the solid creditworthiness of the institution. In its report, Standard & Poor's makes special note of VP Bank Group's outstanding capital base which, following publication of the 2013 semi-annual results, the rating agency newly deemed to be "very strong". Accordingly, S&P upgraded the outlook for VP Bank Group from negative to stable. Moreover, it paid tribute to the operative improvements which are being reflected in increasing revenues and decreasing costs. The report also pointed out the strategic progress we have made by focusing on our core competencies in private banking and the financial intermediaries business.

This unchanged, gratifying "A–" rating confirms the solid and successful business model of VP Bank Group. VP Bank Group is one of the few private banks in Liechtenstein and Switzerland that are evaluated by a major international rating agency. Research coverage of VP Bank Group is provided by analysts at Zürcher Kantonalbank.

Agenda for 2014	
Media and analyst conference, 2013 financial results	Tuesday, 18 March 2014
Annual general meeting	Friday, 25 April 2014
Dividend payment	Monday, 5 May 2014
Investors' day of VP Bank	Thursday, 15 May 2014
Round-table discussion on 2014 semi-annual results	Tuesday, 26 August 2014

VP Bank share details	
Bearer shares, listed on SIX Swiss Exchange	
Amount listing	5,314,347
Free float	68.69%
Symbol on SIX	VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216
SEDOL number	5968006 CH

Share-related statistics 2013	
High (27/12/2013)	97.50
Low (07/01/2013)	63.50
Year-end close (final settlement value, 30/12/2013)	97.50
Average price	78.60
Market capitalisation in CHF million	569
Consolidated net profit/loss per bearer share	6.58
Price/earnings ratio (PE)	14.81
Dividend per bearer share (proposed)	3.50
Net dividend yield in %	3.6
Standard & Poor's rating	A (A–/Stable/A–2)

Further information on VP Bank's shares, capital structure and major shareholders can be found in the "Corporate governance 2013" section on pages 65 ff.

Contact

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Thinking ahead means recognising developments and keeping them firmly on the radar.

VP Bank focuses on long-term strategies and planning – helping you to remain on course. Because nothing should be left to chance.

Safely ahead.

2

Corporate strategy

Strategic orientation of VP Bank

Market-oriented business model

The business model of VP Bank is based on two pillars: private banking and the intermediaries business. The home market activities in Liechtenstein are supplemented by retail banking and the commercial business.

From the various locations of VP Bank Group – namely Vaduz, Zurich, Luxembourg, Tortola, Singapore, Hong Kong and Moscow – clearly defined target markets are actively cultivated. Those local offices bear responsibility for developing their own markets and receive coordinative assistance from Group level. For Europe, the Board of Directors designated Liechtenstein, Switzerland, Germany, Luxembourg, Belgium, Italy and Russia as target markets back in 2012. In Asia, they are Singapore and Hong Kong. These will also remain important target markets in the future.

VP Bank considers one of its central tasks to be the fulfilment of all transnational (crossborder) regulatory requirements while offering a comprehensive range of products and services that correspond to the business model of VP Bank Group. Within the various target markets, clients are grouped according to their needs. A further important task is to coordinate the market cultivation activities on a Group-wide scale, an initiative that VP Bank will focus more intently on in 2014.

The goals remain the same

VP Bank stands by its medium-term goals. The aim is to achieve an annual 5 per cent increase in net new money on the basis of client assets under management, a cost/income ratio of at most 65 per cent, and a core capital ratio of at least 16 per cent.

Lean organisational structures

The organisation of VP Bank is focused on segments and specialised fields, the ultimate responsibility for which is appropriately allocated to the various members of Group Executive Management (GEM). As a concrete response to the changed regulatory and market conditions, the Board of Directors has reinforced the client orientation of the entire organisation. At the outset of 2014, the units that deal directly with clients were combined to create a new organisational unit, "Client Business". Going forward, this reorganised structure will consist of three – instead of the previous four – organisational units.

With this streamlined set-up, the relevant processes and responsibilities will be simplified and better coordinated, and the reaction times will be reduced. The elimination of redundancies is another significant dimension of this new organisational structure. Client focus will be intensified even more through greater Group-wide collaboration and the bundling of competencies, which in turn increases efficiency and contributes to enhanced enterprise value.

Clearly defined management structure

Management structures must be flexible enough to enable a rapid response and adaptation to changing market conditions as well as to ensure effective implementation of the strategy. As a result of the recent organisational adjustments, VP Bank Group now has a lean, client- and marketing-oriented management structure that is aligned with the needs of the market. A broadly based second-level management team of 19 individuals is ready to support the streamlined GEM in its activities.

As of 1 January 2014, the function of Executive Management at the head office in Vaduz has been accorded to the GEM in the form of a personnel union. The former Executive Management members will now devote their efforts fully to growing their areas of responsibility – Private Banking Liechtenstein, Intermediaries and Commercial Banking.

Liechtenstein is VP Bank's home and shapes its corporate culture. Through clearly defined local responsibilities and a regionally tailored structure, the Vaduz locality is of central significance to the identity and business approach of the entire Group. At the same time, a further internationalisation of VP Bank's culture is being pursued.

Independence and growth

VP Bank's primary strategic goal is to achieve profitable growth as a Group from its activities in the defined target markets and target segments, and thereby preserve the Bank's independence. Cost consciousness remains an important topic. Through revenue and hence earnings growth, combined with a lower than average increase in costs, a sustainable increase in profits is being strived for. A significant role will be played in this regard by the satellite locations of VP Bank, which in future are expected to contribute more than ever before to the growth of the Group. All Group companies are firmly established and no longer in the build-up phase. For instance, the Bank's youngest office – Singapore, which was opened just more than five years ago – also managed to reach the breakeven level in 2013.

In the financial services industry, a consolidation phase is underway and taking advantage of promising, well-suited opportunities is a central element in VP Bank's quest to achieve its growth objectives. Thus various projects were examined in 2013, but they need to fit ideally with the strategy of VP Bank Group. With the takeover of the private banking activities and private banking-related fund business of HSBC Trinkaus & Burkhardt (International) SA in Luxembourg, VP Bank exploited one of these attractive market opportunities in an effort to generate growth. In the future, VP Bank will continue to consider suitable acquisition projects.

The Bank's medium-term planning envisages both organic growth and growth via acquisitions. The aim here is to achieve an average annual 5 per cent increase in net new money on the basis of client assets under management. VP Bank Group was unable to reach that target in 2013. Acquisitions met expectations, but the outflows in 2013, especially from European clients, remained at a relatively high level. This was attributable in particular to the many issues surrounding the tax transparency process which VP Bank Group is resolutely implementing.

For VP Bank, growth means winning new clients in its target markets and pressing further ahead with the qualitative growth of client assets under management. To that end, markets, client segments, as well as products and services are being subjected to close analysis at all of the Bank's locations.

In this regard, a prudent approach to dealing with risk is a core principle of VP Bank. The Bank's internal control system (ICS) is continuously broadened and helps to steer operational risks efficiently. Further information can be found in the "Risk management at VP Bank Group" section of this annual report.

A focus on markets

In the private banking sector, VP Bank focuses on the mid-range wealth segment. As a part of this, the offerings are being expanded for existing clients, for example via innovative forms of communication such as e-Channelling. Greater emphasis is also being placed on VP Bank's decades of investment competence.

The intermediaries business offers interesting growth opportunities. VP Bank wants to increase the number of partnerships it has with this target group and make new models available for their use – for example expanded platforms that provide banking services, training courses, research, crossborder and compliance know-how, as well as investment controlling, all of which are already available in-house and are to be offered to a broader circle of clients.

VP Bank continues to see great chances for winning new clients in the Asia-Pacific region. Accordingly, the Hong Kong and Singapore offices are charged with developing the local Asian business. In terms of Asia, VP Bank attaches great importance to the organic growth to be achieved in the intermediaries business.

Another region where growth can be generated is Central and Eastern Europe. Here, VP Bank is concentrating mainly on Eastern Europe, where, via its representative office in Moscow, the Group offers the competencies of specialist teams based at its Zurich and Vaduz locations.

Luxembourg is a financial centre for international investors. The Grand Duchy has been specialised for years in the pan-European fund distribution business and is the world's second-largest fund centre behind the USA. VP Bank is the only Liechtenstein-based bank to be present in both the Luxembourg and Liechtenstein fund centres. It will further exploit that advantage through the aforementioned acquisition of HSBC Trinkaus & Burkhardt, broadening its fund competence parallel to the expansion of its private banking activities.

The new legal requirements for alternative investment fund managers (AIFMs) are something that VP Bank views as a chance to win new clients. In 2013, the IFOS fund management company, a subsidiary of VP Bank Group, was the second financial institution in Liechtenstein to receive a full AIFM licence. It thereby has reinforced its role as one of the leading providers of fund-related services.

The Swiss financial centre is also of central importance to VP Bank. In 2013, an array of personnel and organisational changes were made at the Zurich subsidiary in order to increase the efficiency of its market cultivation efforts.

Germany remains an important target market for VP Bank. Of primary interest are long-term relationships with clients who attach the greatest value to capital preservation. For 2014, a significant expansion of the advisory teams for German clients is planned.

After extensive internal clarifications, VP Bank (Schweiz) AG decided to participate in Category 2 of the US programme for settling the tax dispute between Swiss banks and the United States. This decision does not preclude a subsequent change to Category 3. VP Bank (Schweiz) AG focuses mainly on the Swiss and Eastern European markets and has neither conducted activities in the USA nor systematically acquired US clients. By taking this route, the Bank seeks to arrive at a rapid, sustainable and calculable solution that offers the greatest degree of legal certainty and the ability to assess risks. A corresponding provision was made in the 2013 financial statements for any potential claims that could arise from this matter.

Group efficieny

The financial services industry has been confronted for years with the problem of higher cost structures and narrower margins. VP Bank is therefore highly cost-conscious.

Over the past two years, the process of identifying potential areas for cost savings was successfully completed. The measures associated with this programme, which had the goal of reducing the cost base to CHF 160 million by the end of 2013, were largely implemented. The related findings have flowed into what is now a disciplined, ongoing cost-management process.

By recording total operating expenses of CHF 168.0 million for the 2013 financial year, VP Bank Group failed to fully achieve this target. Exceeding the limit that VP Bank set for itself was attributable to a number of cost-intensive one-time effects (acquisition costs, Group-wide reorganisation and restructuring costs relating to managers, internal and external outlays in connection with the tax transparency process, as well as further successfully realised growth initiatives).

By divesting its various fiduciary companies in 2013, VP Bank pressed ahead with the organisational concentration on the Bank's core business. That has not affected the Bank's collaboration with fiduciaries, for whom a wide range of services is still offered.

VP Bank will think, appear and act as a group even more so than before. Potential areas for efficiency gains within VP Bank Group are being constantly investigated in order to ensure that the company as a whole remains successful.

In recent years, a focal point for the efficiency-enhancement measures has been IT and Group Operations. With the "Avaloq" core banking software system, the Group has the latest IT infrastructure at all of its booking locations. It covers the entire spectrum of client needs. These targeted measures have led to considerable savings in IT and Group Operations processes. The task is now to gain the greatest possible efficiency for the entire Group from these investments and generate more volume for the existing platforms.

Intercompany efficiency gains are also being sought by means of partnerships. Especially in the Liechtenstein financial centre, cooperative ventures afford a way of countering increasing costs. They enable the design of business models that are based on alliances. To that purpose, VP Bank maintains a policy of best-practice sharing with other banks in order to jointly utilise and optimise available resources. In the age of globalisation, a reciprocal transfer of know-how is advantageous for all parties involved.

Strategic partnerships are an important element of the Bank's business model. VP Bank cooperates with the Liechtensteinische Landesbank (LLB) in the area of printing and shipment, as well as via a joint procurement company. VP Bank also leases one floor of the new LLB data processing centre, where it took up occupancy in the first half of 2013. The building was conceived and constructed specifically as an energy-efficient data processing centre. In this collaboration, the latest IT solutions and efficient data management are the main motivation for both partners.

In the years ahead, VP Bank will also continue to examine the viability of partnerships and joint ventures.

Supply chain management

Efficiency gains have created a further positive effect for VP Bank: the centralisation of routine work and the automation of certain procedures have led to heightened quality and enable a more precise analysis of all of the company's processes.

The planning, steering and controlling of enterprise-wide value chains is therefore gaining significance also for VP Bank. The coordination, integration and harmonisation of procedures place the emphasis on cross-functional business processes in an effort to achieve added value throughout the supply chain.

To meet the goal of cost transparency and optimised cost structures, VP Bank has commissioned an external consulting firm to generate a benchmarking mechanism.

Competent advisors and teams

The rendering of private banking and financial advice is different today than it was just several years ago. Clients are better informed, more mobile and more demanding. And with those demands, the requirements profile for client advisors has also changed. Excellent, comprehensive client care is indispensable, yet it must also include specialist insight into tax law and finance, to name just one area. Asset management know-how alone is no longer sufficient.

In this challenging environment, VP Bank wants to expand its client base. More and more, the tax transparency issue is taking centre stage. In order to advise clients even more competently, the Bank is redoubling its efforts in the area of professional training and continues to seek highly qualified advisors and advisory teams. Consequently, the focus is on acquiring new talents and broadening the spectrum of competencies.

Value-oriented management strategy

To achieve its strategic goals and increase its enterprise value, VP Bank use key performance indicators as a management instrument. Economic profit is the single most important benchmark for the success of value-oriented leadership. It expresses the total net income of VP Bank Group after deduction of the cost of capital.

The Bank's executives are supported by a management information system which, in addition to quantitative value drivers, also takes into account qualitative aspects. By combining strategic controlling with operative controlling, it can be ensured that the Group's medium-term goals are being properly pursued via corresponding measures at the operating level. Broadly based, resolutely conducted corporate governance also represents a reliable guideline for all of the Bank's management personnel.

With its "Long Term Incentive Plan" (LTI), VP Bank has an element of the compensation system that bonds managers with the Bank and is tied to its sustained success over the long run. As a result, managers can enjoy the fruits of the company's development as well as benefit from the appreciation of its stock price. The degree of their participation varies according to the actual success of VP Bank Group (see the "Corporate governance" section on pages 65 ff., and the "Compensation report" on page 81 of this annual report).

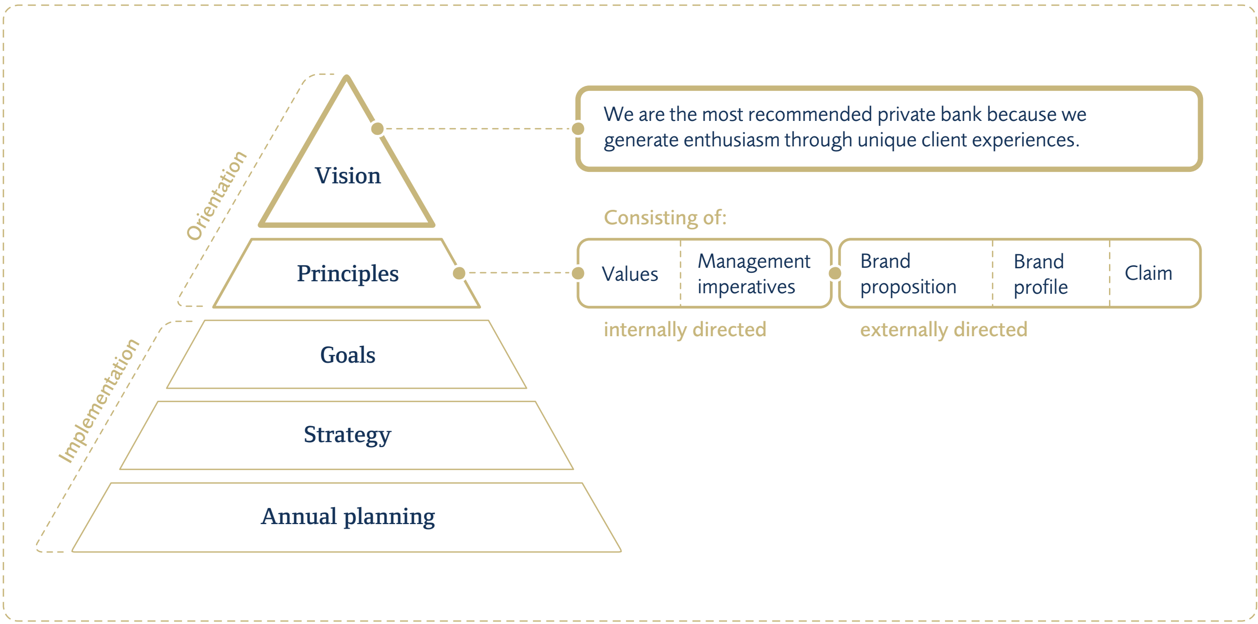
A change to the compensation system is planned for 2014.

Outlook

The major emphasis in 2014 will be placed on intensified Group-wide collaboration, increased exploitation of synergies, a uniform manner of proceeding for VP Bank in its target markets, as well as a significantly more resolute bottom-line mindset. The effects of focusing on target markets and client segments in a tax-transparent environment, as well as a presentation on the trends, challenges and opportunities in the wealth management industry, also represented the kick-off for the "Apollo" project. This will involve a review of the strategy for client care at the head office in Vaduz and has the following objectives:

- Clear positioning in the private banking and intermediaries business fields
- Optimising the array of products and services for the various client segments
- Identifying and exploiting the potential for additional efficiency gains

The VP Bank action pyramid



The action pyramid represents the foundation for the collective efforts at VP Bank. It includes all aspects – from our corporate vision to the annual planning aimed at realising that vision. All dealings within VP Bank Group are oriented toward this vision, and the individual actions are taken with a top-down approach.

Vision	In which direction do we want to steer our Bank?
Principles	How do we behave and how do we wish to be perceived?
Goals	What precisely does the Bank want to achieve?
Strategy	How do we want to reach the goals on the path to realising our vision?
Annual planning	When are we going to do what, and with which resources?

We are the most recommended private bank because we generate enthusiasm through unique client experiences.

Vision

The vision of VP Bank expresses how the Bank wishes to be perceived in the future. The vision is extremely relevant to the strategic planning as it establishes the guidelines and defines the line of approach. It also serves to bind employees emotionally to an aspiration and thereby heightens their identification with the Bank, as well as their motivation and willingness to adapt.

Principles

Values

The values of VP Bank have remained unchanged for more than a decade. They are incorporated in the MbO process (see below). Each year, all employees of VP Bank are assessed by their supervisor as to whether and how well they have specifically upheld and personified these values.

"Management by Objectives" (MbO) is an essential means of steering VP Bank Group. The annually recurring processes associated with MbO ensure that the goals management has set for the following year are systematically broken down into specific objectives, and that the responsibility for achieving them is allocated across all levels. The primary tasks and targets for each employee are subsequently oriented towards the goals defined for their unit and agreed upon in writing. At the end of the MbO period (calendar year), the degree of goal achievement is assessed.

Management imperatives

The management imperatives apply to all supervisory staff at VP Bank. In connection with the annual MbO process, employees who play a management role are assessed additionally for their fulfilment of these imperatives.

Brand promise

The brand promise embraces all expectations that the entire spectrum of our stakeholders could have when they contemplate the VP Bank brand. The promise provides insight into the identity and brand positioning of VP Bank. To ensure that this promise can be fulfilled credibly, it is embodied in all of the Bank's activities.

Our brand promise

We are a private bank – one that creates unique client experiences for those with lofty demands. As personal advisors, we take great interest in the concerns of our private clients and financial intermediaries, whom we accompany over many years with clearly defined strategies and continuous foresight. In doing so, we devise top-notch solutions that are safe and far ahead of their time. We attach great value to loyalty and are very conscious of our corporate responsibility vis-à-vis society as a whole.

That's why we are a flexible, nimble private bank – a bank that affords the highest degree of security.

That's what makes us special.
That's what drives us.
That's what we are.

Brand profile

Based on its brand promise, VP Bank has developed its brand profile. It serves to influence the image (outside perception) in keeping with the identity. This occurs through ongoing repetition and the personification of VP Bank's brand identity in all channels of communication with the public.

Claim

The claim condenses the brand promise into two compelling words. It reflects the company's way of thinking and differentiates from the competition.

As of 2014, this claim will appear below VP Bank's logo in an array of advertising measures.

The VP Bank brand

In 2003, VP Bank made a radical change to its appearance in the public eye. Since then, it stands out as a modern, dynamic Bank with an unusual corporate design that clearly distinguishes it from the competition. The result: VP Bank has been given a unique, unmistakable and striking appearance. In accomplishing that, VP Bank intentionally "borrows" elements from other areas of business and private life and plays with contrasts that give the Bank an air of unusualness. For example, the reception hall at VP Bank in Vaduz looks more like the lobby of a designer hotel than the teller hall of a typical bank.

In 2011, VP Bank's Board of Directors decided to professionalise the company's brand management. Moreover, the executive changes made in the past year led to a total re-examination of the action pyramid – from the vision, all the way down to the annual planning. In several workshops with Group Executive Management, the elements of a new vision and new guiding principles were defined and interwoven with each other. In August 2013, the new action pyramid was approved by the Board of Directors and presented to all employees. Our external stakeholders will also be informed of these developments in March 2014. The Group Communications & Marketing unit has been commissioned to develop all measures necessary for anchoring this new action pyramid both internally and externally.

Sustainability at VP Bank

Sustainability policy

Corporate responsibility is increasingly becoming a focal point for various interest groups. The capital markets as well ascribe ever-greater importance to this topic. The banking sector is one of the most significant industries in an economy and is therefore closely scrutinised by analysts and investors. In their assessment of a company, they are placing more weight on responsible corporate dealings.

VP Bank's role in society – its "corporate citizenship" – is characterised by the responsibility it lives by in its interaction with stakeholders and the environment. For VP Bank, an orientation towards long-term economic, ecological and social compatibility is a crucial factor in performing commercial activities successfully.

VP Bank's commitment

VP Bank Group is committed to the principle of sustainability. It is convinced that responsible actions and economic success are interdependent. The business model of a bank is based on the trust of its clients. VP Bank's activities in the area of sustainability foster and reinforce that trust. Thus, responsible action is a key element of the corporate culture, the internal work processes and the operative business of VP Bank.

VP Bank maintains a constructive dialogue with its clients, employees and shareholders, as well as with its ancillary social environment, and takes their feedback into account in its business decisions. By doing so, the Bank generates added value for all of its stakeholders.

Stiftung Fürstlicher Kommerzienrat Guido Feger is the largest shareholder of VP Bank. Established by the Bank's founder in 1954, it supports social, charitable and cultural projects, thereby shaping the corporate culture at VP Bank Group and lending expression to the Bank's social character.

As a partner of the Swiss Climate Foundation, VP Bank provides financial support for the energy efficiency and climate protection projects of small- and medium-sized companies in Switzerland and Liechtenstein.

In addition, VP Bank strives to uphold its responsibility towards the environment by means of targeted measures for the sustainable use of resources. Moreover, due to its commercial activities, VP Bank is by definition in an active interrelationship with society as a whole, and thus contributes to the further development and preservation of Liechtenstein as a centre for finance and industry.

With its sustainability policy, VP Bank defines the minimum standards for the products and services it offers. These standards apply just as much to the acceptance of savings money as they do to the granting of loans and conduct of the investment business. As a part of this, VP Bank makes every effort to keep its banking operations CO_2 neutral.

Encouragement of proper behaviour

In conducting its banking business, VP Bank actively hinders bribery – which represents the core of corruption – the granting and receiving of undue advantage, and money laundering. This is achieved on the one hand through regular client advisor training sessions and, on the other hand, by monitoring compliance with the rules laid down in the Service Regulations and the Code of Conduct.

Apart from the values and management principles of VP Bank, the Code of Conduct documents the Bank's commitment to ethically correct business practices. VP Bank pursues its vision of being the most recommended private bank that astounds its highly demanding clients with unique experiences. This requires trust and closeness to the client. VP Bank fosters both of those aspects by voluntarily observing ethical principles in its business activities and creating a viable foundation of rules for its conduct.

The Code of Conduct lays down the ethical principles of VP Bank that are binding for all employees, and serves as a guideline for proper behaviour. Each employee receives a copy of the Code of Conduct upon joining the company. The document is also available on the VP Bank intranet as well as on the Bank's homepage as a downloadable file. Contraventions of the Code of Conduct are dealt with without compromise through disciplinary measures and the consequences applicable under labour law.

In addition, the Service Regulations of VP Bank specify important manners of behaviour with regard to banking secrecy, discretion, data integrity, equal opportunity, social media guidelines, conflicts of interest, insider information and data protection. The Service Regulations take the form of a directive and are an integral part of each employment contract. They apply to all employees of VP Bank.

It is the goal of VP Bank to constantly broaden and improve all of its efforts in the area of sustainability. The report on the related measures and achievements pertains mainly to data covering the Bank's Liechtenstein facilities. For the coming years, VP Bank plans to initiate Group-wide reporting of internal environmental statistics. Further information in this regard can be found in the "Business ecology" and "Social engagement" sections of this annual report.

VP Bank's stakeholders

One thing it takes to remain a successful banking group over the long term is an efficient, visionary management team. But it takes more than just that: VP Bank is committed to bearing in mind the expectations and needs of its stakeholders. Only that way can VP Bank achieve sustainable success.

Engaging interest groups in a transparent and trustworthy manner is one of the fundamental principles of VP Bank Group. It is part of its corporate responsibility to stay in close contact with them and inform them about the performance and activities of VP Bank.

VP Bank views stakeholders as being all those organisations and people who lay claim to a financial, legal, commercial or other special interest in the company.

The core stakeholders of VP Bank can be broken down into six groups:

- Clients
- Employees
- Shareholders, investors and financial analysts
- The media and the general public
- Suppliers and business partners
- Legislative and supervisory authorities

The dialogue with these stakeholders is planned and conducted systematically, but can also take place spontaneously in a direct exchange of ideas and opinions. Each stakeholder group has its own particular expectations; for that reason, VP Bank makes every effort to know and understand the interests of all its stakeholders. To achieve that, VP Bank maintains an ongoing discourse with them and, whenever possible, incorporates the findings and insights into all of its activities and processes. Moreover, the dialogue helps VP Bank to identify emerging trends at an early stage as well as to intensify its social engagement.

This stakeholder dialogue takes various forms depending on the specific target groups, business fields and concrete issues – for example:

- Client discussions
- Cooperative interaction with schools, colleges and universities
- Employee discussions
- Internal events
- Theme-based conferences
- Financial industry trade fairs
- Press conferences
- Investor discussions
- Federation work and presence in external interest groups
- Industry-specific sharing of best practice
- PR work on investment, market and commercial themes

Memberships

As a member of numerous federations and clubs, VP Bank fosters a dialogue with business and society. The type of collaboration is multifaceted in reflection of the range of particular needs and objectives.

Depending on the given area, the dialogue is essentially institutionalised (clients, media, investors) or takes place sporadically. The relevant internal specialist departments and teams, for example Legal & Compliance, Corporate Communications, Investor Relations, Human Resources Management and IT, are responsible for maintaining this interaction.

These memberships pertain in part to important business and industry federations such as the Liechtenstein Bankers Association, the Liechtenstein Chamber of Industry and Commerce, the Swiss Bankers Association, amongst others.

Other memberships, such as those in the International Center for Corporate Governance, the International Capital Market Association, the Occupational Health Managers Forum and the Swiss Investor Relations Association, are excellent venues for the transfer of know-how.

Memberships in the Swiss Business Council for Sustainable Development (Öbu) and the Liechtenstein Society for Environmental Protection serve as a means of sharing best practice in the area of sustainability.

VP Bank's clients

VP Bank pursues a clearly defined business strategy, the most important element of which is closeness to the client. Only those who are really in touch with their clients and know their needs precisely are in a position to respond appropriately to the latest market developments. Again in 2013, VP Bank invested considerable sums in direct client contact.

A clear specification of the roles involved in client service regulates the interplay between relationship managers and specialists for investment products and services, tax matters, credits, funds and foundations. Within the framework of a holistic advisory approach, each team draws upon competencies at Group level in order to devise individualised solutions that meet all requirements.

The advisory concept encompasses each and every phase of a client's lifecycle. This differentiation makes it possible to provide a tailored range of products and services. VP Bank Group offers customised portfolio management services and investment advice to private individuals and financial intermediaries. Thanks to the abiding philosophy of open architecture, clients benefit from unbiased advice. Included in the recommendations are products and services of other leading financial institutions as well as the Bank's own investment solutions.

VP Bank focuses squarely on client satisfaction and service quality. For that reason, the Bank carries out client feedback management activities that involve surveys of client satisfaction and regular reporting. Open feedback paths, professional complaint management and a continuous dialogue with clients are evidence of this resolute client orientation.

Business units and client segments

Through its Private Banking and Intermediaries business units, VP Bank addresses a defined and limited number of target markets and client segments. Private banking services and the intermediaries business are performed at all VP Bank locations. In Liechtenstein and the surrounding region, this range is supplemented with retail banking services that include client-oriented packaged solutions.

Also primarily in Liechtenstein, as well as in eastern Switzerland, VP Bank caters to institutional clients and regional companies in need of investment and operating finance. The younger target groups are addressed in particular by means of e-Channel initiatives. Youth packages for students and trainees round out the range of services on offer.

In terms of private banking, VP Bank's focus is on the mid-range segment – in other words, individuals with total assets of between CHF 1 million and 25 million. Segmentation is made according to the utilisation preferences of clients, with correspondingly targeted offers.

New challenges

The world of private banking is in transition. Where the primary emphasis in the past was on investment advice and portfolio management, today, increasing focus is being placed on regulatory issues (MiFid, FATCA, tax compliance, etc.). The advisory process is taking place within the tug of war between an array of new regulatory decrees and the individual investment and wealth objectives of clients.

VP Bank has risen to this challenge. In addition to comprehensive training sessions for client advisors, the Bank's clients are also being counselled by teams of specialists who, for example, contribute their vast know-how in tax matters to the discussion, thereby demonstrating the overall competence of VP Bank. Investing in the IT systems and adding personnel to the "Legal, Compliance & Tax" team also represent measures VP Bank is taking to optimise client service.

Crossborder banking

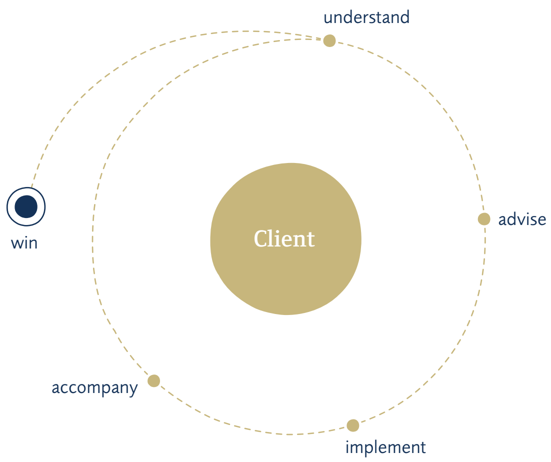
The legal and reputational risks involved in the crossborder financial services business have increased markedly in the recent past. Foreign supervisory authorities are keeping a keen eye on the legal conformity of foreign banks' crossborder business activities, which include client acquisition, advice and service.

As VP Bank Group renders crossborder services, the Bank has regulated those activities in a binding "Crossborder Policy". This directive serves as an adequate instrument for recognising, managing and controlling the related legal and compliance risks. It also lays down the principles as well as the ways and means by which the crossborder services and products of the Bank are to be offered.

For each of its target countries, VP Bank provides its client advisors with country manuals which describe the local behavioural dos and don'ts from a legal standpoint.

Advisory process

For optimal client care, VP Bank conducts a five-stage advisory process.



1. Win the client
The prerequisites for successful client acquisition are systematic planning, preparation and execution, whereas VP Bank wins most of its new clients as a result of recommendations by existing clients.

2. Understand the client
Understanding the client represents the basis for providing professional advice. The quality and quantity of information received from the client through direct questioning or in written form are decisive factors in the ability to identify the client's needs and to develop fine-tuned solutions.

3. Advise the client
Once the needs of the client have been determined, the task is to present solutions. In arriving at those solutions, alternatives are always borne in mind. The client is not only shown the solutions that are "the closest fit", but also sensible possibilities in a broader context. VP Bank attaches great value to a team approach in devising solutions. Accordingly, specialists as well as other sources of know-how are included in this process.

4. Implement the client's wishes
If the client agrees with the proffered solution, implementation is the next step. The time taken for translating solutions into reality underscores VP Bank's performance capabilities and devotion to achieving the exceptional. VP Bank considers it extremely important that the implementation of solutions is conducted in a timely manner or in keeping with agreed milestones that fulfil the expectations of the client.

5. Accompany the client
The advisory process does not merely end upon realisation of an agreed solution. A client profile changes steadily and is augmented to reflect new developments. By periodically comparing the client profile with the effects and performance of a previously agreed solution, genuine added value is generated for the client.

Investment recommendations

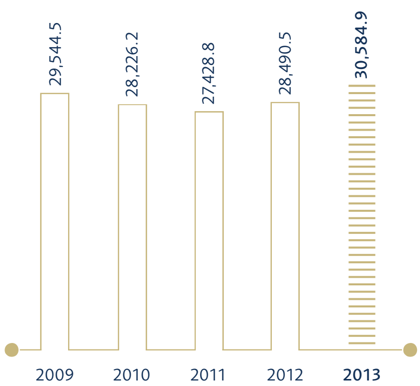
In its annual outlook for 2013, VP Bank recommended that its clients invest in riskier asset classes, despite the only moderate rate of economic growth. The rationale: due to their attractive valuations, those positions should ultimately benefit from a more stable environment.

This prophecy has essentially come true. Although little impetus was provided from the economic side, the reduction of extreme political and financial risks spurred the markets. Shares in particular recorded impressive gains in 2013, while secure government bonds had their difficulties. However, not all risky investments and regions experienced an upswing. The bull markets witnessed in the industrialised nations failed to materialise in the emerging markets. Nonetheless, those who chose to accept risk in 2013 were richly rewarded.

Client assets

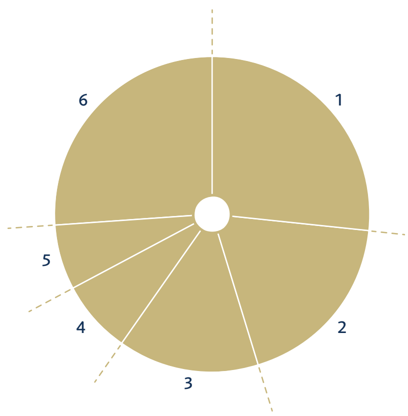
As at 31 December 2013, VP Bank held client assets under management totalling CHF 30.6 billion (7.4 per cent more than in the previous year). An additional CHF 9.0 billion took the form of assets held in custody. Thus, total client assets on that date amounted to CHF 39.6 billion. In total, VP Bank Group recorded a net new money inflow of CHF 965 million (previous year: CHF 192 million outflow).

Client assets under management excluding custody assets (in CHF million)



The origin of assets under management in 2013

1 Liechtenstein 26.8%
2 Switzerland 18.5%
3 Luxembourg 14.7%
4 Germany 7.5%
5 Russian Fed. 6.5%
6 Rest of the world 26%



Employees of VP Bank

In service of the corporate strategy

For a number of years now, the business environment for private banking has posed tremendous challenges for the financial services industry: heightened regulatory requirements for products and services, more intense competition and lower margins, combined with the changed needs of clients.

VP Bank Group faces these challenges by having a correspondingly flexible organisation and appropriately fine-tuned processes. The interplay between the business units and various local offices is a crucial element in rendering all of the Bank's services. But ultimately, it is our employees who face these challenges and facilitate this interplay. With their specialised know-how, commitment and readiness for any necessary adjustments, they are the key to VP Bank Group's success. And that applies to all of the Bank's employees, across all hierarchical levels and areas of expertise, and regardless of whether or not they have direct client contact.

Especially in the financial services business, the decisive resource for gaining and maintaining the trust of clients is a team of motivated, competent and service-oriented employees who possess keen interpersonal skills. VP Bank Group is mindful of what a positive office environment means to employees, and offers them an array of opportunities. Precisely in trying times when the goal posts are constantly being shifted, VP Bank Group treats its employees with respect and openness in all situations and fosters constructive collaboration.

Managing human capital

In 2007, a specific Group-wide strategy for managing human resources (HR) was derived from the overall corporate strategy and approved by the Board of Directors. Measures were defined and, to the extent possible, implemented in the ensuing years. The paramount objective of the HR strategy, i.e. handling the daily personnel-related matters, has never changed: at all locations, the proper people must be in place at the proper time and in sufficient numbers, and in particular must have the requisite professional know-how and the relevant skills. To the extent they are known, future developments are also taken into account and proactively included in the activities.

Through collaboration within the VP Bank Group, synergies are exploited. Cooperative relationships with external partners are also called upon in an effort to achieve good results in the personnel work.

Defined processes for coordinated collaboration

Many people are involved in the management of human resources. They include in particular the line supervisors and local HR heads, the central HR employees, as well as local management and that of the Group. It is therefore necessary to appropriately define and coordinate the interactions through the allocation of tasks, competencies and responsibilities, as well as to establish the procedures for the most important incidents (such as recruitment, departure, salary determination, promotion, etc.). Particularly in terms of employee development – a core element of personnel work – the proper interaction between the responsible supervisors, the employees themselves and the HR specialists is decisive in achieving the desired results.

For many years now, the defined HR process and its various sub-processes have been an indispensable aid in this shared personnel work. Any necessary adjustments come to light from its repeated application. Identified possibilities for optimisation are promptly translated into reality, thereby keeping the various processes up to date.

In terms of corporate management, the MbO (Management by Objectives) process is accorded a central role. At Group level, the first step is to break down the agreed goals of VP Bank Group and assign the related responsibilities to the Group companies and business units. At the individual level, the corresponding goals and primary tasks are subsequently agreed for each employee. Through this process, the employees' activities are systematically steered in the desired direction and the ultimate achievement of the Bank's goals is coordinated with the individual goals.

At the end of the given period, the supervisor assesses the accomplishments of the employee as a means of establishing the basis for a performance-oriented remuneration component. The supervisor takes into account the extent to which the employees have achieved their goals and fulfilled their primary tasks and in particular their compliance with regulatory provisions, internal rules and client-specific instructions. Through management by objectives, supervisors place trust in their employees, afford them leeway for shaping their own approach to work, and identify the necessary personal development measures.

Human Resources central staff office

In collaboration with the supervisors, the management of each Group company bear responsibility for the actual deployment of their employees and for making the necessary resources available. In their staff function, local employees of the personnel department provide assistance through their relevant know-how as well as by performing specific administrative tasks. The line supervisor has decision-making authority in addressing concrete issues.

From the Liechtenstein head office, the Group Human Resources unit offers its entire spectrum of services. This encompasses all operative HR activities, including the rendering of advice and support to supervisors and employees. In Liechtenstein, the operation of the central HR system as well as management of the Group-wide structural organisation is handled for the entire VP Bank Group. This internal specialised know-how is at the disposal of management for deciding on conceptual matters, and thereby flows into the further development of Group-wide human resources management.

At each branch and subsidiary, local management must ensure that the necessary HR administration is in place internally or provided by external partners. Apart from its local tasks, the HR unit at the Zurich location was responsible for professionally and administratively accompanying all of the international offices of the Group until the end of 2013. As of 2014, this task is in the hands of the central HR unit at the head office in Liechtenstein.

Inclusion of employees

In 1998, the Employee Representative Body (ERB) was established at the Liechtenstein headquarters in response to the newly adopted Workers' Participation Act. In its current composition, the five members were elected to a four-year term of office. The activities of the ERB are based on the internal workers' participation ordinance, which was enacted by Executive Management. The latter must inform and include the ERB if and when the general terms of employment are to be changed or if a reduction of the workforce is envisaged. However, the decision-making authority for any given matter rests with Executive Management.

SAP HCM data platform

Since the introduction of SAP HCM in 2010, VP Bank Group has at its disposal a technological platform for the widest array of HR-related activities. This centralised system represents the common database for all of the Bank's locations and, in line with the available funding, is continuously expanded in order to accommodate new potential uses and benefits. Today, HR employees and line supervisors can process the data and utilise the system via a specific user application, for each location or for the entire Group.

The available information constitutes the backbone of human resources management at VP Bank Group. It reflects the entire Group-wide structural organisation, with budgeted posts and the allocated persons, as well as detailed information on the employees, such as the qualification and authorisation of client advisors to conduct crossborder activities. This central database is not only necessary for the Bank's HR processes; it also flows into other business processes. For example, on a quarterly basis, the future personnel costs are extrapolated for the current year and the year to come.

Headcount

In keeping with the Bank's strategy, there were shifts in the workforce as of 31 December 2013. Through the separation of the fiduciary companies, a total of 29 persons left our ranks (BVI, 23; Liechtenstein, 6). At the head office, staff was also reduced by 8 employees. In contrast, staff was added to the fund-related business units in Liechtenstein and Luxembourg (in total, 12 individuals). Through the successful integration of the private banking unit of HSBC Trinkaus & Burkhart (International) SA in Luxembourg, the headcount increased by 30 persons.

On 31 December 2013, VP Bank Group employed 764 people, two fewer than in the previous year. Adjusted for part-time employees, this equates to 1.1 fewer full-time equivalents (FTEs) than reported at the end of 2012, namely 705.8 (see table on page 44). The proportion of part-time employees (152 individuals; prior year: 155) remained at 20 per cent.

The average years of service at VP Bank Group rose from 8.8 to 9.1 years at the end of 2013. For VP Bank Group, Vaduz, that figure increased from 10.4 to 10.9 years.

Constituting the largest proportion of the workforce are employees with Swiss citizenship (36 versus 35 per cent in the previous year). The proportion of Liechtenstein citizens fell once again by 1 percentage point to 29 per cent. The third-largest grouping with 11 per cent are our employees from Germany (previous year: 7 per cent), mainly due to the headcount expansion in Luxembourg (see chart on page 43).

A modest decrease was recorded in the number of client advisors, primarily as a result of the divestiture of the fiduciary business: today's 151 (prior year: 154) client advisors represent 20 per cent of the Group's total workforce. In Liechtenstein, the number of client advisors rose by 5 to a total of 78, and in Luxembourg by 7 to 27.

New hires and departures

Attracting professionally competent individuals with good interpersonal skills who fit into the VP Bank Group family is one of the main tasks involved in HR work. The starting point in the recruitment process is the identified need for skills that are intended to enhance a given team. This is a long-standing process, which takes into account not only the professional capabilities of candidates but also their personality through the analysis of psychological tests.

Excluding internships, apprenticeships and temporary employees, 106 individuals joined the company Group-wide in 2013. Only in a few justifiable instances did any of those people leave the company during their first year of service. This particular figure has continually improved over the past years, and is indeed also an indicator of the optimisations that have been made to the recruitment process. Of the 53 entrants in Liechtenstein and Switzerland, 51 per cent of them have graduated from a school of higher education (studies for a degree or specialist diploma), and most of them also have a number of years of professional experience.

Each departure of an employee gives rise to consideration as to whether a replacement needs to be recruited to continue carrying out that particular function. In 2013, it was frequently the case that no replacement was recruited. The workforce at the head office and in Singapore declined slightly (by 16 persons).

Despite all efforts to identify and offer redundant employees a new internal post, dismissals are occasionally necessary. VP Bank Group, in consultation with the Employee Representative Body, determined the framework conditions that were also applied Group-wide in 2013. Employees who, through no fault of their own, lost their job were granted an extended termination period and/or a contribution towards their employability (e.g. for further education or "outplacement" counselling) based on the terms of emplyoment agreed in their contract or dictated by labour law. At VP Bank Group, 4 persons were affected by this in 2013 (excluding those involved in the divestment of the fiduciary companies).

In total, 116 persons left VP Bank Group in 2013. That corresponds to a fluctuation rate of 15.2 per cent, a slightly higher figure than in the previous year (14.1 per cent). However, excluding the 29 persons who were active in the former fiduciary businesses of VP Bank Group, the fluctuation rate declined to 11.4 per cent, the lowest level in the past four years.

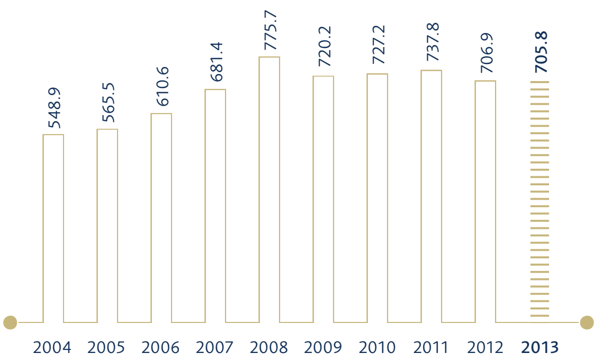
Employee retention and remuneration

As has been recognised for years, work that is perceived to be meaningful and satisfying, as well as the work environment itself, are enormously important in making employees feel comfortable. Many factors can have a negative effect on the work environment: internal influences or external influences due to economic conditions, not to mention events in one's personal or familial life.

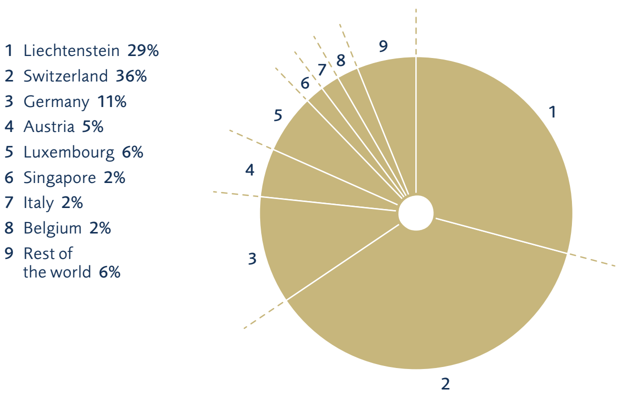
VP Bank Group is fully aware that it must view its employees within the context of their personal situation in life and their differing needs. The members of the Bank's HR departments are pleased to be at the disposal of all staff and supervisors in order to be of assistance in clarifying any personal issues that may arise. In addition to individual discussions with the affected persons, searching for possible solutions and accompanying those individuals in crisis situations, team analyses and coaching are also some of the tools applied in addressing the issue. Status assessments and career development counselling can also be offered. A broad spectrum of specialised know-how is available internally and, if need be, it can be supplemented by drawing on the skills of external partners.

Remuneration is of course also an essential element when it comes to the satisfaction of employees and their loyalty to the company. VP Bank Group subscribes to the principle of paying fair, competitive compensation. The fixed salary is reflective of the given function and the related requirements, while any variable remuneration components are based on the success of the company and individual performance of the employee. Details on the principles of remuneration are provided in the Compensation Report on page 81.

Headcount VP Bank Group
(full-time equivalents)



Nationality of VP Bank Group's employees



Employee career development

Coordinated interaction between several hundred people across a number of countries and continents is necessary in order for VP Bank Group to offer clients its defined range of services. The organisation chart shows the companies, units, departments and teams where this interplay takes place. Within the organisation, each employee performs a specific function associated with designated tasks, competencies and responsibilities. Individual job requirements can be systematically derived from this matrix: what qualifications must the employee have hold, and; what degree of professional experience is necessary for the function to be performed competently?

The systematics of the functions, with their respective tasks and requirements, represent a fundamental tool of corporate management and personnel administration. In addition to forming the basis for function-consistent remuneration, they serve as a benchmark for promotions or recruitment as well as a point of departure for employee development measures. A comparison of employees' existing skills with the necessary requirements immediately reveals where there is need for development, individual as well as cumulative across entire business units.

Again in 2013, VP Bank Group invested significant sums in banking-specific continuing education, for instance in training seminars at the Liechtenstein and Swiss offices aimed at enhancing the quality of advice and improving conversational techniques. For targeted specialist education, employees throughout the Group have at their disposal a VP Bank Group e-Learning tool, which offers a wide array of courses. Of the expenditures for external education, roughly half went towards the furtherance of banking know-how and other specific professional skills, and around 10 per cent towards the improvement of selling and advising methods. At the Liechtenstein location, 23 people earned a diploma for completing a multi-semester, extra-occupational course, and an additional 38 individuals were still participating in a similar course at the end of 2013.

Taking advantage of opportunities to assume another function, learn new things and keep pace with today's interesting challenges: wherever and whenever possible, VP Bank Group offers its employees those opportunities. In 2013, 7 employees switched to another Group company. Moreover, at the head office alone, 20 persons took on a new role and 11 others were promoted to a higher-level role.

At the end of 2013, VP Bank Group was training 22 (previous year: 24) young people to become banking professionals and 4 others to become IT specialists. During the course of the year, 9 apprentices successfully completed their final exams, and 8 of them were offered a job at VP Bank Group. In addition, two young people who had already received their high school degree completed their commercial training. VP Bank Group has developed a support model for university students: they have the possibility during their studies to take a 50 per cent job at VP Bank Group. During the year under review, two employees completed their master's studies parallel to their work.

Employee statistics of VP Bank Group

as of 31/12/2013	Men	Women	Total
Number of employees	460	304	764
Quota in per cent	60.2	39.8	100.0
Average age	41.6	39.9	40.9
Average years of service	9.2	8.9	9.1

Headcount per company

as of 31/12	2013		2012		Variance with previous year	
	Employees	Full-time equivalents	Employees	Full-time equivalents	Employees	Full-time equivalents
Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz	470	424.5	478	432.5	–8	–7.9
VP Bank (Switzerland) AG	87	80.8	86	80.6	1	0.2
VP Bank (Luxembourg) S.A.	109	104.4	79	74.6	30	29.8
VPB Finance S.A.	27	25.6	22	20.8	5	4.8
VP Bank (BVI) Limited	13	12.9	36[1]	35.4	–23	–22.5
VP Wealth Management (Hong Kong) Ltd.	6	6	5	5.0	1	1.0
VP Bank (Singapore) Ltd.	25	25	33	32.5	–8	–7.5
Moscow Representative Office	2	2	2	2.0	0	0.0
IGT Intergestions Trust reg.	0	0	7	5.6	–7	–5.6
IFOS Internationale Fonds Service AG	25	24.6	18	18.0	7	6.6
Total	**764**	**705.8**	**766**	**706.9**	**–2**	**–1.1**

[1] including ATU General Trusts

VP Bank's suppliers

The way in which procurement is handled has a considerable influence on a company's environmental impact, image and, not least of all, on its cost structure. When commissioning goods and services, VP Bank considers a range of criteria such as ecological standards, quality, energy consumption and waste disposal.

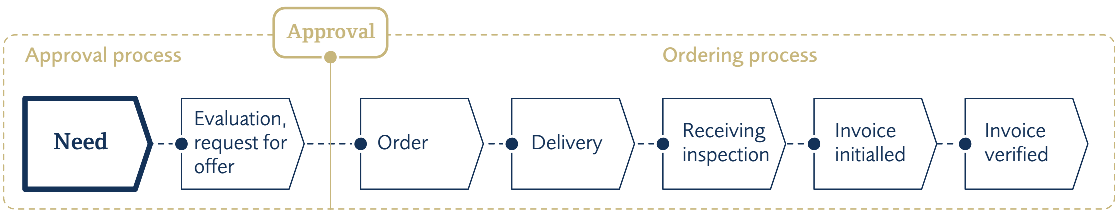
The "Procurement principles of VP Bank" is a directive that establishes guidelines for the way VP Bank conducts its purchasing activities. Transparent ordering criteria and clearly defined requirements for suppliers ensure not only the quality of the procurement process but also that of the relations with those suppliers. The ecological principle of "avoid, reduce, recycle" is observed in VP Bank's purchasing practices. If they offer comparable characteristics at the same conditions, goods that are especially environmentally friendly, or come from environmentally certified producers, are given preference.

VP Bank's suppliers are urged to voluntarily propose environmentally friendly alternatives. They are also required to deliver only merchandise and goods that are in keeping with Liechtenstein's environmental laws and come from countries that comply with the conventions of the International Labour Organisation (ILO). Those conventions establish minimum standards for the observance of human rights, equal opportunities (nationality, gender), working conditions (health and safety at work, wages), child labour and environmental pollution.

In terms of printing services, VP Bank works mainly with partner companies that print in a climate-neutral way. In the procurement of shareholder gifts, sustainable suppliers from the surrounding region are retained – for example, the Health Education Center of the Principality of Liechtenstein (HPZ). VP Bank also uses that institution for packaging purposes.

To optimise relationships with its suppliers, VP Bank maintains a constant dialogue with them. For larger orders, specification sheets are drawn up and discussed with the suppliers, as is the timetable of the procedure. Suppliers that have not won the bid for large-scale orders are informed of that fact either in writing or by telephone. In both instances, the reasons for the negative decision are explained openly. The suppliers are periodically assessed according to the criteria, "quality, reliability, competitiveness and partnership". Upon request, the results of the assessment are discussed face-to-face with the supplier.

Approval and procurement process at VP Bank



Responsibility

means providing for a fruitful future.

VP Bank ensures that growth flourishes
now and in years to come.
Find out about our sustainable strategies.
Because success must be nurtured.

Safely ahead.

VP Bank's business ecology

Paper and water consumption

As a general rule, VP Bank Group sends out client asset statements only once a year; daily and quarterly statements are printed and dispatched only at the express request of the client. In recent years, this has resulted in a considerable reduction in the use of paper for forms and statements. For example, the number of printed forms has declined steadily from 655,000 in 2005 to 229,400 in 2013, as has the number of envelopes from 1,500,000 in 2004 to 811,051 this past year.

Paper consumption has steadily decreased from 49.59 tonnes in 2008 to 38.11 tonnes in 2012, and now stands at the lowest level since 2004. e-banking has contributed greatly to this reduction thanks to its e-post functionality, the use of which has more than quadrupled over the same time frame, in sharp contrast to the use of paper.

VP Bank Group prints its publications – including this annual report – on environmentally certified paper. FSC (Forest Stewardship Council) certification guarantees that the paper originates from wood harvested in exemplary, environmentally friendly forestry operations. Since 2010, payment order forms have also been printed on FSC-certified paper. In its choice of printing firms, VP Bank Group gives preference to those which offer climate-neutral printing services.

Thanks to the introduction of order cards and referral to documents in electronic form, the number of printed copies of the Bank's annual and semi-annual reports has declined by roughly 65 per cent over the past six years. Since 2010, the electronic communications of VP Bank Group have included the footnote "Please consider the environment before printing this e-mail".

For the Vaduz and Zurich offices, the number of e-mail documents has increased continuously: in 2007, the total was approximately 130,250; by 2011, it was already more than 696,270 and in 2013 about 1,204,603. Compared to the 2012 figure, the latest yearly increase was in excess of 28 per cent. Since 2012, the Luxembourg office is included in these statistics.

Water consumption once again declined by roughly 7 per cent versus the previous year and now lies below all figures recorded since 2004. This reduction was equally attributable to all facilities of VP Bank Group in the Principality of Liechtenstein. Water consumption per employee has dropped from 16.3 m^3 in 2005 to 11.3 m^3 in 2013.

Energy

Through numerous initiatives, VP Bank Group is focusing on the prudent consumption of energy. Those measures extend from the environmentally friendly manner in which the renovation of the Bank's headquarters in Vaduz and the construction of the new service centre in Triesen were accomplished, to the use of geothermal energy for heating and cooling, right through to the use of motion-activated lighting.

Total power consumption at the Bank's Liechtenstein facilities has been on the decline for five years, and in 2013 stood below the level last seen in 2004. This is thanks to efficiency-enhancing measures, amongst them an optimised cooling aggregate in Triesen for office air conditioning, which was installed in 2012. In 2013, a new climate control system was also installed at the main office in Vaduz. The purchase of leading-edge servers had a positive influence on power consumption as well.

For more than 15 years, a photovoltaic power generator has been in operation on the roof of the building in Vaduz. It supplies environmentally friendly energy that is fed into the Bank's power grid. Owing to a rejuvenation of the control system for this installation, power generation from photovoltaics increased continually from 2009 to 2011. However, over the past two years it has decreased, mainly due to unfavourable weather conditions.

VP Bank Group has made massive savings on heating costs. Heating oil consumption has declined by more than 50 per cent versus the previous year. The major contributor to this drop was the newly optimised heat recovery system at the Giessen building in Vaduz, which went into operation in March 2013.

VP Bank Group focuses on energy efficiency. Consequently, a functional specification document was created for the procurement of new cooling units, which stipulated that the new equipment was to be fitted with electronically controlled expansion valves and heat-recovery capabilities.

These modifications afford greater energy efficiency, and store energy that can be used for room heating and hot water generation. By means of a modern "recuperator", natural gas consumption was reduced by more than 66 per cent versus 2012.

Overall concept

The differing types of buildings at VP Bank Group call for an overall concept that brings all of its Liechtenstein facilities up to the same level in terms of power technology. The goal of this concept is to harmonise all of the existing installations, optimise the distribution of power and efficiently exploit any ambient heat loss. To that end, energy flow meters were installed in 2009 in order to record and optimise the flows of energy from heating and cooling. The evaluation is adjusted to take seasonal fluctuations into account. The results are taken into account in the measures for fine-tuning the Bank's overall energy supply.

In addition, the energy supply project foresees the continued use of leading-edge technologies that enable heating on the basis of heat recovery. An initial implementation phase has been under way since the start of 2013. A renovation of the main office in Vaduz is planned for 2014. It will involve the installation of a new central cooling aggregate with heat-recovery capabilities and a new heating system. The equipment is scheduled to commence operation in spring 2014.

Once the system is put into service, the lion's share of the overall concept will have been realised. A subsequent step will be to plan the use of groundwater in Vaduz. By implementing this measure, the existing subterranean water can be used for cooling purposes in summer and heating in winter. Initial discussions with the Environmental Protection Agency have already been held and a pilot hole has been drilled. The goal is for implementation to be completed by 2016. A separate, more detailed energy report for the Liechtenstein facilities will be drawn up.

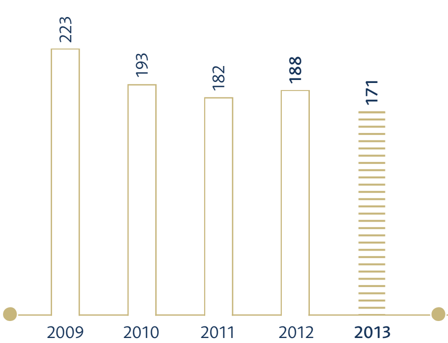
In the autumn of 2012, a new service contract for photocopiers was signed. The old copiers were replaced during the course of 2013. The new devices are made of recyclable components and use environmentally friendly polymerised toner, which, in its production, generates 40 per cent less CO_2 emissions than conventional toners. Another major advantage is the lower TEC (typical electricity consumption) rate, which expresses the average weekly power consumption of electronic products based on their normal office use.

This new generation of equipment is an all-in-one solution (printer, scanner, copier and fax). It switches more rapidly to the sleep mode and requires considerably less energy than previous models. That in turn helps VP Bank Group to reduce its operating costs and fulfils the goal of continually applying new technologies to minimise energy consumption and hence further reduce CO_2 emissions. An external service provider has been commissioned to handle the maintenance of these devices.

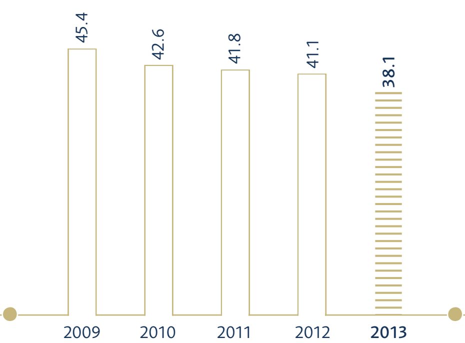
Waste avoidance

Ever since 2004, waste separation has been the order of the day at VP Bank Group. Newspapers and magazines are collected and recycled separately from correspondence paper and the like. Glass, cardboard, polystyrene, PET bottles and green waste each have their own receptacles. The total amount of waste generated in 2013 (171 tonnes) was the lowest since 2007. Also, the per-employee figure of 0.36 tonnes was the lowest amount in nine years.

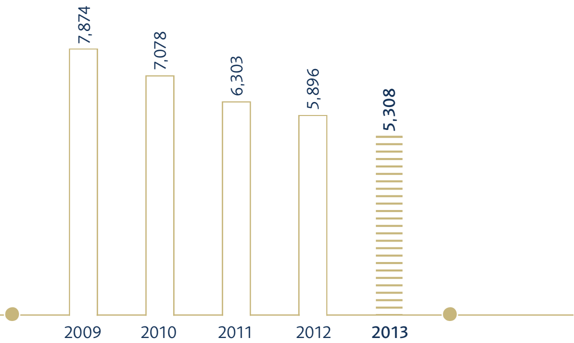
The residual paper disposed of by VP Bank Group is shredded in an in-house recycling unit and compressed into briquettes. With this process, roughly 28 tonnes of paper briquettes are produced per year. They are collected by a local recycler and taken to an incinerator.



Total waste (in tonnes)



Paper consumption (in tonnes)



Water consumption (in m^3)

Environmental management

Responsibility for the Bank's environmental sustainability is borne by the Logistics & Security unit. The head of the unit represents VP Bank Group in the Swiss Network for Sustainability and Management. VP Bank Group is also involved in the municipality of Vaduz's operational mobility management, where it contributes to a professional exchange of experiences gained in this area.

The Mobility Management project group of the Liechtenstein Chamber of Commerce and Industry is another body in which VP Bank Group actively participates. VP Bank Group is also a member of "Öbu", the Swiss network for sustainable business operations and a think tank for environmental, social and management topics.

VP Bank Group has been participating in the Carbon Disclosure Project (CDP) since 2008. CDP is an international non-profit organisation that has the goal of motivating companies and communities to lower their CO_2 emissions and use water in a sustainable manner. On behalf of investors, CDP Switzerland gathers data and information on CO_2 emissions and climate risks, as well as the reduction goals and strategies of the largest exchange-listed Swiss companies. The findings are published in an annual report.

Mobility management

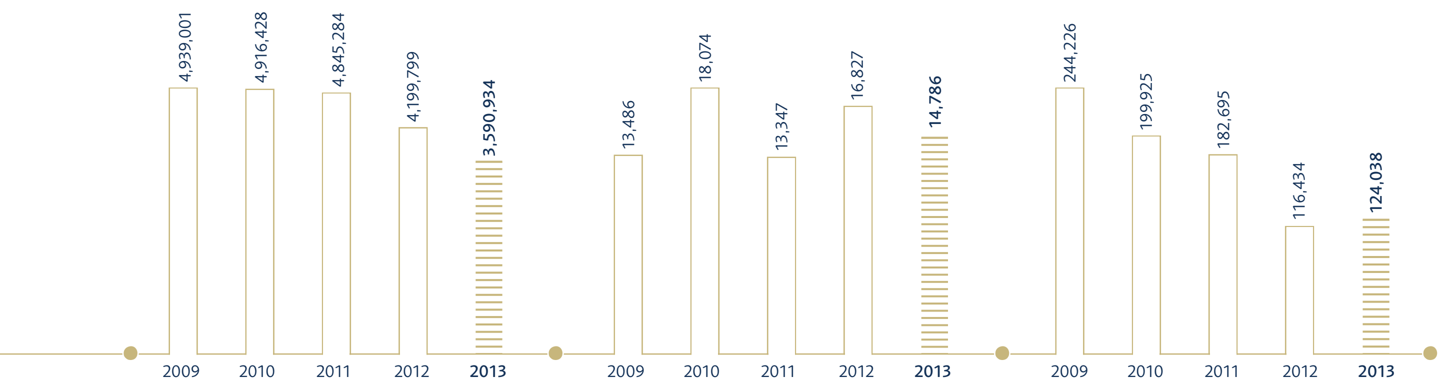
Six years ago, a mobility concept was introduced at the head office in Vaduz. It features financial incentives for using public transportation as well as a graduated fee structure for employee parking spaces. The concept is self-financing: rental proceeds from the parking spaces are used for bonus payments to employees who waive the use of personal cars and parking spaces.

This concept also motivates employees to form carpools. In addition, VP Bank Group offers the cost-free use of Mobility Cars, an arrangement that has met with an enthusiastic response. A favourable trend was to be seen again in the total number of kilometres driven for business purposes in employees' own vehicles: in 2013, it was 68 per cent lower than the total before introduction of the Mobility Car concept in 2007. The use of a videoconferencing system has helped to further reduce the business travel activities of employees.

Employees are also offered a free pass for bus and railway transport within Liechtenstein. The revenues from the Bank's mobility management are in part used for the reimbursement of public transportation tickets. 90 employees benefited from this in 2013.

The bottom line of the Mobility concept is impressive: all goals have been achieved – a reduction of automobile traffic, the fostering of environmental awareness, the promotion of public transportation, and an elimination of the shortage of parking spaces. This concept is exemplary throughout the region. In March 2011, VP Bank Group's mobility management approach received the "Zurich Climate Prize", which honours measures aimed at improving energy efficiency and reducing CO_2 emissions.

In September 2013, VP Bank Group was honoured as an especially bicycle-friendly company by the government of the Principality of Liechtenstein.



Power consumption (in kWh) **Mobility Cars** (in km) **Number of kilometres**

The social engagement of VP Bank Group

Commitment to society and culture

At home in Liechtenstein as well as at all of its global locations, VP Bank Group upholds its responsibility towards society through charitable donations. For years now, it has been supporting numerous initiatives and small projects in the areas of social services, emergency relief, health, education, culture, conservation, the environment and youth sports.

Sponsoring is one instrument in the toolbox of brand management. VP Bank Group lends a hand to its commercial partners (persons, groups, organisers of special events, etc.) by donating money and/or services as a means of supporting cultural, sports, social and media-related activities, with the intention of fostering a positive image transfer and achieving VP Bank Group's own strategic goals. Apart from communication goals such as name recognition, empathy and image, this also includes the client management goals of client acquisition, retention and loyalty.

Going forward, VP Bank Group desires to strengthen its position in the defined core markets. Therefore, given the reorientation of VP Bank Group's corporate positioning, it was decided that all of the Bank's sponsoring activities were to be reviewed. The new sponsoring concept defines the strategic thrust, fundamental principles, objectives and implementation standards for VP Bank Group's approach to sponsoring. This reorientation will be introduced in the spring of 2014.

VP Bank Group Art Foundation

The VP Bank Group Art Foundation was established in 1996 and collects works by international as well as regional contemporary artists. Its purpose is to foster art appreciation within VP Bank Group and promote visual arts by means of acquisitions and art-related publications. The purchased works are displayed in the offices of VP Bank Group as well as at art exhibitions. They are also loaned to third parties for showings at other venues.

Hans Brunhart is Chairman of the Board of Trustees. In December 2013, the benefactor named Fredy Vogt, Chairman of the Board of Directors of VP Bank Group, as a new member of the VP Bank Group Art Foundation's Board of Trustees. IGT Intergestions Trust reg. withdrew from the Board.

The collection was expanded in 2013 through the purchase of a renowned work. The collection profile has been fine-tuned and, as a result, works that no longer fit the profile are taken out of the collection and gifted to institutions that can better integrate them into their own collections. Last year, the Foundation bestowed a number of works to the Liechtenstein Cultural Foundation for addition to its collection.

The client zone at VP Bank Group's main office in Vaduz was visually enhanced in 2013 through the display of works that were acquired over the past years. The objective of doing so is to make the reorientation of the Foundation more obvious in the client zone, the place where VP Bank Group makes the greatest public impression with its collection.

In January 2013, an expert jury chose the most appealing books made in Liechtenstein in 2012. The catalogue "At eye level – an encounter with the VP Bank Group Art Foundation collection" received an award.

VP Bank Group Foundation

The VP Bank Group Foundation was initiated in 2006 and established in 2007 to mark the 50th anniversary of VP Bank Group. In keeping with its statutes, the Foundation patronises projects, individuals and institutions that have gained an outstanding profile in the areas ecology, art, education, science and culture. Charitable activities in the interest of the broad public are also supported. This patronage is also intended to be connected in some way with Liechtenstein as well as the corporate values of VP Bank Group. Donations can also be made for welfare and social purposes.

The Board of Trustees comprises Hans Brunhart and Fredy Vogt. During the year under review, the VP Bank Group Foundation distributed around CHF 450,000 to worthy causes.

As in previous years, support for the University of Liechtenstein's Chair for Corporate, Foundation and Trust Law represented a major part of VP Bank Group Foundation's activities. It has played an important role in the establishment and continuation of this professorship by contributing three annual tranches of CHF 100,000 each. Through this sizeable contribution, the Foundation is supporting the scientific assessment of legal issues that are of tremendous significance for the positioning of the Liechtenstein financial centre.

Since its establishment, the professorship has gained a high profile and today enjoys broad popularity and a fine reputation. The VP Bank Group Foundation, whose support has had the nature of start-up funding, will not continue its patronage in this form beyond the initially agreed term, but will nevertheless consider smaller-scale support of specific projects.

Sponsorship of the research project "The specific structure of Liechtenstein as a microeconomy", which was also arranged for a three-year term, was concluded during the period under review with disbursement of the third payment tranche. The project has come up with new and important findings with regard to the economic structure of Liechtenstein. Thus the VP Bank Group Foundation can also draw a positive balance from this sponsorship project.

In addition, the Foundation has made a financial contribution to a project for facilitating access to data on sustainability investments, which are being made available to specific participants in the continuing education programme of the CEPS Centre for Philanthropy Studies as well as students at the University of Basel. A further commitment to education was the longstanding annual contribution to the Gutenberg in Liechtenstein institute of higher learning.

In the area of ecology, in 2013 the Foundation lent support to the "pro natura – pro ski" foundation, which was initiated by VP Bank Group more than a decade ago. In close collaboration with the University of Natural Resources and Life Sciences in Vienna, the Foundation's activities make a recognised contribution towards the ecologically conscious development of winter sport resorts in a way that balances the interests of all stakeholders.

Ever since its establishment, the VP Bank Group Foundation attaches the greatest value to continuity in its support of the environment, education and science and will also pursue this policy in the years to come.

In terms of the Foundation's cultural patronage, contributions to the Liechtenstein-Werdenberg Orchestra and the Klanglabor Arno Oehri are just two examples.

In connection with the annual "Lichtblick" campaign, 36 social institutions in Liechtenstein received grants from the Foundation: it disbursed a total of almost CHF 87,000 to this initiative and other projects of social institutions and associations in Liechtenstein and the surrounding region.

Again in the past year, a portion of the Foundation's capital was invested in the EMF Microfinance Fund AGmvK as well as in VP Bank Group Balanced (CHF) Strategy Fund class C units. Both positions are being maintained. Via returns from the latter commitment, the relief organisation "SolidarMed" received financial aid. Owing to the recognised accomplishments of this organisation, the purpose-related funding agreement was renewed and the contributions increased.

The VP Bank Group Foundation is a member of the Liechtenstein Association of Charitable Foundations e.V. and Switzerland's related organisation, "SwissFoundations". The Board of Trustees is engaged in the expansion of the Liechtenstein Association and benefits from the valuable exchange of ideas and experiences in both federations.

Achieving goals means providing a solid foundation to build upon ideas.

VP Bank adheres to this principle by developing structures.
Tell us about your ideas. We will do everything possible to turn them into reality.
Because actions speak louder than words. Safely ahead.

Safely ahead.

Legislation and supervisory authorities in Liechtenstein

Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank Group), 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 its country of domicile is therefore the Financial Market Authority Liechtenstein (FMA). Because the bearer shares of the parent company are listed on SIX Swiss Exchange, VP Bank Group is also subject to the rules laid down by SIX on the basis of the Swiss Federal Act on Stock Exchanges and Securities Trading and the related implementing ordinances. The business activities of VP Bank Group are supervised by the competent authorities of each country in which the Group is active through subsidiary companies or representative offices.

General

In Liechtenstein, the activities of VP Bank Group are subject primarily to the Act on Banks and Finance Companies (Banking Act, BankA) of 21 October 1992, as well as the Ordinance on Banks and Finance Companies (Banking Ordinance, FL-BankO) of 22 February 1994. In addition, the Bank is subject to the Ordinance on Capital Adequacy and Risk Diversification for Banks and Finance Companies (Capital Adequacy Ordinance, CAO) of 5 December 2006. The Banking Act also lays down the framework for the supervisory activities of the FMA. The latter – together with the external banking-law auditors, who must 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 broad array of financial services. The Law on Professional Due Diligence to Combat Money Laundering, Organised Crime and Terrorist Financing (Due Diligence Act, DDA) of 11 December 2008 and its related ordinance (Due Diligence Ordinance, DDO) of 17 February 2009 – in conjunction with the money-laundering article of the Liechtenstein Penal Code – constitute the legal foundation for due diligence that must be observed by each liable individual and entity in Liechtenstein's financial services sector. The former was revised especially with the implementation of the EC Directive of 26 October 2005 on the Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing (3rd Money Laundering Directive), the Directive of 1 August 2006 (Politically Exposed Persons, PEP Directive) as well as the recommendations of the International Monetary Fund.

Within the scope of its business activities, and the financial services offered by it, VP Bank Group must, among other things, observe the following additional laws and related ordinances:

- Payment Services Act (PSA)
- Law on Certain Undertakings for Collective Investments in Transferable Securities (UCITSA)
- Law on Investment Undertakings for Other Assets or Real Estate (Investment Undertakings Act, IUA)
- Law on Alternative Investment Fund Managers (AIFMA)
- Law Governing Supplemental Supervision of Companies of a Financial Conglomerate (Financial Conglomerate Act, FCA)
- Law Governing the Disclosure of Information Relating to Issuers of Securities (Disclosure Act, DA)
- Securities Prospectus Act (SPA)
- Law Against Market Abuse in the Trading of Financial Instruments (Market Abuse Act, MAA)
- Law Governing Takeover Offers (Takeover Act, TOA)
- Persons and Companies Act (PCA)

The following discusses a number of developments and legal foundations of relevance to financial market regulation which have been revised or put into effect during the past financial year or are likely to be of relevance in the future.

EBA, EIOPA and ESMA Guidelines

In September 2010, the European Parliament approved a new supervisory system that took effect on 1 January 2011. The previous committees, which only acted in an advisory capacity, were replaced by three new EU authorities:

- European Banking Authority (EBA)
- European Insurance and Occupational Pensions Authority (EIOPA)
- European Securities and Markets Authority (ESMA)

Ever since the establishment of these three new European supervisory bodies, the FMA participates in their meetings. Amongst the competencies of the aforementioned Authorities is the power to issue guidelines and recommendations that must be implemented within the EU in a binding manner.

These supervisory authorities have issued several guidelines. In its Notice 2012/02, the FMA declared a series of guidelines as being directly applicable in Liechtenstein. A legal basis for the obligation to implement and/or the direct applicability of the directives in the EEA and Liechtenstein was nevertheless always controversial, as the corresponding EU laws for the establishment of supervisory authorities and stipulation of their powers of authority until then did not extend to the basis of EEA laws. In this respect, the Liechtenstein legislature has clarified the situation with an amendment to the FMA Act: as from 1 January 2014, the FMA is in principle obligated to apply the guidelines of the aforementioned supervisory authorities insofar as no justified grounds exist to deviate from them. This clarification is of great importance to the Liechtenstein financial centre as the latter is particularly strongly linked to the EU and is increasingly dependent upon being considered as of equivalent stature from a regulatory point of view.

OTC derivatives (European Market Infrastructure Regulation – EMIR)

In September 2009, the heads of the G20 states agreed at the summit meeting held in Pittsburgh, USA, that at the latest by the end of 2012, all standardised OTC derivatives contracts are to be processed via a central counterparty and that all such contracts were to be recorded in a transaction register. This objective was confirmed at the Toronto meeting in June 2010 and the G20 also committed to implementing far-reaching measures aimed at increasing the transparency and supervision of OTC derivatives contracts.

The EU Commission paid heed to this matter by issuing an ordinance (EU No. 648/2012 of 4 July 2012) pertaining to OTC derivatives, central counterparties and a transaction registry ("European Market Infrastructure Regulation, EMIR"). The ordinance was published in the official gazette of commerce and took effect immediately in the EU region. It is foreseen that, as from 2014, standardised OTC derivatives contracts will no longer be concluded bilaterally but instead must be concluded via central counterparties and reported to a transaction register. In addition, risk mitigation techniques are prescribed for those OTC derivatives not entered into with central counterparties. Both the central counterparty and the transaction register require a licence in the EEA region issued by the European Securities and Markets Authority (ESMA). Liechtenstein must adopt EEA-relevant EU ordinances once they have been adopted in the EEA Agreement. The implementation of EMIR at national level should follow in Liechtenstein during the course of 2014.

Revision of the Law on the Supervision of Financial Markets (amendment of rules for charges and levies)

The funding model of the Liechtenstein Financial Market Authority (FMA) previously in force was approved by the Parliament in December 2011 (effective as of 1 February 2012) but contested subsequently by numerous financial intermediaries in the general courts of law and over all judicial processes, so that the previous financing model of the FMA had to be replaced by 1 July 2013. To this end, the Law on the Supervision of Financial Markets was amended in two phases and a new totally revised model for the financing of the FMA was introduced. In a first phase, the weak points in the Financial Markets Supervisory Law were resolved and amendments adopted on 24 May 2013 (effective from 1 July 2013) and, in the second phase, the financing model of the FMA was completely revised. The amendment to the Law on the Supervision of Financial Markets pursuant to the Report and Petition no. 81/2103 (National Legal Gazette ("LGBl.") 2013 no. 48) was adopted on 8 November 2013 and took effect on 1 January 2014 in accordance with LGBl. 2013 no. 48.

Henceforth, the FMA will be funded, as first priority, from supervisory levies (consisting of a fixed basic levy and of an additional variable levy from all entities subjected to its supervision); as a second priority, from the proceeds of fees and finally, as a third priority, from an additional state contribution in the amount of CHF 5 million. The total aggregate supervisory levy per supervised bank shall not exceed CHF 250,000.

Revision of the Persons and Companies Act (maintenance of share register)

As until now no mechanisms existed to control the correct and timely maintenance of the share register, penalties were defined in the concluding section of the PCA under § 66e "Sanctions", which are to be applied in the case of violations of the provisions of par. 328 et seqq. PCA. These sanction mechanisms and related provisions correspond to those contained in § 66d of the concluding section of the PCA, which regulates violations of the provisions concerning the immobilising of bearer shares (par. 323 et seqq. PCA). The corresponding amendment to the law entered into force on 1 December 2013.

Complete Revision of the Professional Trustees Act (PTA)

As a result of far-reaching changes in the international framework conditions, the trust sector finds itself in a process of change which was taken as an occasion to completely revise the law on trustees. Until now, professional trustees were not subjected to prudential supervision but were primarily supervised by the FMA with respect to compliance with the Law on Professional Due Diligence to Combat Money Laundering, Organised Crime and Terrorist Financing. The former was also responsible for the granting of related licences, whilst the Princely High Court assumed disciplinary supervision.

The complete revision of the Professional Trustees Act, which was dealt with in the Report and Petition no. 83/2013 and adopted in the November session of the Liechtenstein Parliament, seeks to enhance the international recognition of the professional status of trustees, to strengthen confidence in the branch, to consolidate the reputation of the entire financial marketplace, to promote international market access as well as to improve the competitiveness of the professional group referred to. In order to attain these goals, an effective and efficient supervision of the trustee sector must be ensured and client protection must be guaranteed.

Accordingly, the enlarged supervision of the trustee sector by the FMA and the restructuring of disciplinary processes, as well as the ongoing compliance with the conditions for granting a licence constitute the core issues of the revision published in LGBl. 2013 no. 421. In addition, various reporting obligations were introduced and an extrajudicial arbitration board was created.

Creation of Law concerning the Supervision of Persons pursuant to Art. 180a PCA

The objective of the proposed legislation was the creation of a comprehensive system of supervision of persons pursuant to Art. 180a PCA. Whilst the persons defined in Art. 180 par. 1 PCA concerning the provisions of the Professional Trustees Act are monitored and controlled, until the present there was no explicit legal basis in place for the monitoring of persons as foreseen by Art. 180a par. 2 PCA (individuals employed by an individual or an entity licensed to carry on the business of trustee). This new law concerning the supervision of persons pursuant to Art. 180a PCA harmonises the rules for monitoring in that it subjects to supervision all persons not covered by the Professional Trustees Act as inspired by existing rules of supervision. The aim thereof is to ensure the professional competence and personal integrity of individuals with corresponding power of authority together with the imposition of penalties in cases of violations of the law.

FMA Directive 2013/1 concerning the Risk-Based Approach

In March 2013, the FMA published Directive 2013/1 regarding the risk-based approach, which sets out a summary of the FMA's practices and interpretations. The risk-based approach means that more rigorous due-diligence procedures are to be applied in the event of increased risk. This directive and the concept of a risk-based approach described therein, is designed to ensure that the measures taken in the area of combating money laundering and the financing of terrorism are in correlation with the risks observed. The directive makes reference to the subjects of risk criteria, contents of business profiles, requirements for monitoring business profiles and complex structures and transactions, as well as monitoring obligations for countries which do not apply the recommendations of the FATF at all or only to an insufficient degree. It should be mentioned that since 2013, appendix 2 of the Ordinance on Due Diligence (DDO) also includes those countries that showed strategic shortcomings in terms of combating money laundering and the financing of terrorism, and those from which ongoing and substantial risks emanate.

International tax agreements

In its Declaration of 12 March 2009, Liechtenstein committed to implementing the OECD standard on transparency and the exchange of information in tax matters. Since then, Liechtenstein has concluded an array of international tax treaties, including agreements on the avoidance of double taxation (DTA) as well as agreements on the exchange of information in tax matters (TIEA) conforming to the OECD model.

This includes for instance the Agreement on the Exchange of Information in Tax Matters with Canada dated 31 January 2013, with India dated 28 March 2013, with Mexico dated 20 April 2013 and in particular the DTA signed on 17 November 2011 with the Federal Republic of Germany, which implements the international standards on the exchange of information as well on assistance in the enforcement of legal judgments and, at the same time, takes account in a comprehensive manner of the close economic relations between both countries. This DTA entered into force on 19 December 2012.

In addition, Liechtenstein seeks to revise the partial agreement between the Principality and the Swiss Confederation concerning various taxation questions and to agree upon a DTA based upon the OECD model. Initial negotiations on this matter between Liechtenstein and Switzerland began in the autumn of 2013.

Furthermore, on 29 January 2013, Liechtenstein signed an agreement with Austria on cooperation in the field of taxation as well as a protocol on the modification of the existing agreement on the avoidance of double taxation (DTA). As a result of the revision of the DTA, OECD standards in particular in the field of the exchange of information are to be implemented. The purpose of the taxation agreement is to raise tax on the untaxed assets of individuals resident in Austria which have been booked, directly or indirectly, with a Liechtenstein bank, as well as ensuring the future taxation of income from capital on accounts / deposit accounts which are held with a Liechtenstein bank. The taxation agreement offers clients the choice between a lump-sum, anonymous tax deduction on all existing untaxed assets for the past and in future on income and gains from capital or, as an alternative, the disclosure of their banking relationships to the Tax Authorities with appropriate consent (voluntary notification) both for the past and future. The taxation agreement as well as the protocol on the modification of the DTA have been ratified in Liechtenstein and entered into force on 1 January 2014.

Automatic Exchange of Information and Multilateral Convention on Administrative Assistance

On 14 November 2013, Liechtenstein issued a government statement on cooperation in tax matters and on the automatic exchange of information. In this statement, Liechtenstein committed itself to contributing actively to the development of international standards on the exchange of information, in addition to signing the Multilateral Convention of the Organisation of Economic Cooperation and Development (OECD) and of the Council of Europe on Mutual Administrative Assistance in Tax Matters. Liechtenstein declares itself prepared to negotiate bilateral agreements on the automatic exchange of tax information on the basis of the future OECD standard, whilst taking account the respective justified interests of all states possessing the basis for this transparent approach. In this respect, Liechtenstein particularly directs its attention to the G5 countries Germany, the UK, France, Italy and Spain.

In this respect, the Government of the Principality of Liechtenstein pursues a comprehensive approach encompassing the models which ensure tax compliance both for the past and the future as well as agreements for the avoidance of double taxation and discrimination. The focus of attention is on the long-term and trusted relationship of trust with financial-centre clients and their right to personal data protection as well as to appropriate procedures to determine their rights and obligations in tax matters. In this manner, Liechtenstein strengthens legal certainty for the clients of the financial centre and offers them a clear vision. At the same time, with a future-oriented strategy, Liechtenstein enhances its international position as a sustainable financial centre and reliable and trustworthy partner.

In accordance with the government statement on 21 November 2013, Liechtenstein signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in Jakarta which will provide the basis for the future automatic exchange of information. Over 60 countries, including Switzerland, Austria and Luxembourg have signed the agreement, and in some 30 countries it is already in force. Its modular system provides for multiple forms of cooperation in the field of taxation, including an exchange of information upon request and a spontaneous exchange of information under certain conditions. The automatic exchange of information is also listed in the Convention as a future option.

Guideline of the Bankers' Association on Tax Compliance

With the Guideline dated 1 September 2013, Liechtenstein banks have committed themselves to uniform minimum standards for due-diligence which their clients have to meet regarding compliance with tax laws. These are to be followed prior to the commencement of a client relationship and acceptance of new assets using a risk-based approach, and further clarifications are required in the event that there is an increased risk of non-compliant tax behaviour. The Guideline lists by way of example various factors which either increase or diminish risk which banks are to take into account. Should the clarifications not lead to a plausible result, banks shall decline to enter into banking relationships and accept assets from these particular clients.

The Guideline also contains restrictions in the case of cash transactions. As cash transactions have enormous potential in promoting tax avoidance, tax fraud or other tax offences, the provisions regarding cash payments have been tightened across the board. Thus, cash payments with a counter-value exceeding CHF 100,000, inter alia, are only allowed whenever it appears plausible that no tax offence has thereby been committed or carried on. In addition, banks are obligated to provide for special control mechanisms for such cash payments in their internal operating procedures/business rules.

Group Enquiries as per Art. 26 OECD Model Tax Convention

On 18 July 2012, the OECD adopted a new standard pertaining to the exchange of information pursuant to Art. 26 of the OECD Model Tax Convention and published it in its commentary on the Model Convention. Under the new standard, enquiries made within the framework of a DTA would no longer be limited to individual cases but also include so-called group enquiries. The definition of a "group" in this regard is not based on pre-established terminological characteristics but instead on sample cases that the OECD has compiled and which could be an indication of non-compliant tax behaviour. In future, the new standard will be observed also by Liechtenstein within the scope of existing DTAs in accordance with the OECD standard and after adoption in the national law on administrative tax assistance.

Revision of the Tax Law

On 18 September 2013, the Government of Liechtenstein resolved to adopt the consultative report concerning the amendment of the Tax Law. In the consultative report, the Government proposed the following measures to increase tax revenues.

Concerning taxes on net worth and personal income:
- Adjustment of the tax rate in the lower and middle range as well as the introduction of an additional tax rate (8%)
- Adjustment of the tax rate applicable to dedications of assets
- Limitation on the use of tax loss carry-forwards to a maximum of 70% of taxable income in the case of self-employed individuals

Concerning taxes on corporate income:
- Uncoupling of target income and equity capital interest deduction
- No generation of tax loss carry-forwards as a result of equity capital interest deduction
- Limitation on use of tax loss carry-forwards to a maximum of 70% of taxable net income
- Raising of the minimum tax payable on income and on capital pursuant to Art. 83 and Art. 84 of the old Tax Law to CHF 1,800

With its Report and Petition no. 139/2012 and 5/2013, the Government of Liechtenstein approved all proposed amendments, with the exception of the uncoupling of target income from the equity capital interest deduction as well as the increase in the minimum tax on corporate income. The latter are the object of a draft amendment issued for consultation purposes dated 4 December 2013.

In addition, in its Report and Petition no. 89/2013 dated 22 October 2013, the Government has proposed a second tax amnesty which is due to be available to Liechtenstein clients with undeclared assets during the period from 1 January 2014 to 31 December 2014. During the initial debate, reservations were expressed particularly about a further amnesty. With its Report and Petition no. 5/2014 of 28 January 2014 and with the aim of avoiding an accumulation of amnesties, the Government has proposed the introduction of a one-time non-punishable voluntary disclosure along the lines of the Swiss model. Whoever during this period reports, for the first time subsequent to 1 January 2011 and on his/her own initiative, a punishable offence committed by him/her pursuant to the provisions of the Tax Law, without being constrained to do so because of the imminent danger of being discovered, has only to pay the supplementary tax together with interest on arrears for the preceding five years. Neither fines nor surcharges as foreseen under Art. 142 of the Tax Law will be levied. During a transitional period until the end of 2014, individuals who are subject to taxes on net worth and personal income will benefit from a simplified procedure for the supplementary declaration. Upon application, the supplementary tax to be levied will be calculated by applying a lump-sum tax rate to all undeclared assets as 1 January 2013. This lump-sum tax rate is 2.5% plus the municipal tax rate. In the event that a taxpayer makes a further voluntary disclosure, a fine equal to one fifth of tax evaded will be imposed. These modifications were adopted by the Parliament of Liechtenstein on 13 March 2014. They take effect retroactively as of 1 January 2014.

Crossborder Transactions

The legal and reputational risks inherent in crossborder financial services have increased noticeably in recent years. The supervisory authorities of various countries expect from banks that the latter respect and comply with foreign law in the execution of crossborder activities (cf. for instance the position paper of the Swiss Federal Financial-Market Supervisory Authority FINMA of 22 October 2010 regarding the risks in crossborder financial service business).

Banks are to amend their business processes and service models for crossborder transactions in such a manner as to ensure a cultivation of the market in conformity with laws abroad. This requires a comprehensive analysis of legal and reputational risks which may result from crossborder business. Should risks be identified, the banks are to take appropriate measures to minimise them. Furthermore, banks are to issue appropriate internal rules with a view to the increased demands of the supervisory law, the observance of which is to be controlled strictly and any violations thereof sanctioned. In addition, employees entrusted with undertaking crossborder business are to be trained in depth regarding the foreign supervisory law in the markets which are targeted.

VP Bank Group has implemented these regulatory directives regarding crossborder business in all locations in which its banks are situated.

Implementation of the Moneyval package of measures

With the 2009 revision of the Due Diligence Act (DDA) in connection with the adoption of the 3rd EU Money Laundering Directive, the lion's share of the International Monetary Fund (IMF) assessments from 2007 had already been implemented. The remaining recommendations form an integral part of the present revision, which includes the DDA, its related ordinance (Due Diligence Ordinance, DDO) and the Criminal Proceedings Ordinance (CPO).

The major points of this revision are:

- regulating the heightened due diligence obligations in connection with transactions and business relationships with persons in or from countries in which due diligence measures do not meet international standards, as well as especially complex transactions and structures;
- rounding out the list of sanctionable offences and decriminalising a number of due diligence violations by making them merely infractions, in order to ensure the completeness of the sanctioning system and its gradation according to the severity of the given breach;
- aligning the threshold values prescribed in DDA for fulfilling due diligence obligations in the handling of occasional transactions to the valid FATF standard by reducing the limit amounts from CHF 25,000 to CHF 15,000;
- specifying more precisely the Group-wide application of the legal due diligence standards and the prohibition of notification; and
- supplementing the definition "politically exposed person" as per Art. 2 Par. 1 lit. a DDO with the term "important party functionaries", as well as referring, in Art. 23 par. 1 lit. g DDO, to the qualification of a previously politically exposed person within the context of Art. 2 Par. 1 lit. h DDO as a criterion for business relationships and transactions with heightened risks.

This revision, which is based on Report and Petition no. 77/2012, entered into force on 1 February 2013.

Moneyval Assessment 2013

Moneyval, the Expert Commission of the Council of Europe for the evaluation of measures to combat money laundering and the financing of terrorism, visited Liechtenstein in 2013 as part of the 4th evaluation round and conducted an assessment of the financial centre, the legal foundations for the standards in the area of combating money laundering and the financing of terrorism and the implementation of these measures. Moneyval periodically assesses compliance with all relevant international standards in the area of combating money laundering and the financing of terrorism by member states and aims to ensure an effective system in the area of combating money laundering and the financing of terrorism in the member states.

As no report has yet been published, no country rating for Liechtenstein and/or related recommendations are yet available. The publication of the final report is to be expected around May 2014.

Markets in Financial Instruments Directive; MiFID II

The European Commission proposed in October 2011 that the Markets in Financial Instruments Directive (MiFID, Directive 2004/39/EC of 21 April 2004) be revised to allow for more extensive regulation of the financial markets and securities-related services. The proposal underscored the need to improve the transparency and supervision of less regulated markets and address the problem of excessive price volatility in the commodity derivative markets. Such broader regulation has the purpose of making the financial markets more efficient, resilient and transparent, as well as reinforcing investor protection. This fundamental reworking of the original Directive is referred to as MiFID II.

Based on current knowledge, the following new features are planned:

- Broader scope of applicability: The new rules should also apply to the mere safekeeping and administration of financial instruments on behalf of clients. Moreover, issue certificates and organised trading systems should be included in the broader scope of applicability, and the previous exemptions from being subject to MiFID are to be drastically limited.
- The requirements for the admission of securities firms from third-party countries (e.g. Switzerland) within the EC/EEA will be partially harmonised: an EC passport will be introduced for securities firms from third-party countries which provide crossborder services within the scope of the MiFID. Insofar as the EC Commission recognises the regulations and supervision of a third-party state as being equivalent to that of the EU, financial institutions from this state, after registration with the European Securities and Market Supervision Authority (ESMA), may service professional investors on an EC-wide basis. The national registering currently in force can still be applied during a transitional period of three years from the date of the "equivalence" decision.
  As regards the crossborder solicitation of private clients, it would appear at present that the currently discussed requirement to establish a branch within the EC/EEA will be waived and the regulation regarding market access for third-party countries will continue to be handled at a national level. Insofar as an EC/EEA member state links crossborder activities of financial institutions with private clients to the establishment of a branch, harmonised EC rules for this are to be complied with.
- Reinforced investor protection: Stricter requirements will be placed on asset management, investment advisory services and the offering of complex financial products such as structured products. Investment advisors and asset managers are to avoid conflicts of interest. The former must disclose whether they provide their services independently or whether they have a contractual relationship with third parties and, where applicable, disclose whether and to what extent they receive payments or other financial benefits (retrocessions) from third parties. For independent investment advisors, MiFID II foresees a general ban on retrocessions of all types. Furthermore, the provisions relating to the suitability and expedience of financial transactions for clients, as well as to the obligation to execute investment trades for the client on a best possible or most favourable basis, are to be broadened. In order to be deemed an independent investment advisor, the advisor must take into consideration a sufficiently broad array of financial instruments available in the market (diversified in terms of product type and issuer) when developing investment recommendations – in particular, the selection may not be limited to solely financial instruments from issuers or product providers with which the advisor has close ties.
- Independent investment advisors and asset managers must ensure that the compensation paid to their employees is structured in such a manner that no conflicts of interest can thereby arise in relation to the advice which is provided in the best interest of the client.
- Heightened transparency in the financial markets: The transparency rules already applicable to equity shares are to be extended to include other financial instruments, and the requirements for reporting financial transactions are to be increased. Apart from the national supervisory authorities, the EU financial market supervisors should also be empowered to forbid or limit trading in certain financial instruments.
- Lastly, the stipulation of far-reaching corporate governance rules is planned, and minimum requirements are to be placed on administrative sanctions.

The legislative process at EU level is not yet completed. At present, the points still being disputed are in particular the determination of the EU market access for third-party states (e.g. Switzerland) as well as the specific model concerning retrocessions. Presently, it can be assumed that MiFID II will be adopted in early 2014 and implemented in EEA member states by 2016.

Tax Offenses as Predicate Offence to Money Laundering

On 16 February 2012, the Financial Action Task Force (FATF) issued its revised recommendations for combating money laundering, the financing of terrorism and the proliferation of weapons of mass destruction. The revised recommendations provide for, amongst other changes, an extension of the list of predicate offences to also include severe tax offences. Going forward, this means that banks, insurers and other financial intermediaries will have to notify the national money-laundering reporting office – in Liechtenstein, the Financial Intelligence Unit (FIU) – if they become aware of any suspicious facts in this regard. Under certain circumstances, the latter will be obliged to forward the information to foreign reporting offices.

In response to the new FATF recommendations, the European Commission announced that the EU legal framework is to be updated without delay and the necessary changes are to be made.

However, although the draft of the 4th EU Money Laundering Directive was published in February 2013, it has yet to be definitively adopted. In Liechtenstein, the government, FMA, Bankers Association and FIU are following the developments closely to determine whether and in which form any need for action exists on the part of the financial centre.

Creation of a new AIFM law

For the purpose of transposing Directive 2011/61/EU on the Regulation of Alternative Investment Fund Managers (AIFM Directive) into national law, the new Act on Alternative Investment Fund Managers (AIFMA), together with the related Implementing Ordinance (AIFMO) entered into force on 22 July 2013. For the time being, the previous law IUA will continue in force parallel thereto as Liechtenstein has not yet received the EU passport for alternative investment funds (AIF) (particularly as the transposition of the AIFM directive into EEA legislation has not yet taken place).

With the new AIFMA, Liechtenstein is moving into uncharted territory. Until now (with the exception of "UCITS funds"), all other investment funds were subject to national and therefore independent regulation (in the Principality of Liechtenstein, in keeping with the IUA). With the AIFM Directive, the EU wishes to take account of recent developments and current circumstances in the financial markets. It is establishing a legal and supervisory framework for alternative investment funds (AIFs) which are not subject to the UCITS Directive and which take on considerable risks.

In return, AIFs should also enjoy the benefits of the EU passport under the terms of this Directive; in other words, alternative investment funds may then be distributed throughout the EEA upon simple notification of the competent authorities.

The Liechtenstein AIFMA will bring an array of significant changes to the business with alternative investment funds and the future introduction of the EU passport, which should, on the one hand, increase competition while lowering costs and, on the other hand, contribute to ensuring the stability of the financial system. Thanks to the AIFM's stricter disclosure and reporting obligations vis-à-vis investors and supervisors, as well as the organisational requirements the AIFMs must fulfil, even more effective and uniform investor protection should be ensured. The activities and responsibilities of custodian institutions will be comprehensively regulated, whereby in principle no longer just one bank need be the custodian. Whilst simultaneously ensuring a high degree of investor protection, this new constellation will enable Liechtenstein AIFMs and AIFs to be active or launched and marketed within the EEA and as well as beyond in a cross-border manner (EU passport). At the same time, the risks to the financial market should be mitigated through notification and reporting requirements as well as the close cooperation between the supervisory authorities in the crossborder distribution of these funds.

With this new law and with UCITSA, which has been in force since 1 August 2011, the Liechtenstein investment fund centre should become even more attractive to Organisations for Collective Investments in Securities (investment funds) as well as alternative investment funds (AIFs, e.g. private equity funds, hedge funds, real estate funds, etc.) and especially foreign fund initiators and their managers. This will ensure a sustainable growth of the financial centre in general an the investment fund business in particular. Hence, this proposed law represents a tremendous opportunity for promoting the Liechtenstein investment fund centre.

Instructions issued by the Staff Office of the Financial Intelligence Unit (FIU)

In the presence of the following circumstances, Liechtenstein banks, amongst other things, must send the following notifications and/or applications to the staff office of the Financial Intelligence Unit (FIU) on the basis of the above-mentioned legal rules:

- In case of suspicion of money laundering, a predicate offence to money laundering, organised crime or the financing of terrorism (pursuant to Art. 17 Par. 1 of the Liechtenstein Due-Diligence Act (DDA);
- If they suspect that a trade in financial instruments could constitute market abuse (insider trade or market manipulation) (pursuant to Art. 6 Par. 1 of the Liechtenstein Market Abuse Act (MAA); and
- Whenever sanctioning ordinances issued pursuant to Art. 2 Par. 2 on the Liechtenstein Law on the Enforcement of International Sanctions (ISA) foresee a corresponding reporting or licensing requirement.

On 1 April 2013, the FIU put into effect instructions regarding such notifications and applications which explain or clarify the previous practices and thus are designed to serve as a guide for fulfilling the aforementioned legal notification and licensing obligations. In addition, and in conjunction with the banks, the FIU has revamped and simplified the form to be used by banks to make suspicious activity reports in compliance with the DDA and MAA. Both the instructions and the revised form are published on the home page of the FIU (www.liu.li under "Communications").

US tax legislation: Foreign Account Tax Compliance Act (FATCA)

With the Foreign Account Tax Compliance Act (FATCA), the USA adopted and issued a law whose objective is to obligate, by way of contract, foreign financial institutions (FFIs) to identify those clients of theirs who are liable to tax in the USA and disclose those clients' assets and income to the US tax authorities (Internal Revenue Service, IRS).

These disclosure and reporting obligations resulting from FATCA are assured principally through bilateral agreements between the USA and the target state, which at the same time represent, together with related national implementing legislation, the legal basis for the aforementioned obligations. At present, two different models are employed worldwide which are designated as intergovernmental agreements (IGA). Both models differ in principle in that under IGA-1, the FFIs discharge their reporting obligations to the respective national tax authority which then passes on the data to the IRS, whereas under IGA-2, the reporting obligations are discharged directly to the IRS. Liechtenstein has opted for IGA-1, whereas Switzerland has taken the path of IGA-2.

The USA is attempting in this way to introduce a seamless system for the global exchange of information on individuals who are liable to pay tax in the US (US persons), as well as attaining a high degree of tax transparency. To ensure this, the law provides for the introduction of a 30 per cent withholding tax on all US payment flows (dividends, interest, proceeds from sales of US securities, etc.). The levying of this tax is waived, however, insofar as the related financial institutions fulfil their obligations resulting from FATCA, the IGA and the respective national legislation. In order to attain the status of a so-called participating FFI/PFFI under the FATCA regime, the FFI must register with the IRS in order to receive a Global Intermediary Identification Number (GIIN).

With this GIIN, which is published in a central IRS register, the PFFI identifies itself in future business transactions as participating in FATCA, thereby avoiding in particular the requirement to withhold 30% withholding tax on all US incoming payment flows.

The GIIN is further required to meet the reporting obligations under the FATCA regime (FATCA reporting) and to complete and submit in an orderly manner the necessary US reporting forms (e.g. forms 8966/1042/1042-S). FATCA reporting is made annually and, based on present knowledge, will commence with the calendar year 2014 as reporting period, so that the first FATCA reporting will be made in 2015 for the 2014 reporting year.

A PFFI must review and, in doing so, document all accounts that are held directly or indirectly by US persons. The economic beneficial owner of the account must also be included in this review in addition to the account holder.

Three client categories will result from this examination:

1. US accounts: these refer to those client relationships with US persons that have already been disclosed as such under the Qualified Intermediary (QI) rules or can be clearly classified as US persons (US citizenship, US residence) on the basis of data available to the PFFI, or who qualify as US persons on the basis of hardly refutable US indices (for all intents and purposes) (e.g. place of birth in the USA).
2. Non-US accounts: these are client relationships with persons who, on the basis of the review, are not designated as US persons and thus not liable to taxation in the USA. In addition, accounts (including those which would qualify as US accounts) with a balance of less than USD 50,000 (so-called small accounts) also qualify as non-US accounts.
3. Recalcitrant accounts: these refer to relationships with clients who are classified as US accounts on the basis of the available facts or indices but for which the account holder/contracting party has not submitted the required documents. For these client relationships, either a 30 per cent withholding tax is levied on practically all transactions with US assets or the PPI shall issue a related collective notification to the IRS on the basis of which a group inquiry can be made to the country of domicile of the FPPI by the US authorities. On the basis of this group inquiry, the related client data can thus be passed on the US authorities in accordance with the applicable IGA and corresponding national implementing legislation.

FATCA therefore has a considerably broader reach than the QI regime which is still in force. The latter mainly focuses on ensuring that US securities are correctly taxed. FATCA, on the other hand, demands from a participating FFI that it identifies its US clients and discloses their total assets and income to the IRS. Affected by this are not only individuals but also companies and other structures, for example foundations and establishments.

VP Bank Group plans to register as a PFFI. This way, it can above all maintain the status quo for its non-US client relationships and avoid being penalised with the 30% US withholding tax charged by other PFFIs. For VP Bank Group, it is important to note that, should it collaborate with uncooperative FFIs, it would face the risk of losing its own status as a PFFI.

The implementing provisions of FATCA are still not available in a complete manner (although the so-called final regulations were published on 17 January 2013); however, several countries have already declared their desire to conclude bilateral agreements (IGA) which would imply a simplified implementation of the FATCA provisions.

As already mentioned, based upon current knowledge, the Government of the Principality of Liechtenstein intends to conclude an IGA with the USA following model 1. A specific date on which the IGA and the related implementing legislation to be drawn up will enter into effect is not yet known. Furthermore, numerous questions still need to be clarified in the meantime.

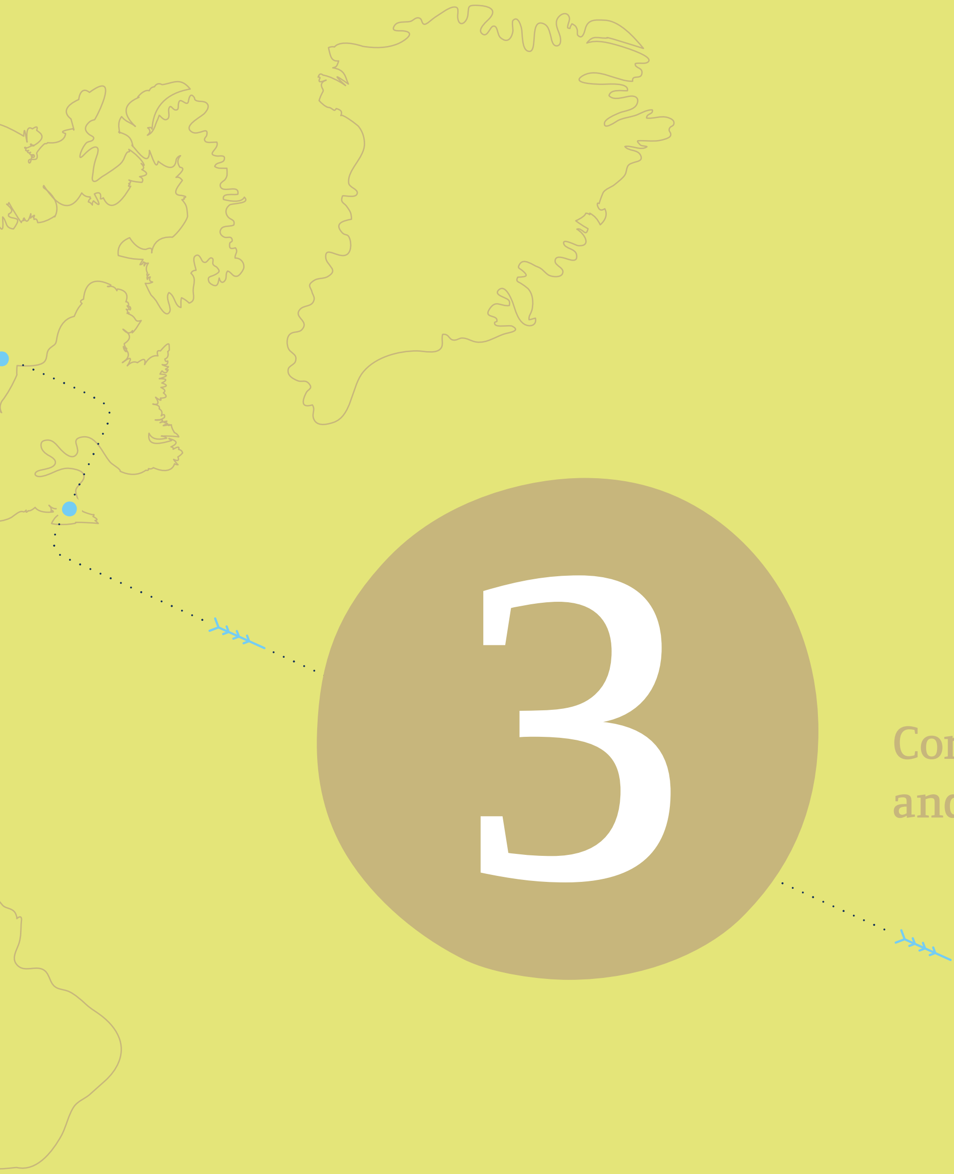
Important links to legislation and the Liechtenstein financial centre

FMA, Financial Market Authority Liechtenstein	www.fma-li.li
Body of Liechtenstein law	www.gesetze.li
Official web portal of the Principality of Liechtenstein	www.liechtenstein.li
Government of the Principality of Liechtenstein	www.regierung.li
Staff Office for International Financial Centre Agendas (SIFA)	www.sifa.llv.li
Parliament of the Principality of Liechtenstein	www.landtag.li
Liechtenstein Bankers Association	www.bankenverband.li
Liechtenstein Investment Fund Association	www.lafv.li
Liechtenstein Association of Professional Trustees	www.thv.li
Liechtenstein Association of Auditors	www.wpv.li
Liechtenstein Chamber of Industry and Commerce	www.lihk.li
Liechtenstein Economics Chamber	www.wirtschaftskammer.li
Liechtenstein Insurance Association	www.versicherungsverband.li
Association of Independent Asset Managers	www.vuvl.li
Association of Non-Profit Foundations in Liechtenstein	www.vlgs.li

Openness means broadening your horizons.

VP Bank's horizons stretch to all corners of the globe. Whatever language you speak – we understand your needs. Because a good network provides a wealth of resources.

Safely ahead.



3

Corporate governance and compensation report

Corporate governance 2013

Corporate governance is the manner in which an enterprise is managed and controlled. VP Bank Group strives to conduct exemplary corporate governance in a way that clearly defines and appropriately allocates the roles, competencies and areas of responsibility of the company's leadership and supervisory bodies. This applies in particular to the operational management as well as to the Board of Directors and its committees. It is also the objective of good corporate governance to avoid conflicts of interest between the individual stakeholder groups. This requires a high degree of transparency, because even the best internal structures cannot foster trust unless they are communicated to the outside world. It is VP Bank Group's desire to offer its stakeholders insight into its decision-making and control processes. Thus for years now, it has voluntarily disclosed information on the Group's strategic orientation and its relationships with those stakeholders.

This report describes the basic principles underlying the corporate governance of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, as required by the revised "Directive on Information Relating to Corporate Governance" (DCG) of SIX Swiss Exchange dated 29 October 2008, as well as the relevant laws of Liechtenstein.

The regulations of SIX Swiss Exchange stipulate that companies whose shares are listed on the Exchange but not in their own home countries must apply the provisions of Art. 663b^{bis} CO by analogy. The relevant details are shown in Section 5.2 (see page 78) as well as in the notes to the annual financial statements (see pages 176 f.).

Unless otherwise indicated, all corporate governance disclosures herein are valid as at 31 December 2013.

1. Group structure and shareholder base

1.1 Group structure

1.1.1 Description of the Group's operating structure

Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (hereinafter referred to as VP Bank Group), is a joint-stock company constituted in accordance with Liechtenstein law. It is the parent company of VP Bank Group. The organisational chart on page 20 shows the Group's operating structure and reflects the organisation by segment of VP Bank Group.

The subsidiary companies and material shareholdings included in the scope of consolidation are listed in the financial report (see page 150), together with their names, registered offices, share capital and percentage of share capital held.

Group Executive Management bears responsibility for the operative management of VP Bank Group. In principle, the members of Group Executive Management are represented on the boards of directors of the consolidated companies. As a general rule, either the Chief Executive Officer or another member of the Group Executive Management acts as Board Chairman of the given subsidiary company. The parent bank is managed by its own Executive Board, which comprises Group Executive Management and further Executive Board members.

1.1.2 Listed companies included in the scope of consolidation

The bearer shares of VP Bank Group, Vaduz, are listed on the SIX Swiss Exchange; the registered shares of the company are not listed.

	ISIN	Security number	Year-end closing price in CHF	Market value in CHF million
Registered shares (unlisted)	LI0010737596	1.073.759	8.50	51
Bearer shares (listed)	LI0010737216	1.073.721	97.50	518[1]
Total (market capitalisation of the bearer shares plus market value of the registered shares)				**569**

[1] Market capitalisation of the listed bearer shares as at 31 December 2013

No other listed companies are included in the scope of consolidation.

1.2 Significant shareholders

As at 31 December 2013, the following shareholders declared that they own more than 10 per cent of the share capital of VP Bank Group or exercise more than 5 per cent of the voting rights.

Shareholders	Registered shares	Bearer shares	Voting rights	Voting rights as % of total	Ownership of total share capital
Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz	4,452,447	1,026,406	5,478,853	48.4%	24.9%
U.M.M. Hilti-Stiftung, Schaan	658,370	540,708	1,199,078	10.6%	10.3%
Ethenea Independent Investors S.A., Luxembourg	0	835,500	835,500	7.4%	14.1%

During the period under review, no further disclosure notifications were received within the meaning of Art. 25 of the Liechtenstein Law Governing the Disclosure of Information Relating to Issuers of Securities and of Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading. There are no binding shareholder agreements in place.

1.3 Cross-shareholdings

VP Bank Group has not entered into any cross-shareholdings with other companies involving share capital or voting rights.

2. Capital structure

2.1 Capital

The share capital of VP Bank Group amounts to CHF 59,147,637 and is divided into 6,004,167 fully paid-up registered shares with a par value of CHF 1.00 each, as well as 5,314,347 bearer shares with a par value of CHF 10 each (see financial report, page 143).

	Number	Balance as at 31/12/2013 Share capital in CHF
Registered shares	6,004,167	6,004,167
Bearer shares	5,314,347	53,143,470
Total	**11,318,514**	**59,147,637**

2.2 Authorised and conditional capital

VP Bank Group has neither authorised nor conditional capital pending.

2.3 Changes in capital

The share capital of VP Bank Group has not changed during the past three years. Total shareholders' equity of VP Bank Group for the past three financial years (as at the respective balance-sheet date) has developed as follows:

in CHF 1,000	31/12/2013	31/12/2012	31/12/2011
Share capital	59,148	59,148	59,148
Legal reserves	239,800	239,800	239,800
Other reserves	344,089	343,791	357,622
Provisions for general banking risks	63,150	63,150	63,150
Retained earnings	55,893	29,479	16,464
Total	**762,080**	**735,368**	**736,184**

2.4 Shares and participation certificates

The bearer shares of VP Bank Group are freely tradable on SIX Swiss Exchange. The registered shares 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 Incorporation. Each registered share (par value of CHF 1.00) and each bearer share (par value of CHF 10.00) grants the holder the right to one vote at the annual general meeting of VP Bank Group, irrespective of the par value of the share.

VP Bank Group has not issued any participation certificates.

2.5 Profit-sharing certificates

VP Bank Group has issued no profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

The recording and transfer of registered shares is regulated in detail in Art. 7 of the Articles of Incorporation[1]. Only those shareholders entered into the share register are allowed to exercise membership rights vis-à-vis the company. The Board of Directors may refuse entry into the share register for compelling reasons.

2.7 Convertible bonds and warrants/options

VP Bank Group has issued neither convertible bonds nor warrants/options based on its shares.

3. Board of Directors

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

Liechtenstein law 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 Group 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 Group consists of six members. With the exception of the Chairman, no other member belonged to Group Executive Management, the Executive Board of VP Bank Group or the Management of any Group company during the past three financial years.

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

[1] The Articles of Incorporation can be accessed via the Internet at: www.vpbank.com (→ Investors & Media → Publications → Regulations).

The following table provides information on the names, ages, functions, joining dates and remaining terms of office of the Board members:

Name	Year of birth	Function	Joined Board of Directors in	Elected until AGM in
Fredy Vogt	1958	Chairman[1,4]	2012	2015
Dr iur. Guido Meier	1948	Vice Chairman[2]	1989	2016
Prof. Dr Teodoro D. Cocca	1972	Board Member[2]	2011	2014
Walo Frischknecht	1946	Board Member[3]	2002	2014
Lic. oec. Markus Thomas Hilti	1951	Board Member[2]	1992	2016
Dr iur. Daniel H. Sigg	1956	Board Member[4]	2008	2014

[1] Chairman of the Nomination & Compensation Committee
[2] Member of the Nomination & Compensation Committee
[3] Chairman of the Audit & Risk Management Committee
[4] Member of the Audit & Risk Management Committee

Fredy Vogt (born 11 September 1958; citizen of Liechtenstein) has been Chairman of the Board since April 2012. He is also the Chairman of the Nomination & Compensation Committee and a member of the Audit & Risk Management Committee of VP Bank Group. Until 2012, Fredy Vogt was the Chief Financial Officer of VP Bank Group and a member of Group Executive Management.

- **Educational background:** Swiss Certified Expert in Accounting and Controlling (1984); Swiss Certified Public Accountant (1988); since 1989, individual continuing education studies focused on controlling, international accounting, taxes, operational bookkeeping and management accounting, risk management, employee/corporate leadership and coaching.
- **Professional background:** Liechtensteinische Landesbank, Vaduz; 1983 to 1987, lead auditor at AREVA AG, Vaduz; 1987, joined VP Bank Group as Deputy Head of Internal Audit; 1990 as Head of Controlling; 1996 as Group Executive Management member (responsible for finance, corporate clients and intermediaries, trading, real estate and security); from 2003 to 2012, CFO. In addition, he also acted as CEO ad interim from 25 August 2009 to 31 March 2010.
- **Other directorships/mandates:** Chairman of the Board of Directors of VPB Finanz Holding AG, Zurich.
- **Other activities and vested interests:** member of the Board of Trustees of Privatbank-Personalstiftung, of the VP Bank Foundation and of the VP Bank Art Foundation; member of the Executive Board of the Liechtenstein Chamber of Commerce and Industry (LCCI).

Dr iur. Guido Meier (born 8 January 1948; citizen of Liechtenstein) is Vice-Chairman of the Board of Directors and a member of the Nomination & Compensation Committee of VP Bank Group.

- **Educational background:** Law Studies at the University of Basle; graduated with a doctorate degree in 1977; admission to the bar in 1979.
- **Professional background:** Chairman of the Council of Trustees of Allgemeines Treuunternehmen (ATU), Vaduz; partner at Meier & Kieber Attorneys-at-Law, Vaduz.
- **Other directorships/mandates:** none.
- **Other activities and vested interests:** 1985 to 1993, part-time judge at the Liechtenstein Constitutional Court; 1993 to 1997, Member of Parliament; since 1986, Chairman of the Liechtenstein Institute; since 2008, Chairman of the Council of Trustees of Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz (see Point 1.2).

From left to right: Lic. oec. Markus Thomas Hilti, Walo Frischknecht,
Dr iur. Guido Meier, Fredy Vogt, Prof. Dr Teodoro D. Cocca, Dr iur. Daniel H. Sigg

Prof. Dr Teodoro D. Cocca (born 25 July 1972; Swiss citizen) is a member of the Nomination & Compensation Committee.

- **Educational background:** undergraduate and graduate studies in Economics at the University of Zurich; Dr oec. degree (2001).
- **Professional background:** 2001 to 2006, Senior Assistant and Senior Researcher at the Swiss Banking Institute of the University of Zurich; 2003 to 2004, research activities with Prof. Ingo Walter at the Stern School of Business, New York/USA; 2005, appointment to professorship in Business Administration, with focus on asset management, at Johannes Kepler University in Linz; since 2006, Professor for Asset Management at Johannes Kepler University in Linz; since 2010, Adjunct Professor at the Swiss Finance Institute in Zurich; 2011 to 2013, Dean of the Social and Economic Sciences Faculty of Johannes Kepler University in Linz.
- **Other directorships/mandates:** Vice Chairman of the board of Geneva Group International, Zurich.
- **Other activities and vested interests:** member of the Research Institute for Banking and Finance, Johannes Kepler University Linz; member of the investment committees of various Austrian investment funds; chairman of the annual European Private Banking Summit, Zurich; proprietor of Cocca Asset Management KG, Weisskirchen an der Traun.

Walo Frischknecht (born 7 October 1946; Swiss citizen) is Chairman of the Audit & Risk Management Committee of VP Bank Group.

- **Educational background:** diploma in Business Administration KSZ (1976); Swiss Certified Public Accountant (1982); Swiss Certified Expert in Accounting and Controlling (1988); Controller's Diploma of the Controller-Akademie, Gauting, Germany (1991).
- **Professional background:** 1976 to 1983, Price Waterhouse, Zurich, Audit Manager; 1983 to 1986, Revision AG, Zurich, Managing Director and Professional Accountant; 1986 to 1991, Professional Accountant and Head of Accounting and Controlling at Bank Leu AG, Zurich; 1991 to 1995, Group Controller at Leu Holding, Zug; 1996 to 2000, Group Controller at BZ Trust AG, Wilen SZ; 2001 to 2003, Chairman of General Management at BZ Bank AG, Wilen SZ; since 2003, independent management consultant (Walo Frischknecht & Partner GmbH, Lachen).
- **Other directorships/mandates:** Chairman of the Board of Directors of Carpen AG, Zurich; Chairman of the Board of Directors of Fundus Treuhand AG, Zurich; member of the Audit Committee of Banque Algérienne du Commerce Extérieur S.A., Zurich.
- **Other activities and vested interests:** member of the Council of Trustees of Treuhand-Personalstiftung, Vaduz.

Lic. oec. Markus Thomas Hilti (born 3 January 1951; citizen of Liechtenstein) is a member of the Nomination & Compensation Committee of VP Bank Group.

- **Educational background:** 1973 to 1976, studies in Business Administration, majoring in Finance and Accounting, at the University of St. Gallen (formerly Hochschule St. Gallen HSG); graduated as lic. oec. HSG.
- **Professional background:** 1977 to 1980, auditor with Coopers & Lybrand, White Plains, New York; 1981 to 1990, various posts in the fields of finance, product management and sales, as well as member of Senior Management (responsible for product management, procurement, development, quality assurance as well as Head of the Tulsa factory) of Hilti Western Hemisphere, Tulsa.
- **Other directorships/mandates:** none.
- **Other activities and vested interests:** 1990 to 2010, Administrative Trustee of the Martin Hilti Familientreuhänderschaft, Schaan; since 2010, Protector of the Martin Hilti Familientreuhänderschaft, Schaan, as well as a trustee of U.M.M. Hilti-Stiftung, Schaan (see Point 1.2).

Dr iur. Daniel H. Sigg (born 22 September 1956; Swiss citizen, resident of New York) is a member of the Audit & Risk Management Committee.

- **Educational background:** Law Studies at the University of Zurich; Dr iur. degree in 1984.
- **Professional background:** 1984 to 1985, Financial Analyst at Credit Suisse Zurich and New York; 1985 to 1987, activities in the fixed-income area at Credit Suisse First Boston Inc.; 1987 to 1990, Vice President and Head of International Securities Trading and Sales at Swiss American Securities Inc.; 1990 to 1997, member of Senior Management and CFO of BEA Associates; 1997 to 1999, Global Head of Institutional Asset Management at UBS; 2000 to 2005, Chairman of Times Square Capital Management Inc.; since 2006, consultant in the field of financial services at DHS International Advisors LLC.
- **Other directorships/mandates:** Bellevue Group AG, Zurich; Auerbach Grayson & Co., New York; Asset Management BAB N.V., Curaçao.
- **Other activities and vested interests:** Board Member and Treasurer of the Swiss Institute, New York; Board Member of the Resurrection Episcopal Day School, New York.

3.2 Other activities and vested interests

The other activities of the Board members and any relevant vested interests can be found in the biographies shown in Point 3.1.

3.3 Cross-involvement

There are no interlocking directorships between the Board members of VP Bank Group and any other listed companies.

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 Point 3.1. Pursuant to Art. 16 of the Articles of Incorporation, the Board of Directors comprises 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).
From amongst its members, the Board of Directors elects the Chairman and Vice Chairman for a term of three years (re-election is permitted).

3.5 Internal organisation

The internal organisation and work methods of the Board of Directors are set out in the Articles of Incorporation (Art. 17 to 19) and in the Organisation and Business Rules (OBR Sections 2 to 4)[2].
In collaboration with Group Executive Management, the Board of Directors annually verifies the Group's strategy in keeping with the provisions of the Articles of Incorporation and 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 as proposed by Group Executive Management (parent bank and at Group level), on strategically important projects, stand-alone and consolidated financial statements, as well as on important personnel-related issues.

3.5.1 Allocation of tasks within the Board of Directors

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

3.5.2 Composition, tasks and areas of responsibility for each committee

The tasks, competencies, rights and obligations of the Nomination & Compensation Committee and the Audit & Risk Management Committee are laid down in Section 3 of the Organisation and Business Rules (OBR). In addition, the function of the Audit & Risk Management Committee is regulated in detail in a specific set of rules.

[2] The Articles of Incorporation and OBR can be accessed via the Internet at: www.vpbank.com (→ Investors & Media → Publications → Regulations).

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

Nomination & Compensation Committee (formerly Committee of the Board of Directors)
The Nomination & Compensation Committee currently comprises the following members: Fredy Vogt (Chairman), Dr Guido Meier, Markus Thomas Hilti and Prof. Dr Teodoro D. Cocca. Pursuant to Section 3.2 OBR, the Nomination & Compensation Committee is primarily responsible for the following:

- 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 in matters of corporate governance, organisation and the monitoring of business developments;
- defining the criteria for the election of Board members; performing the evaluation and submitting the related proposals to the Board of Directors;
- submitting proposals to the Board of Directors concerning the composition of the Nomination & Compensation Committee and Audit & Risk Management Committee;
- preparing and submitting proposals for the posts of Chief Executive Officer and – in collaboration with the Chief Executive Officer – of the remaining members of the Executive Board;
- submitting proposals to the Board regarding the compensation to be paid to the members of the Executive Board;
- dealing with fundamental issues concerning the human resources policy (e.g. salary and bonus systems, management development, succession planning, staff welfare benefits, etc.) for the attention of the Board of Directors; and
- submitting proposals to the Board with regard to the compensation paid to the Chairman and other members of the Board of Directors.

Audit & Risk Management Committee
The Audit & Risk Management Committee currently comprises Walo Frischknecht (Chairman), Fredy Vogt and Dr Daniel H. Sigg. The Audit & Risk Management Committee assists the Board of Directors in fulfilling the tasks assigned to it under the Banking Act with regard to the overall management, supervision and control of the parent bank and of VP Bank Group. Pursuant to Section 3.3 OBR, the Audit & Risk Management Committee is responsible in particular for the following tasks:

- critically assessing financial reporting (stand-alone and consolidated financial statements, statement of cash flows, interim financial statements, etc.) as well as discussion thereof with the CFO, the Head of Group Internal Audit and representatives of the Group's bank law auditors;
- deciding whether the stand-alone and the consolidated financial statements can be recommended to the Board of Directors for submission to the annual general meeting of shareholders;
- assessing the functional effectiveness of the internal control system, including risk and cash management;
- evaluating the measures taken to ensure compliance with and enforcement of legal and internal regulations;
- judging the quality of the internal and external auditors, as well as the collaboration between the two;
- defining the audit plan of Group Internal Audit, as well as taking note of and discussing the audit planning of the Group and bank law auditors;
- assessing the performance, compensation and independence of the external auditors, especially in terms of the compatibility of their auditing activities with any consulting mandates they may have; and
- submitting proposals to the Board of Directors for the appointment of the Head of Group Internal Audit.

3.5.3 Work methods of the Board of Directors and its committees

At the invitation of the Chairman, the Board of Directors normally convenes eight to ten times per year for ordinary meetings as well as for one strategy meeting in camera. Generally, Board meetings consist of three parts:

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

Specific topics addressed by the Board of Directors and its committees can require that further individuals are called upon to attend (managers of VP Bank Group, representatives of the bank law auditors, as well as internal or external specialists and advisors).

During 2013, the Board of Directors held eight ordinary and five extraordinary meetings. In addition, the Board and Group Executive Management jointly conducted a full-day strategy workshop. With the exception of two meetings, each with one absence, and one meeting with two absences, the Board meetings were held with a full complement of its members.

As a general rule, the Nomination & Compensation Committee convenes six to seven times a year. When the need arises, the CEO takes part in an advisory capacity in the meetings of the Nomination & Compensation Committee. In 2013, the Nomination & Compensation Committee held a total of nine meetings.

The Audit & Risk Management Committee usually holds five to eight meetings per year, with the meeting dates being set to accommodate the needs arising from specific tasks (closing of accounts, financial reporting, auditors' reports, etc.). The CFO and Head of Group Internal Audit each take part in these meetings. At one meeting, there is an exchange of information with Group Executive Management regarding the quality of internal control systems and other matters. For the purpose of addressing audit-specific topics, representatives of the external auditing firm (as a general rule, the Auditor in charge) participate in the meeting.

Last year, the Audit & Risk Management Committee met for eight ordinary meetings and two extraordinary meetings.

Chairman Emeritus

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

3.6 Division of powers and authorities

The Board of Directors is the corporate body in charge of overall management, supervision and control of Group Executive Management. 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 Incorporation as well as in Sections 2.2 to 2.4 OBR. The tasks and competencies of the two Board committees are described in Section 3 OBR.

The Board of Directors has delegated responsibility for the overall management, supervision and control of the subsidiary companies of VP Bank Group to Group Executive Management. The Executive Board of VP Bank Group Vaduz is responsible for the operative management of the parent bank. The tasks and competencies of the Executive Board are laid down in the Articles of Incorporation (Art. 21) and in the OBR. The OBR contains more detailed provisions regarding the Executive Board in Section 5 and regarding Group Executive Management in Section 6.

The segregation of functions between the Board of Directors and Group Executive Management / Executive Board can also be seen in the organisational chart, "Structure of VP Bank Group", on page 20.

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

The Board of Directors and its committees have at their disposal various information 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 internal reporting.

The members of the Board of Directors regularly receive various reports: monthly financial reports, risk-controlling reports, as well as periodic reports on the quarterly, semi-annual and annual financial statements (consolidated and stand-alone accounts). They also include quantitative and qualitative information, as well as budget variances, benchmark comparisons, period-specific and multi-year comparisons, key performance indicators for management and risk analyses, all of which cover the parent bank, the subsidiaries and the Group in aggregate. These reports enable the Board of Directors to gain a picture of significant developments and the risk situation at VP Bank Group at any point in time. The reports lying within the scope of tasks of the Audit & Risk Management Committee are addressed by that body, and corresponding proposals are forwarded to the Board of Directors for approval. The latest reports undergo a comprehensive review at each Board meeting.

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

A further important instrument to assist the Board of Directors in fulfilling its supervisory and control function is Internal Audit[3], which conducts its activities in compliance with the internationally recognised standards of the Institute for Internal Auditing Switzerland (IIAS) and the Institute of Internal Auditors (IIA). The duties and powers of Internal Audit are laid down in a specific set of rules. As an independent body, it examines in particular the internal control systems, management processes and risk management.

The Chairman of the Board receives all minutes of Group Executive Management and Executive Board meetings. In addition, he exchanges information with the CEO as well as with the other Group Executive Management and Executive Board members on a weekly basis.

4. Group Executive Management and the Executive Board

The tasks and competencies of Group Executive Management and the Executive Board are specified in the OBR as well as in the functional descriptions for Group Executive Management and Executive Board members. The Executive Board of VP Bank Group Vaduz comprises the members of Group Executive Management and three Executive Board members. The head of Group Executive Management (the CEO) is responsible for the overall management of the Group and for Group-wide coordination.

The Group Executive Management and Executive Board members generally meet once a week for a half-day session. Additional meetings and seminars 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 Group Executive Management and the Executive Board

As at 31 December 2013, Group Executive Management was made up of the following individuals:

Name	Year of birth	Function	Joined VP Bank in	GEM member since
Alfred W. Moeckli	1960	Chief Executive Officer	2013	2013
Christoph Mauchle	1961	Member of Group Executive Management	2013	2013
Siegbert Näscher	1965	Chief Financial Officer (CFO) Member of Group Executive Management	2010	2012
Juerg W. Sturzenegger	1961	Chief Operating Officer (COO) Member of Group Executive Management	2008	2010

[3] Internal Audit is a general term; at the Head Office and in VP Bank Group, it is referred to as "Group Internal Audit", and at the subsidiary companies "Internal Audit".

Alfred W. Moeckli (born 2 July 1960; citizen of Switzerland) is the Chief Executive Officer (CEO) of VP Bank Group ("Segment reporting", page 123).

- **Educational background:** 1977 to 1980, bank employee with Federal Certificate of Competence; 1991 to 1993, Master of Business Administration, Kellogg School of Management, Northwestern University, Evanston, Illinois, USA.
- **Professional background:** 1977 to 1981, Credit Suisse, Zurich (bank apprenticeship/employee in Private Banking); 1981 to 1982, Carr, Sebag & Co., Geneva and London (trader/employee sales); 1984 to 1987, Banque Gutzwiller, Kurz, Bungener S.A., Geneva (Head of Trading); 1993 to 1999, Citibank (Switzerland), Zurich and Geneva (Head of Capital Markets); 1999 to 2002, Swissquote Bank, Gland and Scherzenbach (Chief Executive Officer); 2003 to 2008, Invest AG, Zug (founder and Chief Executive Officer); 2004 to 2010, Tradejet Ltd., Zurich (founder, Chief Executive Officer and Chairman of the Board of Directors); 2008 to 2010, bank zweiplus ag, Zurich (member of the Board of Directors); 2008 to 2010, Falcon Private Bank Ltd., Zurich (Deputy Chief Executive Officer and Chief Operating Officer); 2010 to 2013, bank zweiplus ag, Zurich (Chief Executive Officer); since 1 May 2013, with VP Bank Group as Chief Executive Officer.
- **Other directorships/mandates:** no directorships/mandates outside VP Bank Group.
- **Other activities and vested interests:** since 2013, member of the Board of the Liechtenstein Bankers' Association.

Christoph Mauchle (born 5 May 1961; citizen of Switzerland) has, since October 2013, been a member of Group Executive Management of VP Bank Group and Head of Client Business ("Segment reporting", page 123).

- **Educational background:** 1986, Master of Economics (Marketing, lic. oec. HWV), HWV St. Gallen; 1988, Insead Management Programme in Business Administration/Management Insead France; 1999, Certified Financial Planner CFP; 2007, Advanced Management Program, Kellogg School of Management, Northwestern University, Evanston, Illinois, USA.
- **Professional background:** 1980 to 1983, UBS, St. Gallen (Assistant Private Banking); 1986 to 1989, Brown Brothers Harriman & Co., New York (Research Analyst and Account Manager Institutional Sales); 1989 to 1992, Bank Vontobel, Zurich (Chief of Staff Private Banking); 1992 to 2013, Credit Suisse, Switzerland (1992 to 1995, Sector Head Individual Clients Zurich, 1995 to 1997, Sector Head Private Banking St. Gallen, 1997 to 1998, Head Competence Centre Eastern Switzerland, 1998 to 2001, Head External Asset Managers, 2001 to 2008, Head Private Banking and Region Zurich, 2008 to 2012, Head of Private Banking Germany, Austria and Luxembourg); since 1 October 2013, with VP Bank Group Vaduz as member of Group Executive Management and Head of Client Business.
- **Other directorships/mandates:** no directorships/mandates outside VP Bank Group.
- **Other activities and vested interests:** none.

Siegbert Näscher (born 25 December 1965; citizen of Liechtenstein) is the Chief Financial Officer (CFO) of VP Bank Group and Deputy Chief Executive Officer ("Segment reporting", page 123).

- **Educational background:** 1993, Federally Certified Accounting and Controlling Expert; 1996, Federally Certified Auditor; 2002 to 2003, Executive Programme of the Swiss Banking School.
- **Professional background:** 1982 to 1987, Bank in Liechtenstein AG, Vaduz (accounting); 1987 to 1991, Revitrust Treuhand AG, Schaan (accounting and auditing); 1991 to 1992, Assistant Head of Finance and Accounting at Schild Mode AG, Luzern; 1992 to 1994, Controller at Maschinenfabrik Rieter AG, Winterthur; 1994 to 1998, Head of Finance and Controlling at Schoeller Textil AG, Sevelen; 1998 to 2010, Head of Group Finance & Risk at Liechtensteinische Landesbank AG, Vaduz; since 1 September 2010, with VP Bank Group Vaduz (2010 to 2012, Head of Group Finance & Risk, since April 2012, Chief Financial Officer of VP Bank Group, July 2012 to April 2013, Chief Executive Officer (CEO) ad interim).
- **Other directorships/mandates:** no directorships/mandates outside VP Bank Group.
- **Other activities and vested interests:** since 2012, member of the Council of Trustees (Vice Chairman) of Deposit Insurance and Investor Protection Foundation of the Liechtenstein Bankers' Association.

Juerg W. Sturzenegger (born 6 June 1961; Swiss citizen) is the Chief Operating Officer (COO) of VP Bank Group ("Segment reporting", page 123).

- **Educational background:** 1981 to 1987, studies in Economics and, 1988 to 1990, studies in Sociology at the University of Zurich; 2000, Management Education Program, IMD, Lausanne; 2002, participation in the Executive Program of the Wharton Business School, Philadelphia, and 2005 of the Stanford Graduate School of Business, Stanford.
- **Professional background:** 1988 to 1995, Bank Leu AG, Zurich (1998 to 1990, assistant in Staff Function Commerce, 1990 to 1992, assistant in Capital Markets International, 1992 to 1995, Head of Corporate Finance and Structured Finance unit; 1995 to 2008, Julius Baer & Co. AG, Zurich (1995 to 2006, Head of Capital Markets and Corporate Finance, 2006 to 2008, Head of Private Banking – Wealth Engineering); 2008 to 2010, VP Bank Group (Switzerland) AG, Zurich (2008 to 2009, Head of Wealth Management Solutions and member of the Executive Board, 2010, Chairman of the Executive Board and Head of Wealth Management Solutions); since 1 September 2010, with VP Bank Group Vaduz (from September 2010, Member of Group Executive Management and since January 2012, Chief Operating Officer of VP Bank Group, July 2012 to April 2013, Chief Executive Officer (CEO) ad interim).
- **Other directorships/mandates:** member of the Board of Directors of shaPE Capital AG, Freienbach.
- **Other activities and vested interests:** none.

As at 31 December 2013, the Executive Board comprised the members of Group Executive Management and the following Executive Board members.

Name	Year of birth	Function	Joined VP Bank in	EB member since
Martin Engler	1962	Member of the Executive Board Head of Private Banking	1999	2013
Rolf Jermann	1958	Member of the Executive Board Head of Commercial Banking	2007	2012
Günther Kaufmann	1958	Member of the Executive Board Head of Intermediaries & Transaction Banking	2002	2013

Martin Engler (born 29 March 1962; Swiss citizen) is a member of the Executive Board of VP Bank Group Vaduz and Head of Private Banking.

- **Educational background:** 1980 to 1983, commercial apprenticeship with Schweizerischer Bankverein, Zurich; 1994, banking professional with diploma, AKAD; 1995, Federally Certified Banking Specialist.
- **Professional background:** 1983 to 1987, Schweizerischer Bankverein, Zurich (department for stock-exchange correspondence with foreign countries); 1987 to 1997, VP Bank Group Vaduz (Stock-Exchange Trader); 1997 to 1999, Bank Wartau-Sevelen, Sevelen (Member of General Management); since 1 September 1999 with VP Bank Group Vaduz (1999 to 2002, Head of Stock-Exchange Trading, 2002 to 2007, Head of External Asset Managers, 2007 to 2008, Segment Head Private Banking, 2008 to 2011, Head of Private Banking Western Europe (responsible for Western-European markets), 2011 to 2012, Head of Private Banking Liechtenstein, since January 2013, Member of Executive Board, Head of Private Banking Liechtenstein).
- **Other directorships/mandates:** no directorships/mandates outside VP Bank Group.
- **Other activities and vested interests:** none.

Rolf Jermann (born 29 October 1958; Swiss citizen) has, since 1 January 2012, been a member of the Executive Board of VP Bank Group Vaduz and Head of Commercial Banking.

- **Educational background:** 1986, Federally Certified Banking Specialist; 1989, studies in International Banking and Finance, University of Toronto; 1990 to 1992, Swiss Banking School of the University of Zurich.
- **Professional background:** 1979-1980, Caisse d'Epargne, Lausanne (assistant in the Portefeuille department); 1981 to 1988, Credit Suisse (formerly Schweizerische Kreditanstalt), St. Gallen (Commercial Client Advisor); 1988 to 1989, Credit Suisse, Toronto (Credit Analyst, Corporate Finance); 1989 to 1992, Credit Suisse (formerly Schweizerische Kreditanstalt), St. Gallen (Client Advisor, Commerce); 1993 to 1997, St. Galler Kantonalbank, St. Gallen (Client Advisor Commerce and

member of the Directorate); 1994, Solothurner Kantonalbank, Olten (management support during the course of the restructuring/sale as commissioned by the Association of Swiss Cantonal Banks); 1997 to 2007, St. Galler Kantonalbank, St. Gallen (Team Leader and Deputy Commerce Market Head as well as member of the Directorate); since 1 June 2007, with VP Bank Group Vaduz (2007 to 2008, Head of Client Advisory Commercial Banking, 2009 to 2011, Head of Commercial Banking, since January 2012, member of the Executive Board and Head of Commercial Banking).
- **Other directorships/mandates:** no directorships/mandates outside VP Bank Group.
- **Other activities and vested interests:** since 2011, Chairman of the Credit Committee of the Liechtenstein Bankers' Association.

Günther Kaufmann (born 14 May 1958; citizen of Liechtenstein) is a member of the Executive Board of VP Bank Group Vaduz and Head of Intermediaries & Transaction Banking.

- **Educational background:** 1975 to 1977, commercial apprenticeship, LGT Bank in Liechtenstein, Vaduz; 1978 to 1981, Business Economist HWV, Higher College for Business and Administration, St. Gallen; 1992 to 1994, Swiss Banking School.
- **Professional background:** 1978, Swiss Banking Corporation, London; 1981 to 2002, LGT Bank in Liechtenstein AG, Vaduz (1983 to 1987, Head of Strategic Planning/Cost Accounting, 1988 to 2002, Team Leader Intermediary Clients); since 1 September 2002, with VP Bank Group Vaduz (2002 to 2012, Head of Intermediaries, 2012, Head of Intermediaries & Transaction Banking, since January 2013, Member of Executive Board, Head of Intermediaries & Transaction Banking).
- **Other directorships/mandates:** no directorships/mandates outside VP Bank Group.
- **Other activities and vested interests:** none.

4.2 Other activities and vested interests

The other activities of the Executive Board members and any relevant vested interests can be found in the biographies shown in Point 4.1.

4.3 Management contracts

VP Bank Group 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 share-ownership programmes

The Compensation Policy Rules as well as the Risk Policy Framework Rules of VP Bank Group stipulate that the Bank's compensation systems and human resources management are to be designed in a manner that minimises the potential for personal conflicts of interest and behavioural risks. The Nomination & Compensation Committee (see Point 3.5.2, page 71) 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, Group Executive Management and the Executive Board. The Board of Directors approves these principles and determines the amount of total compensation payable to itself, the members of Group Executive Management and the Executive Board in keeping with the applicable rules.

5.1.1 Board of Directors

The members of the Board of Directors receive compensation for the duties and responsibilities conferred on them by law and pursuant to Art. 20 of the Articles of Incorporation. This is determined annually by the full Board of Directors at 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 functions 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 in the form of freely disposable VP Bank Group bearer shares, the number of which is determined by the current market price at the time of receipt. At VP Bank Group, there are no agreements pertaining to severance compensation for members of the Board of Directors.

5.1.2 Group Executive Management and Executive Board members

A long-term, value-oriented compensation model applies to Group Executive Management, Executive Board and second-level management members of VP Bank Group. Under this model, the compensation paid to Group Executive Management and Executive Board members 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 Group pays proportionate contributions to the management insurance scheme and the pension fund.
2. A variable performance-based component (short-term incentive, STI), which is dependent on the annual value creation of VP Bank Group. The allocation is based on qualitative individual criteria and Group financial goals. The latter carry an approximate two-thirds weighting. The STI is paid out annually in cash.
3. A variable long-term management share ownership scheme (long-term incentive, LTI) with grants in the form of VP Bank Group bearer shares. The fundamental principles of the scheme focus on added value (economic profit), "pay for performance" as well as the long-term commitment of management to receiving a variable compensation component in the form of VP Bank Group shares. The number of shares which vest after a period of three years is directly dependent on the development in economic profit of VP Bank Group, which takes into account capital as well as risk costs. The goals are determined on the basis of an unbiased, outside view. The point of departure in this regard is the targeted return on market value. Thus, depending on the financial developments, more or fewer shares will be granted, with the related factor ranging from a minimum of 0.5 to a maximum of 2.0. The monetary value of the compensation paid in the form of shares at the end of the plan is also dependent on the current market price of VP Bank Group bearer shares. The bearer shares required to cover the LTI stock ownership plan will come either from the treasury shareholdings of VP Bank Group or are purchased on the stock market.

Each year, the Board of Directors sets the annual LTI planning parameters for the following three years as well as the amount of the STI. In the programme for 2013 to 2015, the fulfilment of annual and three-year targets will result in a target bonus (LTI and STI) of between 65 and 100 per cent of the fixed annual base salary. The variable performance-based amount actually paid in 2013 to Group Executive Management and Executive Board members in office as of 31 December 2013 (LTI 2008–2012 and LTI 2010–2012 as well as STI) amounted to 51 per cent of the fixed base salary. The shares from the 2008–2012 LTI programmes were vested in the first half of 2013.

VP Bank Group has not concluded any agreements on severance compensation for members of Group Executive Management or the Executive Board.

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

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

As a SIX Swiss Exchange listed issuer domiciled outside Switzerland, VP Bank Group discloses information on compensation, shareholdings and loans within the context of Article 5.2 of the Appendix to the Corporate Governance Directive dated 29 October 2008, i.e. by analogy to Art. 663b^{bis} of the Swiss Code of Obligations. The details in this regard can be found in the financial report and stand-alone accounts of Verwaltungs- und Privat-Bank AG, Vaduz (see pages 163 f.).

6. Shareholders' participation rights

6.1 Voting rights and representation restrictions

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

6.2 Statutory quorums

Amendments to the Articles of Incorporation regarding a change in the relationships of bearer shares to registered shares (Articles of Incorporation, Art. 4 par. 2) as well as to the provisions governing the restriction on the registration of registered shares (Articles of Incorporation, Art. 7 par. 2) require the approval of at least a two-thirds majority via the voting rights of all shares issued by VP Bank Group (Articles of Incorporation, Art. 14 par. 4).

6.3 Convocation of the annual general meeting of shareholders

Convocation of the annual general meeting is made in accordance with the provisions of law and the Articles of Incorporation (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 Incorporation (Art. 11 to 14).

6.5 Entries into 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. The relevant deadline for registration and entitlement to participate (as per the Articles of Incorporation, Art. 11 par. 1) is 21 days prior to the date of the annual general meeting. Registered shareholders who have been entered into the share register by that deadline, as well as bearer shareholders whose shares are held in the custody of VP Bank Group, receive an invitation to the annual general meeting, including the related agenda, sent to the address known to VP Bank Group at the time of dispatch. Upon returning their reply card, shareholders receive an entry pass together with the relevant voting material.

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

7. Changes of control and defence measures

The provisions of the Stock Exchange Act concerning public takeover offers apply only to companies whose registered offices are in Switzerland. Accordingly, the Articles of Incorporation of VP Bank Group contain no clauses governing the duty to make an offer or changes in control.

8. Auditors

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

Ernst & Young AG, Bern, have acted as auditors of Verwaltungs- und Privat-Bank Aktiengesellschaft since 1956 (in accordance with PGR[4]) and since 1994 as Group auditors of VP Bank Group. In addition, Ernst & Young AG undertake the mandate as bank law auditors within the context of the Liechtenstein Banking Act (BankA, Art. 37 ff.). The Auditor in Charge, Stefan Fuchs, has been responsible for the VP Bank Group mandate since 2007 (annual general meeting of 27 April 2007).

8.2 Auditing fees

In 2013, Ernst & Young AG charged VP Bank Group fees in the amount of CHF 1.68 million (previous year: CHF 1.56 million) for services rendered in connection with the legally prescribed audits of the annual financial statements of VP Bank Group and the Group subsidiaries, as well as the audit of the consolidated financial statements of VP Bank Group.

[4] Persons and Companies Act of the Principality of Liechtenstein.

8.3 Additional fees

Ernst & Young AG also rendered auditing-related services to VP Bank Group in the amount of TCHF 211.7 (previous year: TCHF 489.6).

8.4 Informational and control instruments pertaining to the external audit

The Audit & Risk Management Committee reviews the multi-year 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 with the Head of Group Internal Audit. The Audit & Risk Management Committee attaches particular importance to a risk-oriented approach in the planning and conduct of the audit, as well as to an appropriate coordination of the auditing activities of the external auditors with those of Internal Audit.

All reports issued by the external auditors are reviewed at meetings of the Audit & Risk Management Committee. In 2013, the external auditors were present at all meetings of the Audit & Risk Management Committee in which external audit-related items were on the agenda. In addition, the auditor in charge was in attendance at a Board of Directors meeting to present and discuss the auditors' report prescribed under the Banking Act.

Each year, the Audit & Risk Management Committee examines and evaluates the effectiveness and independence of the external auditors. For this purpose, it relies on documents generated by the external auditors, such as the auditors' report prescribed in the Banking Act, management letters, as well as oral and written statements of position on individual aspects and technical questions in connection with accounting and the audit. In addition, an systematic annual assessment is made on the basis of checklists and fee comparisons within the auditing sector. Based on this evaluation, a proposal for the election of the external auditors and Group auditors is submitted to the Board of Directors, for the attention of the annual general meeting.

9. Information policy

All publications of VP Bank Group required by law are issued in a legally binding manner in the official Liechtenstein publication media (Articles of Incorporation, Art. 25 Point 1). VP Bank Group 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 Group informs shareholders and capital market participants by means of detailed annual and semi-annual reports, which are prepared for VP Bank Group in accordance with International Financial Reporting Standards (IFRS), as well as via media releases concerning the latest changes and developments at VP Bank Group. As a company listed on the SIX Swiss Exchange, VP Bank Group is also subject in particular to the obligation to immediately publicise any price-sensitive events (ad hoc publicity obligation).

Agenda

Annual general meeting: 25 April 2014
2014 semi-annual report: 26 August 2014

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

Contact

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Compensation report

General

The basis of this compensation report of VP Bank is the implementation of the EU Directive 2010/76/EU, which, amongst other things, regulates the risks associated with compensation policies and practices.

On the one hand, Liechtenstein has implemented this directive in the Law on Banks and Securities Firms, in particular in Art 7a Par. 6 thereof: "Banks and securities firms are to introduce a compensation policy and compensation practices and to ensure continuously that they are consistent with robust and effective risk management within the spirit of this Article. The government shall regulate the details of the compensation policy and practices in a related ordinance".

On the other hand, the content of Annex 4.4 of the "Ordinance on Banks and Securities Firms" (FL-BankV) has been supplemented accordingly. This ordinance entered into force on 1 January 2012. The remuneration policy of VP Bank Group corresponds to the size of VP Bank and its business model. This encompasses the offering of banking services for private clients and intermediaries in the disclosed target markets, in Liechtenstein and in the other locations, as well as services for investment funds.

Principles of remuneration

Compensation plays a central role in the recruitment and retention of employees. It also has an influence on the future success of the company. VP Bank professes to pursue 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 remuneration practices of VP Bank correspond to the business model of VP Bank as asset manager and private bank. The principles applied are laid down in the Remuneration Policy.

- Performance orientation and differentiation: VP Bank remunerates employees according to their performance.
- Gender- and age-neutral remuneration and equal treatment: the function determines the level of fixed annual salary.
- Fair and market-oriented pay: VP Bank is guided by market conditions and regularly reviews these.
- Focus of decision-makers on a stable, success-oriented and forward-looking management and the avoidance of excessive risk-taking: VP Bank rewards sustainable positive actions and does not maximise revenues on a short-term basis.

With these principles, VP Bank achieves a remuneration which is in line with the market, with its performance and with the relevant requirements. They set the right performance incentives for individual employees and management, thus fostering the achievement of the goals set out in VP Bank's strategy. Remuneration-related conflicts of interest of the involved functions and/or individuals are avoided.

Structure of total remuneration

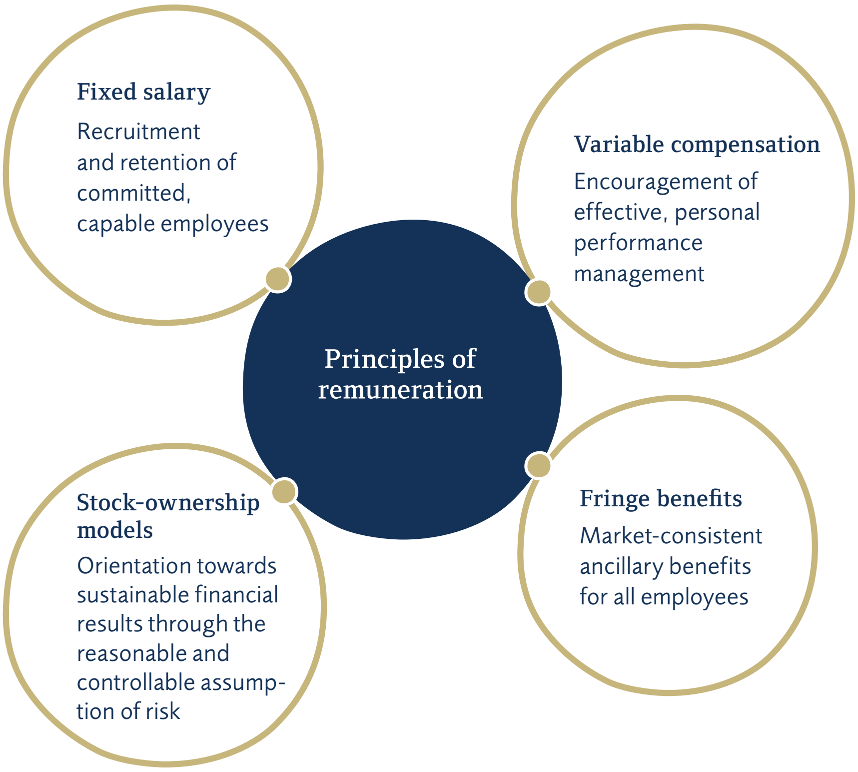
The total remuneration of the employees of VP Bank Group comprises a fixed remuneration, an additional variable salary, equity-share participation models as well as additional perquisites ("fringe benefits").

Fixed salary

The level of the fixed salary component as a base salary varies in principle according to the function performed and the related requirements. The local labour market is also taken into account. The fixed salary is a contractually agreed salary component which is paid out regularly in cash. The level of the fixed remuneration ensures that the employee does not become financially dependent on variable compensation components.

Variable, performance- and profit-related salary

Variable remuneration can, but need not be granted. On the one hand, it is dependent on the success of the Bank or individual companies, on the other hand, on individual performance. The latter is evaluated by the employee's supervisor at the end of a year on the basis of the agreed-upon tasks and goals. The extent to which the provisions of the legislator, the Bank and the individual client are observed is also taken into consideration. The level of profit participation is fixed according to quantitative and qualitative criteria and is in reasonable relationship to the fixed portion of income. The target proportion to total remuneration varies according to function and market practices. It shall remain under 50 per cent at all times. Even after repeated payouts, no entitlement to a variable salary arises in the subsequent year.



Payment is made in principle in cash in the first quarter of the following year and, as a general rule, in the full amount. In the case of particularly high variable salary portions, VP Bank may spread a part of the payment thereof over several years and/or settle a part in the form of VP Bank shares or vested entitlements thereto.

Equity-share participation models

Each year, shares are offered for sale at a preferential price to the employees of VP Bank. The number of shares varies according to years of service and function. Instead of an outright purchase, the shares may also be drawn at no charge whilst deducting the monetary benefit. The shares remain restricted for four years.

A long-term oriented management equity-share participation model (Long Term Incentive Plan, LTI) has been established for the members of senior management and certain specialists. The basic principles underlying this programme are the creation of value of VP Bank Group (economic profit = Group net income after deducting costs of capital) over a period of three years, "pay for performance" and the long-term commitment of management to a variable remuneration component in the form of equity shares. The participants must invest a part of their "target bonus" in the LTI programme. Equity shares as a means of payment reflect an objective assessment by the market. The long-term target-setting for the participants has the objective of rewarding success that is not just based on a single year's performance.

Details on the LTI programme are to be found in the chapter "Corporate governance" under "Compensation, shareholdings and loans" (see page 77).

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 nature. They are settled and reported in accordance with local regulations.

They relate principally to the following benefits:
- insurance benefits in excess of legal prescriptions
- 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 residential property
- further fringe benefits which are customary for the given location.

Individuals and functions subject to particular provisions

Employees having a particularly large influence on the risk profile of the Bank are designated as "risk takers". VP Bank identifies the members of Group Executive Management and the Executive Board as decision-makers and substantial "risk takers". Details on their remuneration are set out in the section on "Corporate governance 2013" (see page 77).

Individuals performing compliance or other control functions are remunerated principally with fixed remuneration components. The variable part of their remuneration is unrelated to the profit of the entities which they audit or monitor.

Compliance with remuneration rules

The remuneration practices of VP Bank are in compliance with Annex 4.4 of the Banking Ordinance (FL-BankV) as well as the EU Directive. They are oriented towards long-term success. There are no events which trigger the automatic payment of variable salary components. The decision concerning the earmarking of a total amount for remuneration lies ultimately with the Board of Directors.

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

The Remuneration Policy allows for individual performance agreements in specific cases in order to compute the amount of a bonus depending on an objectively measurable success. Group Executive Management must consent to the related method of computation. The safeguarding of client interests and compliance with all regulatory directives must continue to exist in an unequivocal manner.

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

The sum of variable-salary provisions must be tolerable in the aggregate. VP Bank Group or an individual subsidiary company should never fall into financial difficulty as a result thereof. In the case of adverse trading conditions, the Bank shall refrain from paying variable remuneration components.

Determination of remuneration

By consenting to the budget, the Board of Directors approves the total of fixed remuneration and, at the end of the year, decides on the level of provisions for the variable portion of salary with regard to the annual results. It lays down the fixed and variable portion of remuneration for Group Executive Management and the Executive Board. The Nomination & Compensation Committee (NCC) 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 remuneration. Together with Internal Audit, the NCC reviews compliance with the Remuneration Policy.

Group Executive Management is responsible for all aspects involving the implementation of compensation processes within the scope of the Remuneration Policy and lays down the framework thereof for the individual companies. It specifies the fixed and variable remuneration 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 remuneration

Information on the remuneration of members of the Board of Directors as well as the members of Group Executive Management and the Executive Board are to be found in the financial report, the stand-alone financial statements of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, under "Remuneration paid to members of governing bodies" (see page 176).

Disclosures regarding personnel expense are set out in the 2013 Financial Report of VP Bank Group under "Personnel expense" (see page 132).

Split of fixed and variable remuneration 2013

	Fixed remuneration	Variable remuneration
Total	95.0%	5.0%
First/second management level	87.1%	12.9%

Vision means
looking to the future without losing sight of the present.

VP Bank looks ahead – with both feet
firmly in the here and now.
We guide you on your journey
through the investment and finance universe.
Because we don’t want to limit your potential.

Safely ahead.

4

Financial report 2013
of VP Bank Group

Consolidated Annual Report of VP Bank Group

Consolidated results

The consolidated financial statements for 2013 of VP Bank Group, prepared in accordance with International Financial Reporting Standards (IFRS), disclose a Group net income of CHF 38.7 million. In the prior year, the Group generated a Group net income of CHF 47.2 million. After adjusting for the non-recurring gain as a result of its conversion of the pension fund from a benefit-defined to defined-contribution scheme as well as the early adoption of the revised standard IAS 19 of CHF 22.8 million, the prior year's net income totalled CHF 24.4 million. Group net income for 2013 thus increased by CHF 14.3 million or 58.6 per cent over the prior year's adjusted net income.

In summer 2012, VP Bank Group resolved to refocus strategically on the middle private-banking segment and the business with intermediaries. As part of this process, the Board of Directors decided to dispose of the Group's own trust and fiduciary companies. The subsidiary company, IGT Intergestions Trust reg. in Vaduz was disposed of by VP Bank Group as part of a management buyout and all employees were transferred to the existing company. VP Bank Group also streamlined the structures of its umbrella holding company VP Bank and Trust Company (BVI) Limited in Tortola on the British Virgin Islands, which was a joint venture with the Liechtenstein-based Allgemeines Treuunternehmen (ATU). VP Bank Group acquired the entire capital of VP Bank (BVI) Limited and the remaining participations were transferred to Allgemeines Treuunternehmen, Vaduz.

The successful acquisition, in the form of an asset deal, of the private-banking activities of HSBC Trinkaus & Burkhardt as well as the private-banking-related investment-fund business carried out by HSBC Trinkaus Investment Managers in Luxembourg to the amount of CHF 2.0 billion in client assets underscores the growth strategy of VP Bank.

Despite the fact that global economic growth could not pick up significantly from last year, 2013 was nevertheless a successful year from an economic perspective. The European debt crisis further receded against the backdrop of market activity and towards the end of the year, the Eurozone was able to emerge from the recession. Yet again, the national economies of Liechtenstein and Switzerland were able to assert themselves, and on financial markets, equity shares again rose sharply. The announcement of the US central bank's wish to restrict its very expansive monetary policy triggered movements in interest rates on a global basis. These factors also impacted on the business of VP Bank and are reflected in both revenue and client activities.

VP Bank Group generated a net inflow of new client money of CHF 965 million for the whole of 2013. Client assets under management increased to CHF 30.6 billion as of 31/12/2013.

With regard to the improved profitability situation and the adapted dividend policy, the Board of Directors will propose a dividend of CHF 3.50 per bearer share and CHF 0.35 per registered share to the Annual General Meeting to be held on 25 April 2014.

Medium-term goals

In the medium term, VP Bank Group strives to achieve the following measures:

- a net new money inflow of an average of 5 per cent per annum
- a cost/income ratio of 65 per cent, and
- a tier 1 ratio of at least 16 per cent

In 2013, VP Bank Group achieved a positive inflow of new money. New client money inflows of CHF 965 million (3.4 per cent of client assets under management) were generated. The cost/income ratio in 2013 increased to 70.2 per cent (prior year: 62.8 per cent). After adjusting for the non-recurring items in 2012, this equates to an improvement in the cost/income ratio from 72.5 per cent to 70.2 per cent. At the same time, total operating income grew by 1.8 per cent and adjusted operating expenses fell by 1.5 per cent.

Consolidated net income combined with cost/income ratio

[1] adjusted (IAS 19R)

In 2013, the tier 1 ratio declined from 21.5 per cent to 20.4 per cent due to the increase in total assets. VP Bank Group possesses a very good starting point, compared with other financial institutions, for its growth strategy, both organically as well as by way of acquisitions. The medium-term goal of at least 16 per cent which is far in excess of the legally prescribed level, was again far exceeded in 2013.

The future regulatory framework Basel III will impose stricter capital-adequacy and liquidity requirements on banking institutions. Even after the introduction of Basel III, VP Bank Group will continue to possess a robust core capital (tier 1 ratio), thus reflecting a high measure of stability and security.

Client assets under management

At the end of 2013, client assets under management of VP Bank Group aggregated CHF 30.6 billion. Compared with the prior year's comparative of CHF 28.5 billion, this represents an increase of 7.4 per cent. The performance-related increase in client assets amounted to CHF 1.1 billion, as a result of the positive development in markets.

In total, VP Bank Group recorded a net inflow of new money of CHF 965 million (prior year: outflow of client money of CHF 192 million). This positive development is based in particular on the acquisition of client assets aggregating CHF 2.0 billion in connection with the HSBC asset deal. Through successful market-development activities, VP Bank Group was able to counter the net outflow in client money within the existing business. As a result of regulatory changes, in particular tax-related issues as well as a large outflow from a third-party investment fund, these inflows generated from the existing business were not able to fully compensate for the outflows.

Custody assets increased by 2.0 per cent to CHF 9.0 billion (prior year: CHF 8.8 billion).

As of 31 December 2013, client assets including custody assets totalled CHF 39.6 billion (prior year: CHF 37.3 billion).

Income statement

The year-on-year comparison of certain items is hampered by the one-off effects totalling CHF 22.8 million in 2012, arising from the conversion of the pension fund from a benefit-defined to a contribution-defined scheme in the positions of personnel expense and Group net income. In addition, the prior-year comparative figures were restated as a result of the spin-off of the trust and fiduciary companies completed in 2013 and do not agree with those reported in the 2012 financial statements.

Total operating income

Year-on-year, total operating income increased by 1.8 per cent from CHF 235.2 million to CHF 239.4 million. Interest income rose year-on-year by CHF 3.4 million to CHF 86.9 million. Net interest income from banks and customers recorded a decline of CHF 11.6 million in comparison to the prior year, which could be partially offset by interest-rate swaps. These interest-rate swaps are deployed to hedge interest-rate risk primarily on long-term client loans. As a result of an increasingly positive market sentiment and higher stock-exchange turnover, income from commissions and services increased by 5.6 per cent to CHF 114.1 million. Both net brokerage income with a growth of 12.4 per cent and asset-management and investment commissions with a growth of 4.7 per cent are a welcome increase over the prior year. In addition, commissions from the investment-fund business show an increase of CHF 3.2 million to CHF 56.1 million over the comparative prior-year figures (CHF 52.9 million).

Income from trading activities in 2013 declined by 7.7 per cent from CHF 22.1 million to CHF 19.5 million. Trading on behalf of clients increased by 9.3 per cent to CHF 24.9 million (prior year: CHF 22.7 million). Income from trading activities fell particularly as a result of revaluation losses on hedges for equity securities from CHF –1.6 million in the prior year to CHF –5.4 million in 2013. These changes in values arising from hedges are offset by revaluation gains/losses in the hedged underlying positions.

Gains from financial investments of CHF 16.3 million (prior year: CHF 19.5 million) were generated in 2013. The major part thereof results from revaluation gains on equity securities, on the one hand, and interest, on the other.

Money market

Interest – 3 months	31/12/2013	31/12/2012	Δ previous year
Swiss-franc LIBOR	0.02%	0.01%	+1 BP
Euribor	0.27%	0.13%	+14 BP
Dollar LIBOR	0.25%	0.31%	–6 BP
Yen LIBOR	0.15%	0.18%	–3 BP

Capital market

Benchmark bonds – 10 years	31/12/2013	31/12/2012	Δ previous year
Switzerland	1.07%	0.46%	+61 BP
Germany	1.93%	1.30%	+63 BP
USA	3.03%	1.75%	+128 BP
Japan	0.74%	0.79%	–5 BP

Forex rates

Exchange rates	31/12/2013	31/12/2012	Δ previous year
EUR	1.2255	1.2068	1.5%
USD	0.8894	0.9154	–2.8%
JPY	0.8462	1.0586	–20.1%
GBP	1.4730	1.4879	–1.0%

Operating expenses

Thanks to consistent cost discipline, operating expenses fell by 1.5 per cent to CHF 168.0 million in the prior year, after adjusting for one-off items.

At the end of 2013, VP Bank Group had 706 (prior year: 707) employees, expressed as full-time equivalents. With the strategic refocusing on the middle private-banking segment, 32 employees were transferred from HSBC as part of the asset deal or were additionally recruited. On the other hand, 28 employees were transferred out to the trust and fiduciary companies sold as part of the strategic spin-off of the Group's own trust and fiduciary entities.

Year-on-year, personnel expense rose by CHF 20.9 million, or 20.7 per cent to CHF 122.0 million. After adjusting in 2012 for the non-recurring impact of the conversion of the pension fund from a defined-benefit to a defined-contribution scheme as well as the early adoption of the revised standard IAS 19, personnel expense fell year-on-year by CHF 1.9 million, or 1.5 per cent. General and administrative expenses could be reduced in 2013 by 1.5 per cent from CHF 46.7 million to CHF 46.0 million. As a result of the HSBC asset deal and of expenses incurred in connection with the participation of VP Bank (Switzerland) Ltd. in the US tax programme, professional fees paid during the year rose from CHF 6.1 million to CHF 8.0 million.

The charge for valuation allowances, provisions and losses amounted to CHF 6.4 million (prior year: CHF 7.2 million). The reduction relates in particular to the decline in credit risks. In addition, no longer required valuation allowances of CHF 4.0 million (prior year: CHF 8.1 million) could be released to income. On the other hand, provisions for legal and litigation risks increased by CHF 2.3 million to CHF 3.3 million. CHF 3.0 million was accrued for a possible fine in connection with the participation of VP Bank (Switzerland) Ltd. in the US tax programme.

Group net income

Group net income, including income from discontinued operations, amounts to CHF 38.7 million (prior year: CHF 47.2 million). As a result of the simplification of the structure for VP Bank and Trust Company (BVI) Limited in Tortola, there are no longer any non-controlling interests in the Group as of 31/12/2013. The undiluted Group net income per bearer share fell from CHF 8.37 to CHF 6.58 during the 2013 reporting period. After adjusting for non-recurring items in 2012, an increase from CHF 4.42 to CHF 6.58 could be achieved.

Balance sheet

Total assets of CHF 11.2 billion increased by 5.3 per cent year-on-year. On the assets' side, cash and cash equivalents increased markedly to CHF 1,377.4 million (31/12/2012: CHF 927.0 million), which constitutes a very comfortable liquidity level of VP Bank. This is to be ascribed, inter alia, to the reduction of amounts due from banks (minus CHF 287.0 million) and additional amounts due to clients on the liabilities' side amounting to CHF 9.6 billion (prior year: CHF 9.0 billion).

As a result of the current situation on the real-estate market and ongoing low interest rate period, VP Bank continues to focus on qualitative growth in customer loans and on a high level of discipline and control over credit granting. Since the beginning of 2013, loans to customers have risen by CHF 213.4 million to CHF 3.9 billion, whereby mortgage loans recorded an increase of 5.7 per cent to CHF 2.8 billion.

Financial instruments valued at amortised cost increased by CHF 273.6 million from CHF 502.6 million in the prior year to CHF 776.2 million in 2013 (plus 54.5 per cent).

Consolidated shareholders' equity at the end of 2013 amounted to CHF 888.7 million (end of 2012: CHF 888.8 million). As VP Bank no longer has any non-controlling interests, this amount corresponds to the equity resources of Verwaltungs- und Privat-Bank Aktiengesellschaft. In the prior year, shareholders' equity, after deducting non-controlling interests, stood at CHF 871.1 million. As of 31 December 2013, the tier 1 ratio was 20.4 per cent (prior year: 21.5 per cent).

Outlook

The capital market environment remains challenging. After considerable gains in almost all asset classes during recent years, individual investment categories should develop in differing directions. Interest income on debentures will be influenced by the increase in yields. Equity values are no longer cheap and further gains will be achieved at the price of increased volatility. The continuing scarcity of investment opportunities as well as monetary policies will also greatly influence market developments in future.

The process of transformation in the areas of tax transparency as well as the automatic exchange of tax information are developments which will be of great concern to VP Bank in the coming years. The pressure from regulators in the finance sector will continue unabated at a high level. VP Bank Group is well equipped for intensive competition. It responds to the demands with concrete measures and is continuing on the path to a successful future without deviation.

Consolidated income statement

in CHF 1,000	Note	2013	2012 adjusted [1]	Variance absolute	Variance in %
Interest income		103,756	109,490	–5,734	–5.2
Interest expense		16,883	26,031	–9,148	–35.1
Total interest income	1	**86,873**	**83,459**	**3,414**	**4.1**
Commission income		160,648	151,687	8,961	5.9
Commission expense		46,537	43,630	2,907	6.7
Total income from commission business and services	2	**114,111**	**108,057**	**6,054**	**5.6**
Income from trading activities	3	19,511	21,147	–1,636	–7.7
Income from financial instruments	4	16,267	19,464	–3,197	–16.4
Other income	5	2,633	3,115	–482	–15.5
Total net operating income		**239,395**	**235,242**	**4,153**	**1.8**
Personnel expenses	6	122,006	101,108	20,898	20.7
General and administrative expenses	7	45,970	46,682	–712	–1.5
Operating expenses		**167,976**	**147,790**	**20,186**	**13.7**
Gross income		**71,419**	**87,452**	**–16,033**	**–18.3**
Depreciation and amortisation	8	27,033	29,432	–2,399	–8.2
Valuation allowances, provisions and losses	9	6,355	7,237	–882	–12.2
Earnings before income tax from continued operations		**38,031**	**50,783**	**–12,752**	**–25.1**
Taxes on income	10a	2,306	1,763	543	30.8
Group net income from continued operations		**35,725**	**49,020**	**–13,295**	**–27.1**
Discontinued operations					
Net income from discontinued operations	45	2,962	–1,819	4,781	n.a.
Group net income		**38,687**	**47,201**	**–8,514**	**–18.0**
Attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz					
Group net income from continued operations		35,725	49,020	–13,295	–27.1
Group net income from discontinued operations		2,394	–705	3,099	n.a.
Net income attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz		**38,119**	**48,315**	**–10,196**	**–21.1**
Non-controlling interests					
Group net income from continued operations		0	0	0	n.a.
Group net income from discontinued operations		568	–1,114	1,682	n.a.
Group net income attributable to non-controlling interests		**568**	**–1,114**	**1,682**	**n.a.**
Undiluted consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz					
Undiluted group net income per bearer share		6.58	8.37		
Undiluted group net income per registered share		0.66	0.84		
Undiluted group net income from continued operations per bearer share		6.17	8.49		
Undiluted group net income from continued operations per registered share		0.62	0.85		
Fully diluted consolidated earnings per share of Verwaltungs- und Privat-Bank AG, Vaduz					
Diluted group net income per bearer share		6.58	8.37		
Diluted group net income per registered share		0.66	0.84		
Diluted group net income from continued operations per bearer share		6.17	8.49		
Diluted group net income from continued operations per registered share		0.62	0.85		

[1] Several of the amounts reported here do not correspond to those in the 2012 financial consolidated financial statements as a result of restatements made to reflect discontinued operations. Details can be found in note 45 on page 155.

Consolidated statement of comprehensive income

in CHF 1,000	2013	2012	Variance absolute	Variance in %
Net income	**38,687**	**47,201**	**–8,514**	**–18.0**
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	–1,901	–2,411	510	n.a.
• Foreign-currency translation difference transferred to the income statement from shareholders' equity	1,854	0	1,854	n.a.
Total other comprehensive income which will be transferred to the income statement upon realisation	**–47**	**–2,411**	**2,364**	**n.a.**
Other comprehensive income which will not be transferred subsequently to the income statement				
• Changes in value of FVTOCI financial instruments	–4,055	–2,220	–1,835	n.a.
• Actuarial gains/losses from defined-benefit pension plans	–5,875	31,028	–36,903	–118.9
Total other comprehensive income which will not be transferred subsequently to the income statement	**–9,930**	**28,808**	**–38,738**	**–134.5**
Total comprehensive income in shareholders' equity	**–9,977**	**26,397**	**–36,374**	**–137.8**
Total comprehensive income in income statement and shareholders' equity	**28,710**	**73,598**	**–44,888**	**–61.0**
Attributable to non-controlling interests	568	–200	768	n.a.
Attributable to shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	28,142	73,798	–45,656	–61.9

Consolidated balance sheet

Assets

in CHF 1,000	Note	31/12/2013	31/12/2012	Variance absolute	Variance in %
Cash and cash equivalents	13	1,377,407	926,961	450,446	48.6
Receivables arising from money-market papers	14	23,227	0	23,227	n.a.
Due from banks	15/16	4,502,014	4,789,054	–287,040	–6.0
Due from customers	15/16	3,926,676	3,713,290	213,386	5.7
Trading portfolios	17	2,622	215	2,407	n.a.
Derivative financial instruments	18	35,738	50,751	–15,013	–29.6
Financial instruments at fair value	19	346,405	429,288	–82,883	–19.3
Financial instruments measured at amortised cost	20	776,223	502,566	273,657	54.5
Associated companies	21	41	44	–3	–6.8
Property and equipment	22	117,179	122,359	–5,180	–4.2
Goodwill and other intangible assets	23	53,221	55,832	–2,611	–4.7
Tax receivables	10c	14	58	–44	–75.9
Deferred tax assets	10b	11,319	11,903	–584	–4.9
Accrued receivables and prepaid expenses		21,086	25,080	–3,994	–15.9
Other assets	24	13,646	14,028	–382	–2.7
Total assets		**11,206,818**	**10,641,429**	**565,389**	**5.3**

Liabilities and shareholders' equity

in CHF 1,000	Note	31/12/2013	31/12/2012	Variance absolute	Variance in %
Due to banks		224,174	374,727	–150,553	–40.2
Due to customers – savings and deposits		880,459	966,870	–86,411	–8.9
Due to customers – other liabilities		8,524,194	7,735,165	789,029	10.2
Derivative financial instruments	18	52,740	82,467	–29,727	–36.0
Medium-term notes	25	243,722	284,370	–40,648	–14.3
Debentures issued	26	198,936	198,513	423	0.2
Tax liabilities	10c	1,780	3,689	–1,909	–51.7
Deferred tax liabilities	10b	9,901	8,401	1,500	17.9
Accrued liabilities and deferred items		25,975	22,547	3,428	15.2
Other liabilities	27	146,236	68,755	77,481	112.7
Provisions	28	9,958	7,098	2,860	40.3
Total liabilities		**10,318,075**	**9,752,602**	**565,473**	**5.8**
Share capital	30	59,148	59,148	0	0.0
Less: treasury shares	31	–25,903	–33,493	7,590	–22.7
Capital reserves		–11,803	–10,923	–880	8.1
Income reserves		901,748	878,136	23,612	2.7
Unrealised gains/losses on financial instruments FVTOCI		–9,041	–4,986	–4,055	81.3
Foreign-currency translation differences		–25,406	–16,796	–8,610	51.3
Shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz		**888,743**	**871,086**	**17,657**	**2.0**
Minority interests	29/46	0	17,741	–17,741	–100.0
Total shareholders' equity		**888,743**	**888,827**	**–84**	**0.0**
Total liabilities and shareholders' equity		**11,206,818**	**10,641,429**	**565,389**	**5.3**

Consolidated changes in shareholders' equity

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Unrealised gains/ losses FV-TOCI	Actuarial gains/ losses from defined-benefit pension plans	Foreign-currency trans-lation diffe-rences	Equity of share-holders of Verwal-tungs- und Privat-Bank AG, Vaduz	Mino-rity interests	Total share-holders' equity
Total shareholders' equity 01/01/2013	**59,148**	**−33,493**	**−10,923**	**903,689**	**−4,986**	**−25,553**	**−16,796**	**871,086**	**17,741**	**888,827**
Other comprehensive income, after income tax										
Foreign-currency translation differences							−1,901	−1,901		−1,901
Changes in value transferred to profit reserves							1,854	1,854		1,854
Changes in value of FVTOCI financial instruments					−4,055			−4,055		−4,055
Actuarial gains/losses from defined-benefit pension plans						−5,875		−5,875		−5,875
Net income				38,119				38,119	568	38,687
Total reported result 31/12/2013	**0**	**0**	**0**	**38,119**	**−4,055**	**−5,875**	**−47**	**28,142**	**568**	**28,710**
Purchase/sale subsidiaries[1]				5,857			−8,563	−2,706	−17,063	−19,769
Dividends 2012				−14,489				−14,489	−1,246	−15,735
Management equity participation plan (LTI)			2,092					2,092		2,092
Movement in treasury shares[2]		7,590	−2,972					4,618		4,618
Total shareholders' equity 31/12/2013	**59,148**	**−25,903**	**−11,803**	**933,176**	**−9,041**	**−31,428**	**−25,406**	**888,743**	**0**	**888,743**
Total shareholders' equity 01/01/2012	**59,148**	**−38,632**	**−3,882**	**879,246**	**−2,766**	**−56,581**	**−14,639**	**821,894**	**18,986**	**840,880**
Other comprehensive income, after income tax										
Foreign-currency translation differences							−2,157	−2,157	−254	−2,411
Changes in value transferred to profit reserves								0		0
Changes in value of FVTOCI financial instruments					−2,220			−2,220		−2,220
Actuarial gains/losses from defined-benefit pension plans						31,028		31,028		31,028
Net income				47,147				47,147	54	47,201
Total reported result 31/12/2012	**0**	**0**	**0**	**47,147**	**−2,220**	**31,028**	**−2,157**	**73,798**	**−200**	**73,598**
Dividends 2011				−8,671				−8,671	−1,045	−9,716
Coupon tax on old reserves[3]				−14,033				−14,033		−14,033
Management equity participation plan (LTI)			−3,527					−3,527		−3,527
Movement in treasury shares[2]		5,139	−3,514					1,625		1,625
Total shareholders' equity 31/12/2012	**59,148**	**−33,493**	**−10,923**	**903,689**	**−4,986**	**−25,553**	**−16,796**	**871,086**	**17,741**	**888,827**

[1] Details on transactions can be found in notes 45 and 46.
[2] Details on transactions with treasury shares can be found in note 31.
[3] Reduction of coupon tax on old reserves of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, pursuant to AGM resolution in 2012.

Consolidated statement of cash flow

in CHF 1,000	2013	2012
Cash flow from operating activities		
Group net income from continued operations	35,725	49,020
Income from discontinued operations, net of taxes	2,962	–1,819
Reconciliation to cash flow from operating activities		
Non-cash-related positions in Group results		
• Depreciation and amortisation	27,033	29,445
• Creation/dissolution of retirement pension provisions	8,457	–54,776
• Creation/dissolution of other provisions	–4,714	3,049
• Unrealised gains/losses on financial instruments measured at fair value	–5,702	–4,721
• Unrealised gains/losses on financial instruments measured at amortised cost	1,140	4,159
• Deferred income taxes	568	–615
Net increase / reduction in banking		
• Amounts due from/to banks	87,933	553,261
• Trading portfolios incl. replacement values, net	–19,506	5,802
• Amounts due from/to clients	508,472	170,225
• Accrued receivables and other assets	4,352	6,623
• Accruals and other liabilities	70,848	14,682
Income taxes paid	–1,844	–340
Foreign-currency impact on intragroup payments	–5,528	–2,271
Net cash flow from operating activities	**710,196**	**771,724**
Cash flow from investment activities		
Purchase of financial instruments measured at fair value	–53,394	–170,393
Proceeds from sale of/maturing financial instruments measured at fair value	137,751	211,462
Purchase of financial instruments measurement at amortised cost	–367,760	–44,253
Proceeds from sale of/maturing financial instruments measured at amortised cost	87,907	97,797
Acquisition of property and equipment and intangible assets	–19,209	–7,780
Acquisition of subsidiary companies	0	0
Disposal of subsidiary companies	800	0
Net cash flow from investment activities	**–213,905**	**86,833**
Cash flow from financing activities		
Purchase of treasury shares	–15,925	–3,584
Proceeds from sale of treasury shares	18,037	5,214
Dividend distributions	–14,489	–8,671
Coupon tax on old reserves	0	–14,033
Redemption/issuance of medium-term bonds	–40,648	32,657
Redemption/issuance of debentures	0	–126,700
Dividend payments to non-controlling interests	–1,246	–1,045
Net cash flow from financing activities	**–54,271**	**–116,162**
Foreign-currency translation impact (including non-controlling interests)	–13,842	–8,149
Net increase in cash and cash equivalents	**428,177**	**734,246**
Cash and cash equivalents at the beginning of the financial year	1,902,398	1,168,151
Cash and cash equivalents at the end of the financial year	2,330,575	1,902,397
Net increase in cash and cash equivalents	**428,177**	**734,246**

Consolidated statement of cash flow (continued)

in CHF 1,000	2013	2012
Cash and cash equivalents as of 31/12 are represented by		
Cash	1,377,407	926,961
Receivables arising from money-market papers	23,227	0
Due from banks – at-sight balances	929,941	975,436
Total cash and cash equivalents	**2,330,575**	**1,902,397**
Consolidated statement of cash flow (summarised)		
Cash and cash equivalents at beginning of accounting period	**1,902,398**	**1,168,151**
Cash flow from operating activities, net of taxes	710,196	771,724
Cash flow from investing activities	–213,905	86,833
Cash flow from financing activities	–54,271	–116,162
Foreign-currency translation impact	–13,842	–8,149
Cash and cash equivalents at end of accounting period	**2,330,575**	**1,902,397**
Cash flow from operating activities from interest and dividends		
Interest paid	–17,225	–32,449
Interest received	110,379	119,374
Dividends received	3,553	7,357

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 needs of VP Bank Group. Interest rates are based upon equivalent market rates. The fair value of cash and cash equivalents amounts to CHF 2,330.6 million (2012: CHF 1,902.4 million).

Creativity means basing innovation on tradition.

VP Bank has an extensive repertoire of competencies, which can be combined to provide solutions that are in harmony with each client. Because your needs are our inspiration.

Safely ahead.

Principles underlying financial statement reporting

1. Fundamental principles underlying financial statement reporting

Verwaltungs- und Privat-Bank Aktiengesellschaft, which has its registered office in Vaduz, was established in 1956 and is one of the three largest banks in Liechtenstein. Today, it has subsidiaries in Zurich, Luxembourg, the British Virgin Islands, Singapore and Hong Kong, as well as representative offices in Moscow and Hong Kong. As of 31 December 2013, VP Bank Group employed 705.8 persons, expressed as full-time equivalents (previous year: 706.9).

Asset management and portfolio advisory 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 2013 financial statements were drawn up in accordance with International Financial Reporting Standards (IFRS). IFRS contain guidelines which require assumptions and estimates to be made by VP Bank Group in drawing up the consolidated financial statements. The most important fundamental principles underlying financial statement reporting are described in this section in order to show how their application impacts on the reported results and informational disclosures.

Post-balance-sheet-date events

There were no post-balance-sheet-date events that materially affected the balance sheet and income statement for 2013.

The Board of Directors reviewed and approved the consolidated financial statements in its meeting of 19 February 2014 and released it for publication. These consolidated financial statements will be submitted for approval to the Annual General Meeting of 25 April 2014.

2. Changes to the principles of financial statement reporting and comparability

New and revised International Financial Reporting Standards

Since 1 January 2013, the following new or revised standards and interpretations have taken effect:

IAS 1 – Changes in Presentation of Other Comprehensive Income

The revised standard requires that the component parts of other comprehensive income be split into two categories; into gains or losses, which will be recorded subsequently in the statement of income (recycling), and those which will never be reflected in the statement of income.

IFRS 7 – Offsetting of Financial Instruments

The new provisions are designed to enable the reader of financial statements to assess the impact on the financial situation of the company (or possible impact) of set-off agreements, including rights to set off financial assets and financial liabilities.

IFRS 10 – Consolidated Financial Statements

The new standard replaces the previous standard IAS 27 "Consolidated and Separate Financial Statements" as well as SIC 12 "Consolidation – Special-Purpose Entities". It creates a uniform definition for the concept of control and thus a uniform basis for defining the existence of parent-subsidiary relationship and the corresponding impact on the scope of consolidation. Furthermore, IFRS 10 clarifies a number of issues which had not been addressed previously, for example, principal-agent relationships.

IFRS 11 – Joint Arrangements

The new standard focuses on the rights and obligations arising under joint arrangements. It differentiates between joint business activities in which each partner records his share in the balance sheet and income statement and joint entities which are reflected in the consolidated financial statements in accordance with the equity method of accounting.

IFRS 12 – Disclosures of Interests in Other Entities

The new standard contains the disclosure provisions relating to shareholdings in subsidiary companies, associates, joint arrangements and non-consolidated structured entities. The disclosures should assist the reader of financial statements to be able to estimate the nature and risks inherent in interests in other entities as well as their financial impact.

IFRS 13 – Fair Value Measurement

The new standard contains uniform and consistent provisions on determining fair value and it is to be applied whenever a standard demands or permits measurements of fair value and/or disclosures regarding fair value. Fair value equates to the price that would be realised in an orderly transaction between market participants at the date of measurement in the event of a sale of the asset or which would be paid in transferring the liability. Fair value thus relates to measurements based upon market values.

The new standard also includes additional disclosure requirements concerning the determination of fair value. Furthermore, numerous disclosures as to financial instruments are henceforth required in interim financial statement reporting.

With the exception of IAS 1 and IFRS 13, the new standards had no impact on financial statement reporting. IFRS 13 did not impact the fair value of recognised assets and thus did not impact shareholders' equity and consolidated results.

Changes in financial statement reporting policies as a result of the early adoption of IAS 19 "revised 2011" (IAS19R) "Employee Benefits"

In 2012, VP Bank Group resolved to implement, prior to its effective date, IAS 19R "Employee Benefits" and the changes flowing therefrom.

As a result of this decision, the 2011 comparative figures were restated in compliance with the transitional provisions of par. 173 IAS 19R.

International Financial Reporting Standards to be adopted in 2014 or subsequently

Numerous new standards, revisions and interpretations of existing standards were published which are mandatory for accounting periods beginning on 1 January 2014 or subsequently. The following new or revised IFRS Standards or Interpretations are either currently being analysed or are of no significance to VP Bank Group. With the exception of IAS 36, VP Bank Group did not elect to make use of the possibility of an early adoption of these amendments.

- IFRS 10 – Investment Entities
- IFRS 14 – Regulatory Deferral Accounts
- IAS 19R – Employee Benefits (Risk Sharing)
- IAS 32 – Offsetting of Financial Instruments
- IAS 36 – The amendment regarding Recoverable Amount Disclosures for Non-Financial Assets was adopted prematurely
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- Annual Improvements – 2010–2012 cycle
- Annual Improvements – 2011–2013 cycle
- IFRIC 21 – Levies.

Changes in estimates

No material changes in estimates were made or applied.

3. Scope of consolidation

Fully consolidated companies

The consolidated financial statements encompass the financial statements of Verwaltungs- und Privat-Bank Aktiengesellschaft, 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.

Changes in scope of consolidation

During 2013, the shareholdings in IGT Intergestions Trust reg. Vaduz, Proventus Treuhand und Verwaltung AG, Vaduz, FIB Finanz- und Beteiligungs-AG, Vaduz as well the 60 per cent equity share in VP Bank and Trust Company (BVI) Limited, Tortola were sold. These companies are no longer included in the scope of consolidation. The shareholding in VP Bank (BVI) Limited, Tortola was increased from 60 per cent to 100 per cent.

Method of capital consolidation

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

Shareholdings in associated companies

Shareholdings on which VP Bank Group exercises a material influence are recorded using the equity method. A material influence is generally assumed to exist whenever VP Bank Group holds, directly or indirectly, 20 to 50 per cent of voting rights.

According to the equity method of accounting, the shares of an enterprise upon acquisition are accounted for at acquisition cost. Subsequent to acquisition, the carrying value of the associated 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 associated company.

In applying the equity method, the Group ascertains whether it is necessary to record an additional impairment loss for its investments in associated companies. As of each balance-sheet date, the Group ascertains whether objective indications exist that the investment in an associated company may be value-impaired. Should this be the case, the difference between the realisable value of the share in the associated company and its carrying value is recorded as a charge to income.

4. Assumptions and uncertainties in estimates

IFRS contain guidelines which require certain assumptions and estimates to be made by VP Bank Group in drawing up the consolidated financial statements. The assumptions and estimates are continually 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.

Non-performing loans

A review of collectability is undertaken at least once a year for all loans of doubtful collectability. Should changes have occurred as to the amount and timing of anticipated future payment flows in comparison to previous estimates, the valuation allowance for credit risks is adjusted accordingly. The amount of the value impairment is measured essentially by reference to the difference between the carrying value and the probable amount which will be recovered, after taking into account the proceeds of realisation from the sale of any collateral. A change in the net present value of the estimated future monetary flows of +/–5 per cent increases or decreases, respectively, the amount of the valuation allowance by CHF 1.0 million (prior year: CHF 1.2 million).

5. General principles

Trade date versus settlement date

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

Revenue recognition

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

Foreign-currency translation

Functional currency and reporting currency:
The consolidated financial statements are expressed in Swiss francs.

The foreign-exchange 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 charged to 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 the preparation of the consolidated financial statements, balance sheets of Group companies denominated in a foreign currency are translated in Swiss francs at the year-end exchange rate. Average exchange rates for the reporting period are applied for the translation of income-statement captions as well as those of 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 converted into the Group reporting currency at the rate of exchange prevailing as of the balance-sheet date. The individual items in the income statement are translated at average rates for the period. Foreign-currency differences arising from the translation of financial statements expressed in foreign currencies are offset against shareholders' equity (income reserves) without impacting on operating results.

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

Goodwill and fair value adjustments from acquisitions of foreign companies are treated as receivables and payables 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.

Segments

VP Bank Group is organised into four business segments: Client Business Liechtenstein, Client Business International, Chief Operating Officer (COO) and Corporate Center. External segment reporting reflects the organisational structure of VP Bank Group and the internal reporting to the management. It forms the basis used by the Group's decision-makers.

Direct revenues and expenses are allocated to the business units. The recharging of costs and revenues between the business units is made on the basis of internal transfer prices, actual recharges or on prevailing market conditions. It is reviewed annually and adjusted to reflect changes in economic conditions. Revenues and costs of cross-segment services which cannot be allocated directly to individual segments are recorded in the segment of Corporate Center. Furthermore, entries relating to the consolidation are recorded in the Corporate Center. Geographic segment reporting is undertaken in accordance with the principles of branch accounting and reflects the segments Liechtenstein and Switzerland, Rest of Europe and Other Countries.

Cash and cash equivalents

Cash and cash equivalents encompass the items cash on hand, receivables arising from money-market paper and sight balances with banks.

6. Financial instruments

General

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

The allocation of financial instruments is made at the time of initial recognition using the criteria set out in IFRS 9.

Trading portfolios

Trading portfolios comprise shares, debentures, 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 under income from trading activities after deduction of related transaction costs. Interest and dividends from trading activities are recorded under interest 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 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 investment recognised at amortised cost is classified as being value-impaired whenever it is probable that the total contractually agreed amount due will not be collected in full. Causes giving rise to an impairment loss can be counterparty-specific or country-specific. Whenever impairment occurs, the carrying value of the financial investment is reduced to its realisable value by charges to income and is reported under the item "income from financial investments".

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 at fair value (FVTPL)

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

Insofar as the criteria of IFRS 9 are not met, a financial instrument may be designated and recorded under this category upon initial recognition.

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

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

Investments in equity capital instruments are recognised in 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.

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

Loans granted

At the time of their initial recognition, loans are valued at their effective cost, which equates to fair value at the time the loans are granted. Subsequent valuations are made at amortised cost, with the effective interest yield method being applied.

Value-impaired loans

Value-impaired loans are amounts outstanding from clients and banks where it is improbable that the debtor can meet its obligations. The reasons for an impairment in value are of a nature which is specific to the counterparty or country. Interest on value-impaired loans is recorded throughout the period during which the interest accrues. A valuation allowance for credit risks is recorded as a reduction in the carrying value of a receivable in the balance sheet. The amount of the reduction in value is measured essentially by reference to the difference between the carrying value and the amount which will probably be recovered after taking into account the realisable proceeds from the disposal of any applicable collateral. For off-balance-sheet positions, on the other hand, such as a fixed facility granted, a provision for credit risks is recorded under provisions. Global valuation allowances exist to cover latent, as yet unidentified credit risks on a portfolio basis. A collectability test is performed at least once a year for all non-performing receivables. Should changes have occurred as to the amount and timing of anticipated future flows in comparison to previous estimates, the valuation allowance for credit risks is adjusted and recorded in the income statement under valuation allowances for credit risks or release of valuation allowances and provisions that are no longer required.

Overdue loans

A loan is considered to be overdue or non-performing if a material contractually agreed payment remains outstanding for a period of 90 days or more. Such loans are not to be classified as value-impaired if it can be assumed that they are still covered by existing collateral.

Guidelines on collateral limits and valuation

VP Bank Group demands an appropriate margin on the collateralising of assets. This margin must be set in such a manner that changes in market values, market volatility, debtor creditworthiness and counterparty risk are appropriately taken into account and, as a result, the receivables are backed by adequate collateral at all times.

Categories/types of collateral

VP Bank Group assigns all customary types of loans into the three categories of collateral "marketable", "non-marketable" or "unsecured".

- **Marketable:** mortgage collateral up to a maximum of two-thirds of the official market value / bank appraisal or appraisal of a recognised expert; quoted securities; account monies (current account, deposit account, fiduciary, call money); precious metals; medium-term bonds; repurchase values of life-assurance policies; bank guarantees (from banks with open credit limit).
- **Non-marketable:** mortgage collateral up to a maximum of 80 per cent of the official market value/bank appraisal or appraisal of a recognised expert.
- **Unsecured:** all credits without collateral; sureties; unquoted securities; cession of debtor receivables; purchase price residual receivables; receivables arising from letters of credit; discount bills.

Types of collateral which are not mentioned are deemed to be "unsecured". Group management ensures that the monitoring of credits is appropriate to the risks assumed in the credit business. The collectability of the collateral is subject to regular review. Changes in the creditworthiness of the borrower are reviewed on an ongoing basis.

Derivative financial instruments

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

Financial guarantee contracts

After initial recognition, a financial guarantee contract is valued at the higher of the following two amounts: the provision that would have to be established if there is a probable outflow of resources, and a reliable estimate of that obligation can be made; or, the amount initially recognised minus the cumulative amortisation recognised on the income statement.

Hedge accounting

VP Bank Group does not apply hedge accounting.

Debt securities issued

Medium-term notes are recorded at their issue price and measured subsequently at their amortised cost. At the time of their initial recording, debentures are recorded at their fair value minus transaction costs. The fair value equates to the consideration received. Subsequently, they are valued at amortised cost for balance-sheet reporting purposes. 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 Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, held by VP Bank Group are disclosed as treasury shares under shareholders' equity and deducted at acquisition cost. 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 in 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 in order 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 in the balance sheet under amounts due to/from customers and banks.

Securities lending and borrowing transactions in which VP Bank Group appears as agent are recorded under off-balance-sheet items.

Fees received or paid are recorded under commission income.

7. Other principles

Provisions

Provisions are only recorded in the balance sheet if VP Bank Group has a liability to a third party which is to be attributed 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.

Valuation allowances for long-term assets (impairment)

The value of property and equipment and other assets (including goodwill and other intangible assets) is reviewed at least once a year, as well as whenever it appears that the carrying value is over-valued as a result of occurrences or changed circumstances. If the carrying value exceeds the realisable value, an extraordinary write-down is made.

Property and equipment

Property and equipment comprises bank premises, other real estate, furniture and equipment, as well as IT systems. Property and equipment is valued at acquisition cost minus operationally necessary depreciation and amortisation.

Property 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.

The Bank's premises are real estate which is held and used by VP Bank Group to render services or for administrative purposes, while other real estate serves to generate rental income and/or achieve capital gains. Whenever a property serves partially as own premises for the Bank and partially as other real estate, the criteria as to whether both portions can be sold individually shall apply in determining to which classification it belongs. If a partial sale is possible, each part shall be recorded accordingly. Should each part be incapable of being sold individually, the entire property shall be classified as the Bank's premises, unless the portion used as bank premises is insignificant.

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

Depreciation	estimated useful lives
Real estate	25 years
Land	not depreciated
Furniture and equipment	5 to 8 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 and equipment are disclosed as other income. Losses on sale lead to additional depreciation and amortisation on property and equipment.

Leasing

Operating leasing expenditures (rights and duties arising from ownership relating to the object of the leasing contract remain with the lessor) are charged to the general and administrative expenses.

At present, there are no receivables or payables in connection with financing leases.

Goodwill

In the case of a takeover, should the acquisition costs be greater than the net assets acquired and 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 allowances. The recording of goodwill is made in the original 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, i.e. 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 in the balance sheet under software. The capitalised values are amortised on a straight-line basis over their useful lives. The period of amortisation is three to seven years.

Intangible assets with undefined estimated useful lives are reviewed at least once a year for any required valuation allowances. At present, VP Bank Group has not recorded any intangible assets with unlimited useful lives.

Other intangible assets include separately identifiable intangible assets arising from acquisitions, as well as certain purchased client-related assets, etc., and are amortised on a straight-line basis over an estimated useful life of 5 to 10 years. Other intangible assets are recorded in the balance sheet at purchase cost at the time of acquisition. On each balance sheet date, or whenever there is reason to do so, a review is made as to whether there are indications of a possible impairment in value or of a change in the estimated useful life. Should such indications exist, it is ascertained whether the carrying value is completely recoverable. Should the carrying value exceed the realisable value, a write-off is made.

Taxes and deferred taxes

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

The taxation effects of timing 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 timing differences or from the utilisation of tax loss carry-forwards are only recognised when it is probable that sufficient taxable profits are available, against which these timing 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 only offset against each other 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 taxation savings expected from the utilisation of estimated future realisable loss carry-forwards are capitalised. The probability of realising expected taxation benefits is taken into account when valuing a capitalised asset for future taxation relief. Taxation assets arising from future taxation relief encompass deferred taxes on timing differences between the carrying values of assets and liabilities in the consolidated balance sheet and those used for taxation purposes as well as estimated future 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 between actual taxation liabilities and tax claims and the taxes are levied by the same taxing authorities; amounts are offset insofar as the maturities correspond.

Retirement pension plans

VP Bank Group maintains a number of retirement pension plans for employees in Liechtenstein, Switzerland and abroad, among which there are both defined-benefit and defined-contribution plans.

Recorded receivables from and liabilities to these pension funds are computed on the basis of statistical and actuarial calculations of experts.

As regards 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. Amongst the computational assumptions taken into account by the Group are inter alia, the expected future rate of salary increases, long-term interest earned on retirement assets, retirement patterns and life expectancy. The valuations are undertaken annually by independent actuaries. Plan assets are re-measured annually at fair values.

Pension costs comprise three components:
- service costs which are recognised in the income statement;
- net interest expense, which is also recognised in the income statement; and
- revaluation components which are recognised in the statement of comprehensive income.

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

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

Net interest expense corresponds to the amount derived from multiplying the discount rate with the pension liability or plan assets at the beginning of the year. In the process, capital flows of less than one year 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 minus the effects contained in net interest expense. Revaluation components are recognised in the statement of comprehensive income and cannot be booked as earnings 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. The recognised pension assets are limited to the present value of the economic benefit of the Group arising from the future reduction in contributions or repayments. Liabilities arising in connection with the termination of employment are recognised at the time when the Group has no other alternative but to finance the benefits offered. In any event, the expense is to be recorded at the earliest when the other restructuring cost is also recognised. For other long-term benefits, the present value of the acquired commitment is recorded as of the balance-sheet date. Movements in present values are recorded directly in the income statement as personnel expense.

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

Employee stock-ownership plans

The stock-ownership plan enables employees to subscribe annually to a defined number of bearer shares in Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, at a preferential price subject to a four-year restriction period on selling. Upon expiry 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. The number of bearer shares which can be subscribed to depends upon the years of service and management level.

The purchase price is determined annually in relation to the market value of the bearer shares on the Swiss Exchange (ex-dividend). The shares issued in this manner derive either from the portfolio of VP Bank Group or are acquired for this purpose over the stock exchange. The resulting expense is charged directly to personnel expense.

Management profit-sharing plan

A long-term and value-oriented compensation model exists for Group Executive Management and second-level executives. In accordance with this model, the compensation of Group Executive Management comprises three components:

1. A fixed base salary component which is contractually agreed between the Nomination & Compensation Committee (a committee of the Board) and each member of Group Executive Management. To be added to the base salary are the contributions made by VP Bank to the executive insurance scheme and pension fund.

2. A variable performance-related portion (Short-Term Incentive STI) depending on the annual value creation of VP Bank Group. It is allocated on the basis of qualitative individual criteria and financial Group targets. The financial Group targets are weighted by some two-thirds. The STI is paid annually in cash.

3. A long-term variable management equity-share plan (Long-Term Incentive LTI) settled in the form of bearer shares of VP Bank. The basic principles thereof are the focus on value creation (economic profit) and the long-term commitment of management to a variable salary component in the form of shares. The number of shares which are vested after a period of three years is directly dependent on the development of the economic profit of VP Bank Group. This takes account of capital- and risk-related costs. The target setting is carried out on the basis of an external perspective. The starting point in this connection is the target yield on the market value. Thus, depending on the financial trend, a greater or lesser number of shares are allocated. The factor ranges from a minimum of 0.5 to a maximum of 2.0. The basis for calculating expenses for management stock participation consists of the number of shares, the goal-achievement factor and the current price of the stock at the time the goals were set. The market value is based on the closing price of the SIX-listed bearer shares as recorded on the date of the grant. The monetary benefit settled in shares at the end of the plan is also dependent on the stock price of the VP Bank bearer shares. The bearer shares required to service the LTI equity share plan are either taken from the portfolio of treasury shares of VP Bank Group or are purchased on the Stock Exchange.

As required by the accounting provisions of IFRS 2, LTI is treated as share-based payment transactions settled in the form of equity instruments. The expense related to the LTI is calculated over the vesting period with an offsetting amount in capital reserves. Assumptions are made regarding the rate of forfeiture, which is regularly adjusted over the vesting period so that at the end thereof only the expense for the rights actually vested is recorded.

Earnings per share

The undiluted earnings per share are arrived at by dividing the net profit or loss of the reporting period attributable to the shareholders by the weighted average number of shares outstanding in this period (minus treasury shares).

The diluted earnings per share are computed using the same method; however, the parameters are adapted in order to reflect the potential dilution which would result from the transformation or exercising of options, warrants, convertible bonds or other contracts involving the shares.

8. Equity management

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 reach this goal, VP Bank 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 avoids extreme risks which can jeopardise the ability to bear risk and in this respect the health and existence of the Group, and manages all risks within the annual risk budget laid down by the Board of Directors. Thanks to the strong capitalisation, VP Bank can invest in the expansion of its business. In managing the equity resources, VP Bank 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 project their future development. Equity resources which the Bank does not need for its growth or business activities are returned through dividend payments according to their long-term policy. Thus, through active management, VP Bank is in a position to maintain the robust capitalisation as well as the credit rating and continue to create sustainable value for the shareholders.

Capital indicators

The determination of the required capital and tier capital is carried out on the basis of the IFRS consolidated financial statements, whereby unrealised gains are deducted from core capital. Total capital (core capital and supplementary capital) must amount to a minimum of 8 per cent of the risk-weighted assets.

Risk-weighted assets as of 31 December 2013 aggregated CHF 4.1 billion as compared to CHF 3.9 billion in the prior year. Core capital as of 31 December 2013 was CHF 840.8 million as compared to CHF 834.0 million in the prior year. The overall equity ratio decreased by 1.1 percentage points from 21.5 per cent as at 31 December 2012 to 20.4 per cent at 31 December 2013. Both as of 31 December 2013 and 31 December 2012, VP Bank Group was adequately capitalised in accordance with the respective guidelines of the FMA (Financial Market Authority of Liechtenstein) and the BIS (Bank for International Settlements).

Security means

being reliably accompanied throughout the entire journey.

VP Bank knows the paths to your destination. Place your trust
in our considerable experience. Because we are all pulling in the same direction.

Safely ahead.

Risk management of VP Bank Group

1. Overview

Effective risk and capital management is a fundamental prerequisite to the success and stability of a bank. VP Bank understands this term to mean the systematic processes to identify, evaluate, manage and monitor the relevant risks as well as the steering of the capital necessary to assume risks and guarantee risk tolerance. The risk policy constitutes the mandatory operating framework in this respect.

It contains an overarching framework as well as a risk strategy for each individual risk group (financial risks, operational risks, business risks). Described and regulated therein are the specific goals and principles, organisational structures and processes, methods and instruments as well as target measures and limits.

Capital management

The reforms of the Basel III regulatory framework heighten the capital adequacy and liquidity requirements for banks. With a ratio of 20.4 per cent, VP Bank possesses a tier 1 ratio which far exceeds that which will be required in future and which continues to reflect a high measure of stability and security.

Credit risks

Following the onset of the crisis in financial markets, exposures in countries affected by the debt crisis were reduced or the related limits were in part completely suspended. Secured reverse repo investments were also deployed in order to limit credit risk.

Market risks

In view of the continuing macroeconomic uncertainties in Europe and the USA, the hedging strategy for currency risks was revised.

Liquidity risks

Assuring liquidity continues to have foremost priority, for which reason the holdings of securities which are eligible for repo transactions as well as giro clearing positions were increased.

Operational risks

Systematic management of operational risks was further stepped up. The standard achieved in the parent bank was improved and implemented throughout the Group companies.

2. Principles underlying risk policy

Risk and capital management is predicated on the following principles:

Alignment of risk tolerance and risk appetite

Risk appetite is reflected in the risk capital and indicates the maximum loss which the bank is prepared to bear arising from crystallising risks without thereby jeopardising the Bank's ability to continue as a going concern. As a strategic success factor, risk tolerance is to be maintained and enhanced by employing a suitable process to ensure an appropriate capital basis.

Clear competencies and responsibilities

Risk appetite is rendered operational with the aid of a comprehensive system of limits and implemented in an effective manner together with a clear set of guidelines governing the tasks, limits of authority and responsibility of all functions, organisational units and bodies participating in risk- and capital-management processes. The risk coverage potential, the risk capital and limits are reviewed annually as and when required, but at a minimum once a year and are adjusted whenever necessary.

Scrupulous attitude to risks

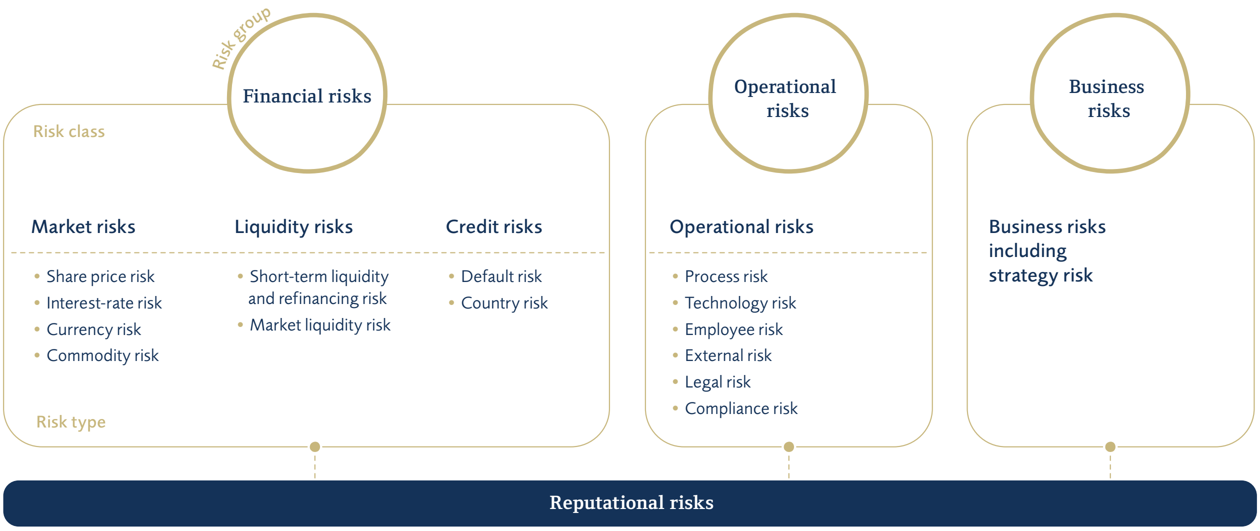
Strategic and operational decisions are taken on the basis of risk/return calculations and aligned with the interests of the stakeholders. Whilst complying with legal and regulatory provisions and the principles underlying business and ethical policies, VP Bank takes on risks consciously so long as the extent of these are known and the technical prerequisites to apprehend them are at hand and that the bank is adequately rewarded. It avoids transactions with an inadequate relationship of risks to returns as well as large risks and extreme risk concentrations which could jeopardise risk tolerance and thus the ability of the Bank to continue as a going concern.

Segregation of functions

Risk control and risk reporting are assured by functions which are independent of those involved in the management of risks.

Transparency

The underlying principle of risk monitoring is a comprehensive, objective, timely and transparent disclosure of risks to Group Executive Management and the Board of Directors.



3. Organisation of risk and capital management

Classification of banking risks

The risks to which VP Bank is exposed in its ordinary course of business are allocated to three risk groups – financial risks, operational risks and business risks (including strategic risks).

Whilst financial risks are consciously entered into in order to generate revenues, operational risks are to be avoided through appropriate controls and measures or, if that is not possible, to be reduced to a level laid down by the Bank.

Other than business risks, financial and operational risks are the result of a bottom-up process in the risk management process of the Bank. Measures designed to contain them are elaborated by the responsible functions, organisational units or committees and approved by the Board of Directors or Group Executive Management. Business risks, on the other hand, are analysed by the Board of Directors and Group Executive Management after considering the banking environment and the internal situation of the company. Company management derives the top risk scenarios from the analysis and designs related measures, the implementation of which is delegated to the competent function or organisational unit (top-down process).

Market risk expresses the danger that possible economic losses in value in the banking and trading books will arise from adverse changes in market prices (interest rates, currency rates, equity share prices and commodity quotations) or other price-influencing parameters such as volatility.

Liquidity risks comprise liquidity and refinancing risks as well as market liquidity risk. Liquidity and refinancing risks express the danger that current and future payment obligations cannot be met on the due date or to the full extent. Market liquidity risk includes cases where it is not possible, as a result of insufficient market liquidity, to liquidate positions subject to risk on a timely basis, in the desired amount and at acceptable conditions.

Credit risks comprise both counterparty and country risks. Counterparty risks describe the danger of a financial loss which may arise if a counterparty of the Bank cannot or does not wish to meet its contractual commitments in full or on the due date (default risk) or the creditworthiness of the debtor has deteriorated (credit risk). Country risks, as a further extension of credit risk, arise whenever political or economic conditions specific to a country diminish the value of an exposure abroad.

Operational risks represent the danger of incurring losses arising from the inappropriateness or failure of internal procedures, people or systems, or as a result of external events.

Business risks, on the one hand, result from unexpected changes in market conditions and circumstances having a negative impact on profitability; on the other, they describe the danger of unexpected losses resulting from management decisions concerning the business policy orientation of the Group (strategic risks).

If the above-mentioned risks are not recognised, appropriately controlled, managed and monitored, this may lead – apart from financial losses – to the Bank's reputation being damaged. VP Bank therefore considers reputational risk not to be a separate risk category but rather the danger of losses resulting from the individual types of risk of the other risk categories. Management of **reputational risks** is incumbent on Group Executive Management.

Duties, powers of authority and responsibilities

The following graph gives an overview in diagramme form of the organisation of risk and capital management of VP Bank Group.

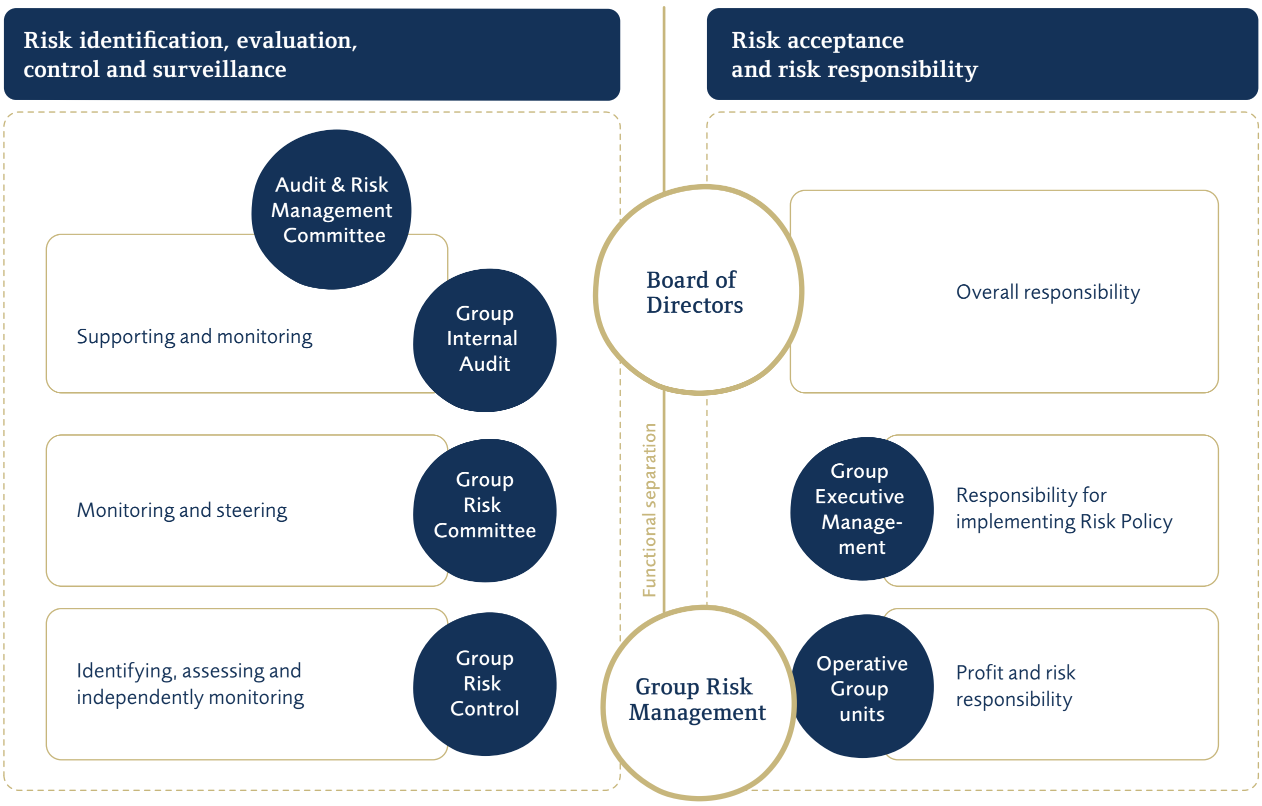
The **Board of Directors** bears the ultimate responsibility for risk and capital management within the Group. It is its remit to establish and maintain an appropriate structure of business processes and organisation as well as an internal control system (ICS) for an effective and efficient management of risk and capital, thereby ensure the risk tolerance of the Bank on a sustainable basis. The Board of Directors is responsible for approving the Risk Policy and monitoring its implementation, laying down the risk appetite on a Group level and stipulating the target measures and limits for risk and capital management. In assuming its duties, the Board of Directors is supported by the Audit & Risk Management Committee and Group Internal Audit.

The **Group Executive Management** is responsible for the implementation and observance of the Risk Policy. Amongst its core tasks are the allocation of the target measures and limits laid down by the Board of Directors to the individual Group companies, the Group-wide management of credit, market, operational, business and reputational risks as well as capital management activities. Group Executive Management is supported by the Group Risk Committee. As the supreme body for the day-to-day management of risks and risk monitoring, it is also responsible for the implementation of risk strategies.

As an independent function for the central identification, evaluation (measurement and assessment) and monitoring (control and reporting) of the risk situation and risk tolerance of the Group, **Group Risk Control** supports the Board of Directors and Group Executive Management in assuming its respective duties. A further task of Group Risk Control consists of ensuring that existing legal, regulatory and internal bank prescriptions are complied with and new prescriptions implemented. In addition thereto is the ongoing review and assessment of the effectiveness and appropriateness of the methods, performance indicators and systems deployed in risk management.

Group Risk Management bears the responsibility for the day-to-day management of financial risks within the target measures and limits laid down by the Board of Directors and Group Executive Management, whilst complying with legal and regulatory prescriptions. Part of its core tasks is balance-sheet-structure management whilst taking account of the profitability, risks and equity situation of VP Bank as well as liquidity management, collateral management, bank capital management and the management of limits for banks and countries.

All risk-taking functions and organisational units belong to the **operating units**.



Process supervision (Group Internal Audit)

Process to ensure an appropriate capital base

VP Bank Group employs the Internal Capital Adequacy Assessment Process (ICAAP) to ensure a capital base appropriate to the risk situation of VP Bank Group. It is briefly described as follows:

The **risk strategy** and **risk appetite** (risk capital) which is derived from the global and individual limits is laid down during the course of the annual planning process on the basis of a risk tolerance analysis and taking into account stress scenarios, strategic initiatives and changes in regulatory directives on the part of the Board of Directors. The risk capital includes the regulatory capital required for business activities and the economic capital for extreme unexpected losses arising from market, credit and operational losses. For the latter, the Board of Directors makes available only a part of the maximum available risk cover potential in the form of an overall bank limit. Accordingly, not all of the freely available equity (after deducting the regulatory required capital as well as funds planned for future capital expenditure) is made available; a portion thereof is retained rather as a risk buffer for unquantifiable or not fully identified risks.

The annual inventory of risks ensures that all risks of relevance for the Group are identified. In addition, an **identification of risks** is undertaken on a mandatory basis during the course of introducing new financial instruments, the assumption of activities in new fields of business or geographic markets as well as in the event of changes to legal or regulatory provisions.

Risk tolerance is determined on the basis of the extent to which the economic required capital is used up, measured by reference to the freely available equity minus the risk buffer as laid down by the Board of Directors. In computing the economic required capital, the risks are aggregated to form an overall assessment whereby the value-at-risk method is employed for the financial risks. Operational risks are computed using the basis indicator approach. Over and above this, VP Bank resorts to a panoply of methods and indicators which are described in greater detail in the sections on the individual risk groups.

Day-to-day **risk management** is performed on a strategic level by setting goals, limits, principles of conduct as well as process guidelines. On an operating level, risk diversification is ensured by managing the financial risk within the target measures and limits set, as well by observing regulatory requirements.

Risk monitoring encompasses control and reporting on the risk situation. An impetus for extended controls is given by possible exceeded limits highlighted during a regular target to actual performance comparison. The reference standard equals the internal target measures and limits as well as legal and regulatory norms. In this respect, advance warning stages enable an early course of action in order to avoid an exceeded limit. As part of reporting, the results of the control are set forth in a reliable, regular and transparent manner. Reporting is made ex ante to the preparation of decisions, ex post to control purposes as well as ad hoc in the case of suddenly and unexpectedly occurring risks.

4. Disclosure regarding Basel capital-adequacy provisions

The required qualitative and quantitative disclosures on capital adequacy, on the strategy and processes for risk management as well as the risk situation of VP Bank, are made in this section as well as in the commentary on the consolidated financial statements.

For each risk category, Basel II, which is currently in force, foresees various approaches for the computation of required equity. VP Bank applies the standard approach for credit and market risks and the basis indicator approach for operational risks.

As of 31 December 2013, the business activities of VP Bank Group required shareholders' equity of CHF 330.2 million (31 December 2012: CHF 313.3 million). Adjusted eligible equity totalled CHF 840.8 million (31 December 2012: CHF 834.0 million). Year-on-year, the excess of equity showed a slight decrease of 1.9 per cent to CHF 510.6 million (31 December 2012: CHF 520.6 million) but together with a tier 1 ratio of 20.4 per cent (31 December 2012: 21.5 per cent) it continues to reflect the robust equity base of the Bank.

The following table shows the equity situation of the Group as of 31 December 2013.

As VP Bank Group has not recognised any hybrid capital in eligible equity and as it does not offset (balance sheet reduction) assets against liabilities in accordance with International Financial Reporting Standards (IFRS), the tier 1 of VP Bank is not "diluted" and can be described as robust.

Capital-adequacy computation

in CHF 1,000	31/12/2013	31/12/2012
Core capital (unadjusted)	**877,082**	**879,026**
• Paid-in capital	59,148	59,148
• Disclosed reserves	825,852	803,216
• Group net income	38,687	47,201
• Deduction for treasury shares	–25,903	–33,493
• Minority interests	0	17,741
• Deduction for dividends as per proposal of Board of Directors	–20,702	–14,787
Deduction for goodwill and intangible assets	–53,221	–55,832
Other adjustments	18,458	17,373
Eligible core capital (tier 1)	**842,319**	**840,567**
Other deductions from supplementary capital, from additional capital and from total capital	–1,493	–6,583
Eligible core capital (adjusted)	**840,826**	**833,984**
Credit risk (in accordance with Liechtenstein standard approach)	264,049	246,874
thereof price risk regarding equity securities in the banking book	7,756	6,706
Risks unrelated to counterparties	9,374	9,789
Market risk (in accordance with Liechtenstein standard approach)	21,824	20,675
Operational risk (in accordance with basic indicator approach)	34,955	36,004
Total required equity	**330,202**	**313,342**
Ratio eligible (adjusted)/required equity [1]	254.6%	266.2%
Eligible (adjusted) core capital (including "innovative" instruments)	20.4%	21.3%
Eligible equity tier 1 [2]	20.4%	21.5%

[1] Eligible equity (as adjusted) as a percentage of required equity (net).
[2] Eligible core capital (tier 1) as a percentage of the risk-weighted positions plus the required equity for market risks, for operational risks and for unsettled transaction positions, converted into equivalent units by multiplying by 12.5.

The implementation of Basel III in Liechtenstein will most probably take place in 2015 and will introduce stricter capital-adequacy and liquidity requirements for credit institutions. As one of the three system-relevant banks, VP Bank in Liechtenstein will have to fulfil the requirement of an additional capital buffer.

5. Financial risks

Whilst complying with the relevant legal and regulatory provisions, the monitoring and daily management of financial risks is based upon internal bank target measures and limits relating to volumes, sensitivities and losses. In addition, scenario analyses and stress tests demonstrate the effect of events which were not or not sufficiently taken into consideration within the scope of ordinary risk evaluation.

The unit Group Risk Management with its already mentioned areas of duty is responsible for the centralised management of financial risks within the limits laid down. Group Executive Management distributes the value-at-risk limit for financial risks, as set by the Board of Directors, over the individual Group companies and risk categories, within which the individual companies manage the risks under their own responsibility. The unit Group Risk Control monitors observance of the limits throughout the Group.

Market risks

Market risks arise as a result of positions being entered into in debt securities, equity shares and other securities under financial investments, foreign currencies, precious metals and in related derivatives, arising both from activities for clients as well as for Group companies whose functional currency is denominated in a foreign 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 has established itself as the standard method to measure general market risk. The value-at-risk method quantifies the negative deviation, expressed in Swiss francs, from the value of all positions exposed to market risk as of the date of the evaluation. The value-at-risk indicator is computed on a Group-wide basis with the help of historical simulation. In this process, the historical movements in market data from the last 260 trading days are read in order to measure all market risk positions. The projected loss is valid for a holding period of 30 days and does not occur with a probability of 99 per cent. In order to compute the value-at-risk for interest-rate risk, fixed interest-bearing positions are mapped with the interest lock-up period and variable interest positions using an internal replication model.

The market risk value-at-risk of VP Bank Group at 31 December 2013 amounted to CHF 37.4 million (31 December 2012: CHF 26.1 million). This equates to an increase of 43 per cent which derives primarily from interest-rate risk. Equity price risk and commodity risk remained approximately constant year-on-year, whereas the currency value-at-risk increased in the reporting period.

The following table shows the value-at-risk (on a monthly basis) analysed by types of risk and the market value-at-risk computed over all risk categories. The computation of the average, highest, lowest and aggregate values is based on a separate year-on-year perspective; the total value does therefore equate to the sum of the respective individual values by risk type.

in CHF million	Total	Interest-rate risk	Equity price & commodity risk	Currency risk
2013				
Year-end	37.4	22.1	5.9	9.4
Average	33.2	18.5	6.2	8.6
Highest value	38.6	22.6	6.5	9.7
Lowest value	27.3	12.8	5.9	7.2
2012				
Year-end	26.1	13.0	6.1	7.0
Average	33.5	12.5	8.5	12.5
Highest value	42.0	13.2	10.5	20.3
Lowest value	26.1	11.2	6.1	7.0

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 render possible an estimate of the effects on the net present value of equity of extreme market fluctuations in the risk factors. In this manner, the net present value fluctuations from all balance-sheet positions in the area of interest-rate and currency risks are computed with the aid of sensitivity indicators on the basis of synthetically produced market movements (parallel shift, rotation or inclination changes in interest-rate curves, exchange rate fluctuations by a multiple of their implicit volatility).

The following table exemplifies the results of the key rate duration process. First, the present values of all asset and liability positions as well as derivative financial instruments are determined. Subsequently, the interest rates of the relevant interest-rate curve in each maturity band and per currency are increased by 1 per cent (+100 basis points). The respective movements represent the gain or loss of the 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
as of 31/12/2013						
CHF	–318	5,933	–4,044	–24,574	–19,065	–42,068
EUR	–585	4,541	–1,705	–7,031	–685	–5,465
USD	–462	4,621	–2,045	–6,460	135	–4,211
Other currencies	–138	778	–148	–53		439
Total as of 31/12/2013	**–1,503**	**15,873**	**–7,942**	**–38,118**	**–19,615**	**–51,305**
as of 31/12/2012						
CHF	–538	6,175	–3,629	–19,786	–19,753	–37,531
EUR	–714	4,427	–1,312	–1,193	–24	1,184
USD	–622	3,778	–1,213	–4,418	778	–1,697
Other currencies	–137	714	–17	–113		447
Total as of 31/12/2012	**–2,011**	**15,094**	**–6,171**	**–25,510**	**–18,999**	**–37,597**

In the following table, the effects of a negative movement in the principal currencies on consolidated net income and shareholders' equity are set out. Responsible for the underlying fluctuation of the Swiss franc against the Euro and the US dollar is the implicit volatility as of 31 December 2013 and 31 December 2012, respectively.

Movement in the principal currencies

Exchange rate	Variance in %	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2013			
EUR	–5	–2,414	–1
USD	–10	–4,859	–5,997
2012			
EUR	–4	–1,994	4
USD	–8	–3,228	–6,579

The impact of a possible downward movement in equity markets of 10, 20 and 30 per cent, respectively, on consolidated net income is illustrated by the following table.

Variances in the relevant stock markets

Variance	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2013		
–10%	–6,327	–1,717
–20%	–12,655	–3,433
–30%	–18,982	–5,150
2012		
–10%	–5,576	–2,226
–20%	–11,152	–4,452
–30%	–16,727	–6,678

For daily risk management purposes, derivative financial instruments are entered into exclusively in the banking book and serve to hedge equity price, interest-rate and currency risks as well as to manage the banking book. The derivatives approved for this purpose are laid down in the Risk Policy.

VP Bank deploys interest-rate swaps principally to hedge interest-rate risk. From an economic point of view, the offsetting revaluation effects from the underlying position and the hedge cancel each other out. As VP Bank does not apply hedge accounting and interest-rate swaps held to hedge interest-rate risk are managed from the trading book, there results an asymmetric reporting of changes in value between the underlying security and the hedge transaction in the income statement.

During the financial year, VP Bank hedged its own financial investments against currency fluctuations in the main currencies through the conclusion of foreign currency forward contracts. In principle, no currency risks should arise from client activities; remaining unsettled foreign currency positions are closed out over the foreign currency spot market. Group Trading is responsible for the management of foreign currency risks arising from client activities.

Liquidity risks

Liquidity risks may arise through contractual mismatches between the in- 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, concentrations of refinancing may lead to a liquidity risk if they are so important that a massive withdrawal of the related funds could trigger liquidity problems. Also the lack of availability of assets eligible for repo operations at the Swiss National Bank (SNB) could represent a liquidity risk.

Whilst complying with the relevant legal liquidity requirements and the provisions regarding risk concentrations amongst both assets and liabilities, liquidity risks are monitored and managed through internal guidelines and limits for the interbank business. The minimum reserve requirements of the SNB and the provisions of the Liechtenstein Banking Law on short-term liquidity were complied with at all times during the course of 2013. The surplus in the minimum reserves and in the area of short-term liquidity amounted to an annual average of 1,825 per cent and 152 per cent, respectively, of the required values.

The ratio of liquid assets to short-term liabilities constitutes an important indication in liquidity management. The following table illustrates the relevant ratios for 2013 and 2012 as of 31 December as well as the average, the highest and the lowest amounts.

Liquidity

	2013	2012
Year-end	54%	57%
Average during year	53%	55%
Highest value	55%	57%
Lowest value	49%	51%

Included in liquid assets are the following positions: balances due from banks, bonds and other assets maturing within one month, liquid assets, assets which the Swiss National Bank authorises for repo operations required under monetary policy and those which in the home country of a foreign branch are eligible for discount, pledging or for repo operations with the central bank as well as bonds of domestic issuers and foreign states. Short-term liabilities reflect all savings and deposit accounts, sight liabilities as well as deposits from banks and clients maturing during the following month.

In this manner, the above-mentioned ratios differ sharply from those which are planned within the framework of Basel III. This concerns primarily the liquidity coverage ratio (LCR), for which a minimum requirement will be progressively increased to reach 100 per cent in 2018. Thus, short-term liabilities flow into the LCR on a weighted basis (rate of outflow for stable client assets 3 per cent and 5 per cent, respectively), whereas these amounts are reflected in full in the above mentioned ratios.

In the area of short-term maturities, the Bank principally refinances itself with sight deposits from clients. The following table shows the maturity structure of liabilities according to the maturity bands. As of 31 December 2013 and 2012, the cash flows (non-discounted capital and interest payments) are made up as follows:

Cash flows on the liabilities side of the balance sheet

in CHF 1,000	At sight	Cancellable	Maturing within 3 months	Maturing after 3 to 12 months	Maturing after 12 months to 5 years	Maturing after 5 years	Total
as of 31/12/2013							
Due to banks	169,378		42,265	12,588			224,231
Due to clients in the form of savings & deposits		880,459					880,459
Other liabilities to clients	7,497,306	183,631	595,750	244,082	5,383		8,526,152
Derivative financial instruments	52,740						52,740
Securitised liabilities			14,294	92,617	350,392	8,080	465,383
Total	**7,719,424**	**1,064,090**	**652,309**	**349,287**	**355,775**	**8,080**	**10,148,965**
as of 31/12/2012							
Due to banks	174,357	316	193,175	6,923			374,771
Due to clients in the form of savings & deposits		966,870					966,870
Other liabilities to clients	6,943,926	229,088	346,859	211,338	5,960		7,737,171
Derivative financial instruments	82,467						82,467
Securitised liabilities			7,115	74,702	422,776	9,336	513,929
Total	**7,200,750**	**1,196,274**	**547,149**	**292,963**	**428,736**	**9,336**	**9,675,208**

VP Bank can rapidly procure liquidity on a secured basis over its access to the Eurex repo market, in case of need. In addition, the holdings of securities eligible for repo transactions as well as clearing giro balances, which serve the Bank as a liquidity reserve, were increased during the course of the year.

Credit risks

Credit risks arise from all transactions for which payment obligations of third parties in favour of the Bank exist or can arise. Credit risks accrue to the Bank from client lending activities, the money-market business including bank guarantees, correspondent and metal accounts, the reverse repo business, the Bank's own investments in securities, securities lending and borrowing, collateral management as well as OTC derivative trades.

As of 31 December 2013, the credit exposures aggregated CHF 9.5 billion (31 December 2012: CHF 9.4 billion). The following table shows the composition thereof by on- and off-balance-sheet positions.

Credit exposures

	31/12/2013	31/12/2012
On-balance-sheet assets		
Receivables arising from money-market paper	23,227	0
Due from banks	4,502,014	4,789,055
Due from customers	3,926,231	3,685,007
Public-law enterprises	445	28,283
Trading portfolios	2,392	112
Derivative financial instruments	35,738	50,751
Financial instruments designated at fair value	267,904	348,741
Financial instruments measured at amortised cost	776,223	502,566
Total	**9,534,173**	**9,404,515**
Off-balance-sheet transactions		
Contingent liabilities	86,935	98,461
Irrevocable facilities granted	20,704	24,045
Total	**107,639**	**122,506**

Credit exposures by groups of counterparties

in CHF 1,000	Central governments and central banks	Banks and securities dealers	Other institutions	Corporates	Private customers and small enterprises	Other positions	Total
On-balance-sheet assets as of 31/12/2013							
Receivables arising from money-market paper	23,227						23,227
Due from banks		4,435,174	66,840				4,502,014
Due from customers	800	35,119	35,475	1,483,634	2,363,941	7,261	3,926,231
Public-law enterprises			445				445
Trading portfolios	1,165		1,227				2,392
Derivative financial instruments	106	19,276	6,116	9,114	1,122	4	35,738
Financial instruments at fair value	12,502	171,284	36,443	39,877		7,798	267,904
Financial instruments measured at amortised cost	254,385	254,794	87,142	177,122		2,780	776,223
Total	**292,185**	**4,915,647**	**233,688**	**1,709,748**	**2,365,063**	**17,842**	**9,534,173**
Off-balance-sheet transactions as of 31/12/2013							
Contingent liabilities	4,668	15,903	268	45,518	15,150	5,428	86,935
Irrevocable facilities granted		1,928	1,880	2,800	12,783	1,313	20,704
Total	**4,668**	**17,831**	**2,148**	**48,318**	**27,933**	**6,741**	**107,639**
On-balance-sheet assets as of 31/12/2012							
Receivables arising from money-market paper							0
Due from banks	13,178	4,658,549	117,328				4,789,055
Due from customers			12,119	1,422,931	2,249,957		3,685,007
Public-law enterprises	26,001		2,282				28,283
Trading portfolios		112					112
Derivative financial instruments		45,151	34	4,346	1,220		50,751
Financial instruments at fair value	10,147	253,875	35,516	37,964		11,239	348,741
Financial instruments measured at amortised cost	37,087	222,542	41,295	190,886		10,756	502,566
Total	**86,413**	**5,180,229**	**208,574**	**1,656,128**	**2,251,177**	**21,994**	**9,404,515**
Off-balance-sheet transactions as of 31/12/2012							
Contingent liabilities	4,361	20,675	904	56,206	13,631	2,684	98,461
Irrevocable facilities granted		7,500	1,055		15,490		24,045
Total	**4,361**	**28,175**	**1,959**	**56,206**	**29,121**	**2,684**	**122,506**

Credit exposures by collateral

in CHF 1,000	Secured by recognised financial collateral	Not secured by recognised financial collateral	Total
On-balance-sheet assets as of 31/12/2013			
Receivables arising from money-market paper		23,227	23,227
Due from banks	335,654	4,166,360	4,502,014
Due from customers	3,405,986	520,245	3,926,231
Public-law enterprises		445	445
Trading portfolios		2,392	2,392
Derivative financial instruments	14,339	21,399	35,738
Financial instruments at fair value		267,904	267,904
Financial instruments measured at amortised cost		776,223	776,223
Total	**3,755,979**	**5,778,195**	**9,534,174**
Off-balance-sheet transactions as of 31/12/2013			
Contingent liabilities	71,272	15,663	86,935
Irrevocable facilities granted	14,524	6,180	20,704
Total	**85,796**	**21,843**	**107,639**
On-balance-sheet assets as of 31/12/2012			
Receivables arising from money-market paper			0
Due from banks	511,662	4,277,393	4,789,055
Due from customers	3,098,177	586,830	3,685,007
Public-law enterprises		28,283	28,283
Trading portfolios		112	112
Derivative financial instruments	13,376	37,375	50,751
Financial instruments at fair value		348,741	348,741
Financial instruments measured at amortised cost		502,566	502,566
Total	**3,623,215**	**5,781,300**	**9,404,515**
Off-balance-sheet transactions as of 31/12/2012			
Contingent liabilities	80,734	17,727	98,461
Irrevocable facilities granted	5,178	18,867	24,045
Total	**85,912**	**36,594**	**122,506**

In the case of amounts due from banks, money-market paper as well as of interest-bearing securities among its own investments, the valuation is based on external ratings.

The following tables show the individual on- and off-balance-sheet positions by rating classes, risk-weighting classes and domicile.

Credit exposures by rating classes

in CHF 1,000	Not-value-adjusted positions				Value-adjusted positions	Total
	Investment grade (AAA to BBB)	Safe (BB+ to BB–)	Unsafe (B– to C)	Without external rating		
On-balance-sheet assets as of 31/12/2013						
Receivables arising from money-market paper	23,227					23,227
Due from banks	4,461,431			43,591	3,008	4,502,014
Due from customers				3,967,886	41,655	3,926,231
Public-law enterprises				445		445
Trading portfolios	2,392					2,392
Derivative financial instruments	27,379			8,359		35,738
Financial instruments at fair value	264,923			2,981		267,904
Financial instruments measured at amortised cost	773,774			2,449		776,223
Total	**5,553,126**	**0**	**0**	**4,025,711**	**44,663**	**9,534,174**
Off-balance-sheet transactions as of 31/12/2013						
Contingent liabilities				86,935		86,935
Irrevocable facilities granted				20,704		20,704
Total	**0**	**0**	**0**	**107,639**	**0**	**107,639**

Credit exposures by rating classes (continued)

in CHF 1,000	Not-value-adjusted positions				Value-adjusted positions	Total
	Investment grade (AAA to BBB)	Safe (BB+ to BB–)	Unsafe (B– to C)	Without external rating		
On-balance-sheet assets as of 31/12/2012						
Receivables arising from money-market paper						0
Due from banks	4,757,211			34,860	3,016	4,789,055
Due from customers				3,736,410	51,403	3,685,007
Public-law enterprises				28,283		28,283
Trading portfolios	112					112
Derivative financial instruments	30,244			20,507		50,751
Financial instruments at fair value	336,310			12,431		348,741
Financial instruments measured at amortised cost	495,863			6,703		502,566
Total	**5,619,740**	**0**	**0**	**3,839,194**	**54,419**	**9,404,515**
Off-balance-sheet transactions as of 31/12/2012						
Contingent liabilities				98,461		98,461
Irrevocable facilities granted				24,045		24,045
Total	**0**	**0**	**0**	**122,506**	**0**	**122,506**

Credit exposures by risk-weighting classes [1]

in CHF 1,000	0%	20%	35%	50%	75%	100%	150%	Total
On-balance-sheet assets as of 31/12/2013								
Receivables arising from money-market paper	23,227							23,227
Due from banks	332,950	3,579,151		589,006		907		4,502,014
Due from customers	470,402	21,567	1,740,965	296,630	121,315	1,258,290	17,507	3,926,676
Derivative financial instruments	7,690	22,083		3,513		2,452		35,738
Financial instruments	283,320	500,523		231,330		28,954		1,044,127
Other assets	3,082	7,146	171	5,526		30,140		46,065
Total	**1,120,672**	**4,130,470**	**1,741,136**	**1,126,004**	**121,315**	**1,320,743**	**17,507**	**9,577,847**
Off-balance-sheet transactions as of 31/12/2013								
Contingent liabilities	62,884	148	134	10,612		13,138	19	86,935
Irrevocable facilities granted	819	2,092	2,348	2,006		13,439		20,704
Total	**63,703**	**2,240**	**2,482**	**12,618**	**0**	**26,577**	**19**	**107,639**
On-balance-sheet assets as of 31/12/2012								
Receivables arising from money-market paper								0
Due from banks	511,662	3,894,861		198,358		184,174		4,789,055
Due from customers	458,052	122,868	1,673,669	257,903	73,171	1,103,409	24,217	3,713,290
Derivative financial instruments	443	43,340	10	2,004		4,905	49	50,751
Financial instruments	92,074	490,162		239,599		21,515	7,957	851,307
Other assets	12,088		140	2,858		35,983		51,069
Total	**1,074,319**	**4,551,231**	**1,673,819**	**700,722**	**73,171**	**1,349,986**	**32,223**	**9,455,472**
Off-balance-sheet transactions as of 31/12/2012								
Contingent liabilities	67,632	6,390	439	12,544	956	10,430	70	98,461
Irrevocable facilities granted	52	3,473	2,624	7,806		10,090		24,045
Total	**67,684**	**9,863**	**3,063**	**20,350**	**956**	**20,520**	**70**	**122,506**

[1] In contrast to the remaining tables in the section on credit risks, the tables regarding credit exposures by risk-weighting classes include other assets, not, however, trading portfolios.

Credit exposures by domicile

in CHF 1,000	Liechtenstein and Switzerland	Europe	North America	South America	Asia	Other	Total
On-balance-sheet assets as of 31/12/2013							
Receivables arising from money-market paper					23,227		23,227
Due from banks	1,590,706	2,756,183	95,563	4,808	13,585	41,169	4,502,014
Due from customers	3,002,824	499,015	16,239	20,625	59,787	327,742	3,926,231
Public-law enterprises						445	445
Trading portfolios		2,392					2,392
Derivative financial instruments	24,993	8,127	496	29	100	1,993	35,738
Financial instruments at fair value	4,114	202,088	28,846	3,990	2,889	25,976	267,904
Financial instruments measured at amortised cost	1,000	522,155	170,143	14,215	16,141	52,570	776,223
Total	**4,623,637**	**3,989,960**	**311,287**	**43,667**	**115,729**	**449,895**	**9,534,174**
Off-balance-sheet transactions as of 31/12/2013							
Contingent liabilities	28,307	37,078	2,507	1,707	2,416	14,920	86,935
Irrevocable facilities granted	15,510		216			4,978	20,704
Total	**43,817**	**37,078**	**2,723**	**1,707**	**2,416**	**19,898**	**107,639**
On-balance-sheet assets as of 31/12/2012							
Receivables arising from money-market paper							
Due from banks	1,692,728	2,664,368	275,681	3,814	122,938	29,525	4,789,055
Due from customers	2,848,565	428,298	30,641	61,977	37,526	278,000	3,685,007
Public-law enterprises		27,825				458	28,283
Trading portfolios		112					112
Derivative financial instruments	43,764	4,974	3	23	463	1,524	50,751
Financial instruments at fair value	23,211	232,372	28,869	2,000	38,266	24,023	348,741
Financial instruments measured at amortised cost	4,980	321,323	116,158		15,487	44,618	502,566
Total	**4,613,249**	**3,679,272**	**451,352**	**67,814**	**214,680**	**378,148**	**9,404,515**
Off-balance-sheet transactions as of 31/12/2012							
Contingent liabilities	36,844	38,422	1,778	3,371	2,739	15,307	98,461
Irrevocable facilities granted	16,766		16		29	7,234	24,045
Total	**53,610**	**38,422**	**1,794**	**3,371**	**2,768**	**22,541**	**122,506**

Within the scope of the client loan business, credit is granted on a regional and international basis to private and commercial clients, whereby the focus is on the private client business with CHF 2.7 billion of credits secured by mortgage (31 December 2012: CHF 2.6 billion). From a regional perspective, VP Bank conducts the lion's share of this business in the Principality of Liechtenstein and in the eastern part of Switzerland. Given the broad diversification of the exposures, there are no risk concentrations by industry or segment.

The ten largest single exposures to clients encompass 19 per cent of total credit exposures (31 December 2012: 22 per cent). Exposures to banks relate exclusively to institutions with a high credit capacity (minimum rating A) and a registered office in an OECD country (excluding GIIPS countries).

In addition to the Risk Policy, the Business Rules on Credit constitute the binding framework regulating customer lending activities. Set out therein are not only the general guidelines governing credit granting as well as the framework conditions for the conclusion of all types of credit business; they also designate those which can take valid decisions and the corresponding bandwidths within the framework of which credits may be approved (powers of authority).

With only few exceptions in the area of private and commercial clients, customer lending exposures must be covered by the collateral value of the security (collateral minus a deduction for risk). Counterparty risks in the loan business are governed by limits which restrict the amount of exposure depending on creditworthiness, industry segment, collateral and risk domicile of the client. VP Bank employs an internal rating procedure to evaluate creditworthiness.

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 metal accounts), secured positions arising from the reverse repo business, securities and lending activities, collateral management as well as OTC derivative transactions. As repo deposits are fully secured and the collateral received serves as a reliable source of liquidity in a crisis situation, not only counterparty but also liquidity risk could be reduced with the introduction of the business with reverse repo transactions.

Counterparty risks in the interbank business may only be assumed in approved countries and with approved counterparties. A comprehensive system of limits reduces the level of exposure depending on the duration, rating, risk domicile and collateral of the counterparty. In this connection, VP Bank uses the ratings of the two rating agencies Standard & Poor's and Moody's. OTC derivative transactions may only be concluded with counterparties with whom a netting contract has been agreed.

Credit risks are managed and monitored not only on an individual client level but also on a portfolio level. At the portfolio level, VP Bank uses the expected and unexpected credit loss to monitor and measure credit risk. The expected credit loss calculates – on the basis of historical loss data and estimated default probabilities – the loss per credit portfolio which may be anticipated within a year. In addition, the results of the analysis flow into the calculation of the general valuation allowances in the annual financial statements. The unexpected credit loss values the deviation of the actual loss, expressed as the value-at-risk, from the expected loss assuming a certain probability. In this model-based measurement of credit risk, rating changes of counterparties impact the results.

During the past financial year, VP Bank has further reduced the volume of credit derivatives in its own portfolio. The following table shows the contract volume of credit derivatives by type of product.

Credit derivatives (contract volumes)

in CHF 1,000	Provider of collateral as of 31/12/2013	Provider of collateral as of 31/12/2012
Credit-linked notes		4,827
Other credit derivatives	1,133	6,540
Total	**1,133**	**11,367**

The following table shows impaired and overdue receivables, as well as specific valuation allowances, by domicile.

Credit exposures vulnerable to default by domicile

in CHF 1,000	Impaired receivables subject to default risk (gross amount)	Overdue receivables (gross amount)	Individual value adjustments
as of 31/12/2013			
Liechtenstein and Switzerland	31,142	21,211	11,929
Europe	1,323	33	1,204
North America	33	6	33
South America	87	87	87
Asia			
Other	9,673	165	9,407
Total	**42,258**	**21,502**	**22,497**
as of 31/12/2012			
Liechtenstein and Switzerland	22,331	18,843	8,665
Europe	5,084	68	1,827
North America			
South America	87	87	87
Asia			
Other	29,256	14,829	22,125
Total	**56,758**	**33,827**	**32,704**

Overdue receivables by remaining term

in CHF 1,000	Due within 3 months	Due within 3 to 6 months	Due within 6 to 12 months	Due after 12 months	Total
Total as of 31/12/2013	21,502				21,502
Total as of 31/12/2012	26,177		7,650		33,827

Country risks

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 risks is made 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; investments 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, in principle the country in which the collateral is located is considered.

The following table shows the distribution of credit exposures by country rating. Non-rated positions are mostly exposures from local business activities (receivables secured by mortgage) of VP Bank (BVI) Limited.

Country exposures by rating

in %	31/12/2013	31/12/2012
AAA	93.6%	95.0%
AA	4.8%	3.4%
A	0.1%	0.1%
BBB – B	0.3%	0.2%
Not rated	1.2%	1.3%
Total	**100.0%**	**100.0%**

Financial instruments in GIIPS countries

in CHF 1,000	At fair value	At amortised cost	Total as of 31/12/2013	Total as of 31/12/2012
Greece			0	0
Ireland[1]			0	5,278
Italy			0	0
Portugal			0	0
Spain			0	0
Total	**0**	**0**	**0**	**5,278**

[1] As of 31/12/2012, 85 per cent of the total is collateralised by the European Investment Bank.

6. Operational risks

The causes for operational risks are multiple. People make mistakes, IT systems fail or business processes are inoperative. Therefore it is necessary to detect the events which trigger important risk occurrences and their impact in order to limit 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 on a uniform Group-wide basis over all business units and processes.

Each person in a management position is responsible for the identification and evaluation of operational risks as well as for the definition and performance of key controls and measures to contain risks. This responsibility may not be delegated. Each person in a management position shall make a critical assessment of whether the key controls have ongoing validity and whether key controls are missing. Each management member in levels 1 and 2 shall undertake an annual self-assessment of that part of the internal control system for which he or she is responsible. The results of this self-analysis are communicated annually to the central unit Group Risk Control.

Within the scope of its powers of authority, the central unit Group Risk Control makes available on a Group-wide basis the instruments for a systematic management of operational risks and ensures their ongoing development. These include the conduct of risk assessments (scenario analyses) as part of risk identification and evaluation, the performance of key controls, the maintenance of a databank of incidents as well as the deployment of early warning indicators.

As a result of intense cooperation amongst specialist departments to further develop a complete system of management of operational risks, risk consciousness could be reinforced at all levels. In this connection, a catalogue of key controls was further developed and the database of incidents was expanded to include specific valuation allowances and provisions raised in addition to losses incurred. Knowledge and experience were exchanged within the Group in order to ensure a coordinated approach. Thanks to a uniform implementation of the project, it is possible to provide the relevant target groups (Board of Directors, Group Executive Management and Senior Management) 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 with expert and specialised knowledge along the lines of norm 25999-2:2007. The basis thereof is the BCM and IT service continuity strategy which was gradually implemented by Group Executive Management and reviewed on an ongoing basis for compliance and accuracy. Operationally critical processes are reviewed in detail, discussed and, where necessary, documented with a clear course of action whenever risks materialise. The organisation necessary for crisis management is established, its members are routinely trained and instructed.

7. Business risks

Business risks are the object of a qualitative management process within VP Bank. Within the scope of the ordinary strategy process, business risks are identified by the Board of Directors and Group Executive Management and taken account of in an appropriate manner. In view of the complexity of the effects which can be impacted by the future development of the business and the profitability of the Bank, potential business risks and their probability of occurrence and effects are discussed on the basis of scenarios and appropriate measures decided upon to contain the risks. The results serve as a basis for the strategic planning process and thus flow into the annual planning and budgeting process.

Service means

basing innovation on tradition.

VP Bank has an extensive repertoire of competencies, which can be combined to provide solutions that are in harmony with each client. Because your needs are our inspiration.

Safely ahead.

Segment reporting

VP Bank Group is divided into four business segments: Client Business Liechtenstein, Client Business International, Chief Operating Officer and Corporate Center.

Client Business Liechtenstein

The business segment Client Business Liechtenstein encompasses the universal banking business in the home market Liechtenstein and Switzerland as well as the international private-banking and intermediaries businesses located in Liechtenstein. The business units of Verwaltungs- und Privat-Bank Aktiengesellschaft which are in direct client contact are allocated to this business segment.

Client Business International

The business segment Client Business International encompasses the private-banking business in international locations. VP Bank (Switzerland) Ltd., VP Bank (Luxembourg) S.A., VP Bank (BVI) Limited, VP Bank (Singapore) Ltd. and VP Wealth Management (Hong Kong) Ltd. are allocated to this business segment. Recharges of services are made on the basis of actual invoices and are included in general and administrative expenses.

Chief Operating Officer

The business segment Chief Operating Officer (COO) is responsible for banking operations. It encompasses the business units Group Investment & Trading Center, Group Operations, Group Information Technology and Logistics & Security of the entire VP Bank Group. In addition, the companies IFOS Internationale Fonds Service Aktiengesellschaft, Vaduz, and VPB Finance S.A., Luxembourg, are allocated to the COO.

Corporate Center

Corporate Center encompasses the areas Group Business Development, Group Human Resources Management, Group Communications & Marketing, Group Finance, Group Risk, Group Legal, Compliance & Tax. Those revenues and expenses that have no direct relationship to the operating divisions as well as variable salary components and consolidation adjustments are also reported under the Corporate Center. In addition, in 2012, the non-recurring credits resulting from the conversion of the pension fund from a defined-benefit to a defined-contribution scheme as well as from the early adoption of IAS 19R were recorded in this business segment. The ongoing impact of IAS 19R is directly allocated to the segments. Revenue-generating activities of the segment Corporate Center arise in connection with the Group Treasury function. The results of the Group's own financial investments, the structural contribution and the results of hedging operations are disclosed in this segment.

Discontinued operations

During the process of strategic redirection, the Board of Directors decided to dispose of the Group's own trust and fiduciary companies. The subsidiary company, IGT Intergestions Trust reg. in Vaduz was disposed of by VP Bank Group as part of a management buyout; all employees were transferred to the existing company. VP Bank Group also simplified the structures of its umbrella holding company VP Bank and Trust Company (BVI) Limited in Tortola on the British Virgin Islands, which was a joint venture with the Liechtenstein-based Allgemeines Treuunternehmen (ATU). VP Bank Group acquired the entire capital of VP Bank (BVI) Limited, and the remaining participations were transferred to Allgemeines Treuunternehmen (ATU), Vaduz. The discontinued business operations were reported in the past under Client Business International (VP Bank and Trust Company (BVI) Limited) as well as under the Corporate Center (IGT Intergestions Trust reg.).

Geographic segment reporting

in CHF 1,000	Liechtenstein and Switzerland	Rest of Europe	Other countries	Total Group
2013				
Total net operating income	197,016	28,460	13,919	239,395
Assets (in CHF million)	9,240	1,767	200	11,207
Investments in property and equipment	8,298	10,853	58	19,209
2012				
Total net operating income	189,327	33,310	12,605	235,242
Assets (in CHF million)	9,116	1,303	222	10,641
Investments in property and equipment	7,087	473	220	7,780

Segment reporting follows the principle of branch accounting.

Business segment reporting 2013

in CHF 1,000	Client Business Liechtenstein	Client Business International	Chief Operating Officer	Corporate Center	Total Group
Total interest income	32,401	18,655	102	35,715	86,873
Total income from commission business and services	76,750	32,708	5,058	–405	114,111
Income from trading activities	12,191	6,965	3,245	–2,890	19,511
Income from financial investments	0	104	27	16,136	16,267
Other income	0	1,509	201	923	2,633
Total net operating income	**121,342**	**59,941**	**8,633**	**49,479**	**239,395**
Personnel expenses	19,825	35,945	41,935	24,301	122,006
General and administrative expenses	1,109	19,248	13,627	11,986	45,970
Services to/from other segments	38,912	0	–39,959	1,047	0
Operating expenses	**59,846**	**55,193**	**15,603**	**37,334**	**167,976**
Gross income	**61,496**	**4,748**	**–6,970**	**12,145**	**71,419**
Depreciation and amortisation	0	2,605	18,247	6,181	27,033
Valuation allowances, provisions and losses	1,696	5,615	1	–957	6,355
Income/loss before income tax from continued operations	**59,800**	**–3,472**	**–25,218**	**6,921**	**38,031**
Taxes on income					2,306
Net income from continued operations					**35,725**
Discontinued operations					
Net income after taxes from discontinued operations					2,962
Group net income					**38,687**
Segment assets (in CHF million)	3,336	3,498	107	4,266	11,207
Segment liabilities (in CHF million)	6,221	3,279	119	699	10,318
Investments in property and equipment	0	10,791	6,259	2,159	19,209
Depreciation and amortisation	0	2,606	18,247	6,180	27,033
Creation of valuation allowances for credit risks	4,281	2,259	0	0	6,540
Release of valuation allowances for credit risks	2,469	235	0	437	3,141
Headcount (full-time equivalents)	109.1	223.1	261.9	111.7	705.8

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

Discontinued operations were disclosed in the past under Client Business International (VP Bank and Trust Company (BVI) Limited) as well as under the Corporate Center (IGT Intergestions Trust reg.).

On 1 July 2013, a new organisational structure was introduced at VP Bank Group and the methods of intersegmental recharging were amended. Segment reporting was restated retroactively.

Business segment reporting 2012

in CHF 1,000	Client Business Liechtenstein	Client Business International	Chief Operating Officer	Corporate Center	Total Group
Total interest income	32,268	20,336	135	30,720	83,459
Total income from commission business and services	72,257	29,216	7,006	–422	108,057
Income from trading activities	10,960	7,834	2,708	–355	21,147
Income from financial investments	0	2,055	323	17,086	19,464
Other income	0	2,749	79	287	3,115
Total net operating income	**115,485**	**62,190**	**10,251**	**47,316**	**235,242**
Personnel expenses [1]	19,477	36,816	42,986	1,829	101,108
General and administrative expenses	1,336	16,858	13,652	14,836	46,682
Services to/from other segments	39,568	0	–41,011	1,443	0
Operating expenses	**60,381**	**53,674**	**15,627**	**18,108**	**147,790**
Gross income	**55,104**	**8,516**	**–5,376**	**29,208**	**87,452**
Depreciation and amortisation	0	2,600	20,299	6,533	29,432
Valuation allowances, provisions and losses	6,235	1,101	25	–124	7,237
Income/loss before income tax from continued operations	**48,869**	**4,815**	**–25,700**	**22,799**	**50,783**
Taxes on income					1,763
Net income from continued operations					**49,020**
Discontinued operations					
Net income after taxes from discontinued operations					–1,819
Group net income					**47,201**
Segment assets (in CHF million)	3,217	2,965	116	4,343	10,641
Segment liabilities (in CHF million)	5,976	2,742	366	669	9,753
Investments in property and equipment	0	714	5,736	1,330	7,780
Depreciation and amortisation	0	2,612	20,299	6,521	29,432
Creation of valuation allowances for credit risks	9,637	4,232	0	0	13,871
Release of valuation allowances for credit risks	3,492	4,113	0	173	7,778
Headcount (full-time equivalents)	110.9	199.1	264.8	105.6	680.4

[1] All adjustments arising from the conversion of the Treuhand-Personalstiftung from a defined-benefit to a defined-contribution scheme as well as the early adoption of the revised standard IAS 19 flow into the Corporate Center segment.

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

Discontinued operations were disclosed in the past under Client Business International (VP Bank and Trust Company (BVI) Limited) as well as under the Corporate Center (IGT Intergestions Trust reg.).

Client Business Liechtenstein

Segment results

in CHF 1,000	2013	2012	Variance absolute	Variance in %
Total interest income	32,401	32,268	133	0.4
Total income from commission business and services	76,750	72,257	4,493	6.2
Income from trading activities	12,191	10,960	1,231	11.2
Income from financial investments	0	0	0	0.0
Other income	0	0	0	0.0
Total net operating income	**121,342**	**115,485**	**5,857**	**5.1**
Personnel expenses	19,825	19,477	348	1.8
General and administrative expenses	1,109	1,336	–227	–17.0
Services to/from other segments	38,912	39,568	–656	–1.7
Operating expenses	**59,846**	**60,381**	**–535**	**–0.9**
Gross income	**61,496**	**55,104**	**6,392**	**11.6**
Depreciation and amortisation	0	0	0	0.0
Valuation allowances, provisions and losses	1,696	6,235	–4,539	–72.8
Segment results before income taxes from continued operations	**59,800**	**48,869**	**10,931**	**22.4**

Additional information				
Operating expenses excl. depreciation and amortisation / total operating income (in %)	49.3	52.3		
Operating expenses incl. depreciation and amortisation / total operating income (in %)	49.3	52.3		
Client assets under management (in CHF billion)	17.7	17.8		
Change in client assets under management compared to previous year (in %)	–0.6	–0.6		
Net new money inflow (in CHF billion)	–0.8	–0.2		
Gross income / average client assets under management (Bp) [1]	68.2	64.5		
Segment result / average client assets under management (Bp) [1]	33.6	27.3		
Cost/income ratio operating income (in %) [2]	49.3	52.3		–5.7
Headcount (employees)	115	115	0	0.0
Headcount (full-time equivalents)	109.1	110.9	–1.8	–1.6

[1] Annualised, average values.
[2] Operating expenses / gross income minus other income and income from financial investments.

The pre-tax segment results in 2013 increased year-on-year by CHF 10.9 million or 22.4 per cent.

In 2013, total operating income could be increased by CHF 5.9 million or 5.1 per cent year-on-year. In particular, thanks to increasing client activities, transaction-based income from clients grew year-on-year. Operating expenses declined year-on-year by CHF 0.5 million, or minus 0.9 per cent to CHF 59.8 million. In the business segment "Client Business Liechtenstein", the recharging of services is based on internally set transfer prices. Indirect costs for internal services in this business segment are recorded in the item "services to/from other segment(s)".

During 2013, the charge for valuation allowances, provisions and losses declined by CHF 4.5 million to CHF 1.7 million.

The gross margin was 68.2 basis points (prior year: 64.5 basis points). The cost/income ratio was 49.3 per cent which is lower than the 52.3 per cent in the prior year.

During 2013, the segment encountered a net outflow of client money totalling CHF 0.8 billion. The inflows of new money arising from market-development activities could not compensate for the net outflows resulting from the regulatory environment as well as from a large outflow from a third-party investment fund.

Client assets under management at 31 December 2013 amounted to CHF 17.7 billion (31 December 2012: CHF 17.8 billion).

The employee headcount declined slightly from 110.9 (31 December 2012) to 109.1 positions.

Client Business International

Segment results

in CHF 1,000	2013	2012	Variance absolute	Variance in %
Total interest income	18,655	20,336	–1,681	–8.3
Total income from commission business and services	32,708	29,216	3,492	12.0
Income from trading activities	6,965	7,834	–869	–11.1
Income from financial investments	104	2,055	–1,951	–94.9
Other income	1,509	2,749	–1,240	–45.1
Total net operating income	**59,941**	**62,190**	**–2,249**	**–3.6**
Personnel expenses	35,945	36,816	–871	–2.4
General and administrative expenses	19,248	16,858	2,390	14.2
Services to/from other segments	0	0	0	0.0
Operating expenses	**55,193**	**53,674**	**1,519**	**2.8**
Gross income	**4,748**	**8,516**	**–3,768**	**–44.2**
Depreciation and amortisation	2,605	2,600	5	0.2
Valuation allowances, provisions and losses	5,615	1,101	4,514	n.a.
Segment results before income taxes from continued operations	**–3,472**	**4,815**	**–8,287**	**–172.1**
Additional information				
Operating expenses excl. depreciation and amortisation / total operating income (in %)	92.1	86.3		
Operating expenses incl. depreciation and amortisation / total operating income (in %)	96.4	90.5		
Client assets under management (in CHF billion)	11.5	9.3		
Change in client assets under management compared to previous year (in %)	23.3	16.7		
Net new money inflow (in CHF billion)	1.8	0.3		
Gross income / average client assets under management (Bp) [1]	57.6	71.9		
Segment result / average client assets under management (Bp) [1]	–3.3	2.7		
Cost/income ratio operating income (in %) [2]	94.6	93.5		1.2
Headcount (employees)	234	209	25	12.0
Headcount (full-time equivalents)	223.1	199.1	24.0	12.0

[1] Annualised, average values.
[2] Operating expenses / gross income minus other income and income from financial investments.

During 2013, the segment recorded a pre-tax result of CHF –3.5 million. Total operating income declined by 3.6 per cent from CHF 62.2 million to CHF 59.9 million as a result of retreating income both from interest as well as financial investments.

Income from commissions and services developed positively and could be increased by CHF 3.5 million, or 12.0 per cent in comparison to 2012. This increase results from both increased client trade-related activities as well as portfolio-based income.

Operating expenses increased by CHF 1.5 million, or 2.8 per cent to CHF 55.2 million (prior year: CHF 53.7 million). This increase results primarily from general and administrative expenses in connection with the asset deal with HSBC as well as due to higher professional fees relating to the participation of VP Bank (Switzerland) Ltd. in the US tax programme. The recharges of services in this business segment are made on the basis of actual invoices and are included in general and administrative expenses.

The charge for valuation allowances, provisions and losses increased by CHF 4.5 million to CHF 5.6 million. This includes a provision of CHF 3.0 million for possible fines in connection with the participation of VP Bank (Switzerland) Ltd. in the US tax programme.

The gross margin was 57.6 basis points (prior year: 71.9 basis points). The cost/income ratio deteriorated and in 2013 stood at 94.6 per cent (prior year: 93.5 per cent).

Market-development activities in international target markets of VP Bank were further successfully intensified during 2013. During the reporting period, the segment recorded a net inflow of new money of CHF 1.8 billion, of which CHF 2.0 billion derived from the HSBC asset deal. Client assets under management at the end of 2013 totalled CHF 11.5 billion (31 December 2012: CHF 9.3 billion). The employee headcount increased from 199.1 (31 December 2012) to 223.1 in 2013, principally as a result of the successful transfer-in of employees from the HSBC asset deal.

Chief Operating Officer

Segment results

in CHF 1,000	2013	2012	Variance absolute	Variance in %
Total interest income	102	135	–33	–24.4
Total income from commission business and services	5,058	7,006	–1,948	–27.8
Income from trading activities	3,245	2,708	537	19.8
Income from financial investments	27	323	–296	–91.6
Other income	201	79	122	154.4
Total net operating income	**8,633**	**10,251**	**–1,618**	**–15.8**
Personnel expenses	41,935	42,986	–1,051	–2.4
General and administrative expenses	13,627	13,652	–25	–0.2
Services to/from other segments	–39,959	–41,011	1,052	n.a.
Operating expenses	**15,603**	**15,627**	**–24**	**–0.2**
Gross income	**–6,970**	**–5,376**	**–1,594**	**n.a.**
Depreciation and amortisation	18,247	20,299	–2,052	–10.1
Valuation allowances, provisions and losses	1	25	–24	–96.0
Segment results before income taxes from continued operations	**–25,218**	**–25,700**	**482**	**n.a.**
Additional information				
Client assets under management (in CHF billion)	1.2	1.1		
Change in client assets under management compared to previous year (in %)	2.7	–6.3		
Net new money inflow (in CHF billion)	0.0	–0.1		
Headcount (employees)	281	287	–6	–2.1
Headcount (full-time equivalents)	261.9	264.8	–2.9	–1.1

[1] Annualised, average values.
[2] Operating expenses / gross income minus other income and income from financial investments.

The pre-tax segment results in 2013 aggregated minus CHF 25.2 million against minus CHF 25.7 in the prior year.

In 2013, total operating income fell year-on-year by CHF 1.6 million to CHF 8.6 million (prior year: CHF 10.3 million). Income from commissions and services declined by CHF 1.9 million from CHF 7.0 million in the prior year to CHF 5.1 million during the current year. It primarily includes income from the investment fund solutions business as well as external bank commissions which are recharged within the Group by the service units to the other business units.

Income from trading activities including the proceeds from the Group Investment & Trading Center, which relate to revenue from client business, grew in the current year from CHF 2.7 million to CHF 3.2 million, or 19.8 per cent as a result of the more positive market sentiment.

During the period, operating expenses declined slightly to CHF 15.6 million. Personnel expenses fell during the period by CHF 1.1 million or minus 2.4 per cent. This reduction is a result, inter alia, of the lower employee headcount, which fell from 264.8 (31 December 2012) to 261.9 positions. In addition, general and administrative expenses in the reporting period fell slightly.

Because of the lower levels of personnel and general and administrative expenses in this business segment, internal recharges of services at just under CHF 40.0 million were slightly below the prior-year level (CHF 41.0 million). Depreciation and amortisation in 2013 was CHF 2.1 million lower at CHF 18.2 million, which for the most part can be ascribed to the fact that the Avaloq sub-projects are completely depreciated.

Client assets under management as at 31 December 2013 amounted to CHF 1.2 billion (prior year: CHF 1.1 billion) and includes the assets of VP Bank's own investment funds.

Corporate Center

Segment results

in CHF 1,000	2013	2012	Variance absolute	Variance in %
Total interest income	35,715	30,720	4,995	16.3
Total income from commission business and services	–405	–422	17	n.a.
Income from trading activities	–2,890	–355	–2,535	n.a.
Income from financial investments	16,136	17,086	–950	–5.6
Other income	923	287	636	221.5
Total net operating income	**49,479**	**47,316**	**2,163**	**4.6**
Personnel expenses	24,301	1,829	22,472	n.a.
General and administrative expenses	11,986	14,836	–2,850	–19.2
Services to/from other segments	1,047	1,443	–396	–27.4
Operating expenses	**37,334**	**18,108**	**19,226**	**106.2**
Gross income	**12,145**	**29,208**	**–17,063**	**–58.4**
Depreciation and amortisation	6,181	6,533	–352	–5.4
Valuation allowances, provisions and losses	–957	–124	–833	n.a.
Segment results before income taxes from continued operations	**6,921**	**22,799**	**–15,878**	**–69.6**
Additional information				
Client assets under management (in CHF billion)	0.2	0.2		
Headcount (employees)	134	127	7	5.5
Headcount (full-time equivalents)	111.7	105.6	6.1	5.8

Pre-tax segment results in 2013 stood at CHF 6.9 million (prior year: CHF 22.8 million). Adjusted for the non-recurring impact aggregating CHF 22.8 million, the segment result in the prior year was CHF 0 million.

During 2013, total operating income could be increased year-on-year by CHF 2.2 million, or 4.6 per cent to CHF 49.5 million. On the one hand, interest income improved to CHF 35.7 million (2012: CHF 30.7 million) as a result of revaluation gains of hedging operations by means of interest-rate swaps. On the other hand, because of lower interest-rate levels, interest income from maturity transformation was lower in the period.

Principally because of revaluation losses on hedging instruments for equity securities, the results of securities trading for 2013 were negative and were reported under the income from trading activities of CHF minus 2.9 million (prior year: CHF minus 0.4 million).

Income from financial investments in 2013 amounted to CHF 16.1 million, which was CHF 1.0 million less than the prior year's result of CHF 17.1 million. A significant portion of the proceeds in 2013 resulted from the positive development of equity papers in the conservative investment portfolio.

Operating expenses in the period increased by CHF 19.2 million from CHF 18.1 million to CHF 37.3 million. The reason for this was the conversion of the pension fund from a defined-benefit to a defined-contribution scheme as well as the early adoption of the revised standard IAS 19 in 2012, the gain from which reduced personnel expenses by CHF 22.8 million.

Since depreciation and amortisation year-on-year was only marginally lower by CHF 0.4 million (minus 5.4 per cent), the charges for valuation allowances, provisions and losses ended in a net release of CHF 1.0 million in comparison to the release of CHF 0.1 million in the prior year. Employee headcount increased from 105.6 (31 December 2012) to 111.7 positions at the end of 2013.

Excellence means outdoing yourself.

VP Bank fulfils the most demanding of client needs with top-notch solutions.
Because commitment is the key ingredient in any recipe for success.

Safely ahead.

Notes to the consolidated income statement and consolidated balance sheet

1 Interest income

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Interest and discount income	73	53	20	37.7
Interest income from banks	14,212	26,807	–12,595	–47.0
Interest income from customers	67,790	74,163	–6,373	–8.6
Interest income from financial instruments measured at amortised cost	12,189	13,143	–954	–7.3
Interest-rate instruments	8,539	–5,738	14,277	–248.8
Loan commissions with the character of interest	953	1,062	–109	–10.3
Total interest income	**103,756**	**109,490**	**–5,734**	**–5.2**
Interest expenses on liabilities due to banks	98	862	–764	–88.6
Interest expenses on liabilities due to customers	8,042	14,661	–6,619	–45.1
Interest expenses on medium-term bonds	3,300	3,687	–387	–10.5
Interest expenses on debenture bonds	5,443	6,821	–1,378	–20.2
Total interest expense	**16,883**	**26,031**	**–9,148**	**–35.1**
Total interest income	**86,873**	**83,459**	**3,414**	**4.1**

1 Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

2 Income from commission business and services

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Commission income from credit business	803	1,053	–250	–23.7
Asset management and investment business[2,3]	37,950	36,233	1,717	4.7
Brokerage fees	36,186	32,194	3,992	12.4
Securities account fees	14,840	15,399	–559	–3.6
Fund management fees[3]	56,095	52,931	3,164	6.0
Fiduciary commissions	659	1,187	–528	–44.5
Miscellaneous commission and service income	14,115	12,690	1,425	11.2
Total income from commission business and services	**160,648**	**151,687**	**8,961**	**5.9**
Brokerage expenses	4,430	3,953	477	12.1
Other commission and services-related expenses	42,107	39,677	2,430	6.1
Total expenses from commission business and services	**46,537**	**43,630**	**2,907**	**6.7**
Total income from commission business and services	**114,111**	**108,057**	**6,054**	**5.6**

1 Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.
2 Income from corporate actions, asset management commissions, investment advisory services, all-in fees, securities lending and borrowing.
3 Reclassification of prior year comparatives of CHF 1,132 million.

3 Income from trading activities

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Securities trading[2]	–5,382	–1,595	–3,787	n.a.
Interest income from trading portfolios	29	0	29	n.a.
Dividend income from trading portfolios	0	0	0	n.a.
Foreign currency	22,547	20,662	1,885	9.1
Banknotes, precious metals and other	2,317	2,080	237	11.4
Total income from trading activities	**19,511**	**21,147**	**–1,636**	**–7.7**

1 Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.
2 The results from derivatives for the purposes of risk minimisation (other than interest-rate derivatives) are included in this item.

4 Income from financial investments

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Income from financial instruments at fair value	17,605	23,828	–6,223	–26.1
Income from financial instruments at amortised cost	–1,338	–4,364	3,026	n.a.
Total income from financial investments	**16,267**	**19,464**	**–3,197**	**–16.4**
Income from financial instruments at fair value				
Results from FVTPL assets	9,461	10,762	–1,301	–12.1
Interest income from FVTPL financial instruments	4,591	5,709	–1,118	–19.6
Dividend income from FVTPL financial instruments	710	5,372	–4,662	–86.8
Dividend income from FVTOCI financial instruments	2,843	1,985	858	43.2
thereof from FVTOCI financial instruments sold	0	0	0	n.a.
Income from liabilities at fair value	0	0	0	n.a.
Total	**17,605**	**23,828**	**–6,223**	**–26.1**
Income from financial instruments at amortised cost				
Revaluation gains/losses on financial instruments at amortised cost	–1,715	–4,624	2,909	n.a.
Realised gains/losses on financial instruments at amortised cost	377	260	117	45.0
Total	**–1,338**	**–4,364**	**3,026**	**n.a.**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

5 Other income

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Income from real estate	211	96	115	119.8
Income from associated companies	–3	19	–22	–115.8
Miscellaneous other income	2,425	3,000	–575	–19.2
Total other income	**2,633**	**3,115**	**–482**	**–15.5**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

6 Personnel expenses

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Salaries and wages	98,237	95,822	2,415	2.5
Social contributions required by law	8,016	7,360	656	8.9
Contributions to pension plans / defined-benefit plans	11,081	–9,000	20,081	n.a.
Contributions to pension plans / defined-contribution plans	602	968	–366	–37.8
Other personnel expenses	4,070	5,958	–1,888	–31.7
Total personnel expenses	**122,006**	**101,108**	**20,898**	**20.7**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

7 General and administrative expenses

in CHF 1,000	2013	2012[1]	Variance absolute	Variance in %
Occupancy expenses	7,736	8,173	–437	–5.3
Insurance	1,085	863	222	25.7
Professional fees	8,030	6,051	1,979	32.7
Financial information procurement	5,801	6,127	–326	–5.3
Telecommunication and postage	1,021	1,135	–114	–10.0
IT systems	12,581	12,758	–177	–1.4
Marketing and public relations	3,634	4,252	–618	–14.5
Capital taxes	163	108	55	50.9
Other general and administrative expenses	5,919	7,215	–1,296	–18.0
Total general and administrative expenses	**45,970**	**46,682**	**–712**	**–1.5**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

8 Depreciation and amortisation

in CHF 1,000	Note	2013	2012 [1]	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	22	10,425	10,800	–375	–3.5
Amortisation of intangible assets	23	16,608	18,632	–2,024	–10.9
Total depreciation and amortisation		**27,033**	**29,432**	**–2,399**	**–8.2**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

9 Valuation allowances, provisions and losses

in CHF 1,000	Note	2013	2012 [1]	Variance absolute	Variance in %
Credit risks [2]	16	6,540	13,871	–7,331	–52.9
Legal and litigation risks		3,302	957 [3]	2,345	245.0
Other		512	499 [3]	13	2.6
Release of valuation allowances and provisions no longer required		–3,999	–8,090	4,091	n.a.
Total valuation allowances, provisions and losses		**6,355**	**7,237**	**–882**	**–12.2**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.
[2] Additions including currency effects (note 16).
[3] Reclassification of prior year comparative figures of CHF 0.957 million (note 28).

10a Taxes on income

in CHF 1,000	2013	2012 [1]
Domestic		
Current taxes	593	254
Deferred taxes	867	–123
Foreign		
Current taxes	1,145	2,124
Deferred taxes	–299	–492
Total current taxes	**1,738**	**2,378**
Total deferred taxes	**568**	**–615**
Total taxes on income	**2,306**	**1,763**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

Actual payments for domestic and foreign taxes made by the Group in 2013 totalled CHF 1.8 million (2012: CHF 0.3 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:

	2013	2012
Liechtenstein	12.5 %	12.5 %
Switzerland	20.0 %	20.0 %
Luxembourg	28.8 %	28.8 %
British Virgin Islands	0.0 %	0.0 %
Singapore	10.0 %	10.0 %
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	2013	2012 [1]
Income before income tax		
Domestic	31,890	35,197
Foreign	6,141	15,586
Taxes on income using an assumed average charge	**5,705**	**7,617**
Reasons for increased/decreased taxable income		
Difference between actual and assumed tax rates	–176	–2,853
Lower tax charges as a result of changes in laws or taxation agreements	–3,223	–3,001
Total income taxes	**2,306**	**1,763**

[1] Results from continued business operations. Disclosures regarding discontinued operations are to be found in note 45.

10b Deferred tax assets and liabilities

in CHF 1,000	2013	2012
Deferred tax assets		
Real estate and property and equipment	4,185	8,318
Securities	6,737	3,585
Other	397	0
Total deferred tax assets	**11,319**	**11,903**
Deferred tax liabilities		
Real estate and property and equipment	4,468	1,875
Financial instruments	2,107	2,141
Financial instruments directly offset within shareholders' equity	352	637
Valuation allowances for credit risks	159	732
Other provisions	2,815	3,016
Total deferred tax liabilities	**9,901**	**8,401**
Deferred tax assets		
Balance at the beginning of the financial year	11,903	17,934
Offset within shareholders' equity	1,123	–6,651
Tax loss carry-forwards[1]	0	0
Charged to income statement	397	620
Released to income statement	–2,104	0
Total deferred tax assets	**11,319**	**11,903**
Deferred tax liabilities		
Balance at the beginning of the financial year	8,401	8,992
Reclassifications	2,639	–596
Charged to income statement	83	1,510
Released to income statement	–1,222	–1,505
Total deferred tax liabilities	**9,901**	**8,401**

[1] Providing 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.

Loss carry-forwards not reflected in the balance sheet expire as follows:		
Within 1 year	79	0
Within 2 to 4 years	551	366
After 4 years	488	589
Total	**1,118**	**955**

10c Tax assets and liabilities

in CHF 1,000	Note	31/12/2013	31/12/2012
Tax assets			
Amounts receivable arising on current taxes on income		14	58
Deferred tax assets	10b	11,319	11,903
Total tax assets		**11,333**	**11,961**
Tax liabilities			
Liabilities arising on current taxes on income		1,780	3,689
Deferred tax liabilities	10b	9,901	8,401
Total tax liabilities		**11,681**	**12,090**

11 Earnings per share

	2013	2012
Consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
Net income (in CHF 1,000) [1]	38,119	48,315
Weighted average of bearer shares	5,194,234	5,174,812
Weighted average of registered shares	5,965,479	5,963,174
Total weighted average number of bearer shares	5,790,782	5,771,129
Undiluted consolidated earnings per bearer share	6.58	8.37
Undiluted consolidated earnings per registered share	0.66	0.84
Fully diluted consolidated earnings per share of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
Net income (in CHF 1,000) [1]	38,119	48,315
Adjusted consolidated net income (in CHF 1,000)	38,119	48,315
Number of shares used to compute the fully diluted consolidated net income	5,790,782	5,771,129
Fully diluted consolidated earnings per bearer share	6.58	8.37
Fully diluted consolidated earnings per registered share	0.66	0.84

[1] On the basis of Group profits attributable to the shareholders of Verwaltungs- und Privat-Bank AG, Vaduz.

12 Dividend

	2013	2012
Approved and paid dividend of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz		
Dividend (in CHF 1,000) for the financial year 2012 (2011)	14,787	8,872
Dividend per bearer share	2.50	1.50
Dividend per registered share	0.25	0.15
Payout ratio (in %)	29.9	269.7
Proposed dividend to be approved by the annual general meeting of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (not reflected as a liability as of 31 December)		
Dividend (in CHF 1,000) for the financial year 2013	20,702	
Dividend per bearer share	3.50	
Dividend per registered share	0.35	
Payout ratio (in %)	53.2	

13 Cash and cash equivalents

in CHF 1,000	31/12/2013	31/12/2012
Cash on hand	14,475	15,480
At-sight balances on postal checking accounts	22	6,933
At-sight balances with national and central banks	1,362,910	904,548
Total cash and cash equivalents	**1,377,407**	**926,961**

14 Receivables arising from money-market paper

in CHF 1,000	31/12/2013	31/12/2012
Money-market paper (qualifying for refinancing purposes)	23,227	0
Other money-market paper	0	0
Total receivables arising from money-market paper	**23,227**	**0**

15 Due from banks and customers

in CHF 1,000	Note	31/12/2013	31/12/2012
By type of exposures			
Due from banks – at-sight balances		929,941	975,436
Due from banks – term balances		3,575,081	3,816,634
Valuation allowances for credit risks	16	–3,008	–3,016
Due from banks		**4,502,014**	**4,789,054**
Mortgage receivables		2,786,843	2,635,546
Other receivables		1,181,488	1,129,147
Valuation allowances for credit risks	16	–41,655	–51,403
Due from customers		**3,926,676**	**3,713,290**
Total due from banks and customers		**8,428,690**	**8,502,344**

15 Due from banks and customers (continued)

in CHF 1,000	31/12/2013	31/12/2012
Due from customers by type of collateral		
Mortgage collateral	2,722,491	2,577,427
Other collateral	1,052,292	969,531
Without collateral	193,548	217,735
Subtotal	**3,968,331**	**3,764,693**
Valuation allowances for credit risks	–41,655	–51,403
Total due from customers	**3,926,676**	**3,713,290**

16 Valuation allowances for credit risks

in CHF 1,000	2013	2012
Balance at the beginning of the financial year	54,419	55,343
Amounts written off on loans / utilisation in accordance with purpose	–13,155	–7,017
Creation of valuation allowances and provisions for credit risks	6,521	13,939
Release of valuation allowances and provisions for credit risks	–3,141	–7,778
Foreign-currency translation differences and other adjustments	19	–68
Balance at the end of the financial year	**44,663**	**54,419**
As valuation adjustment for due from banks	3,008	3,016
As valuation adjustment for due from customers	41,655	51,403
Total valuation allowances for credit risks	**44,663**	**54,419**

in CHF 1,000	Banks	Mortgage receivables	Other receivables [1]	Total
By type of exposure 2013				
Balance at the beginning of the financial year	3,016	12,610	38,793	54,419
Amounts written off on loans / utilisation in accordance with purpose			–13,155	–13,155
Creation of valuation allowances and provisions for credit risks	493	3,672	2,356	6,521
Release of valuation allowances and provisions for credit risks	–501	–1,271	–1,369	–3,141
Foreign-currency translation differences and other adjustments			19	19
Balance at the end of the financial year 2013	**3,008**	**15,011**	**26,644**	**44,663**
of which				
Individual valuation allowances	0	9,634	12,863	22,497
Lump-sum valuation allowances	3,008	5,377	13,781	22,166
Total	**3,008**	**15,011**	**26,644**	**44,663**
By type of exposure 2012				
Balance at the beginning of the financial year	2,964	10,395	41,984	55,343
Amounts written off on loans / utilisation in accordance with purpose			–7,017	–7,017
Creation of valuation allowances and provisions for credit risks	197	2,314	11,428	13,939
Release of valuation allowances and provisions for credit risks	–144	–89	–7,545	–7,778
Foreign-currency translation differences and other adjustments	–1	–10	–57	–68
Balance at the end of the financial year 2012	**3,016**	**12,610**	**38,793**	**54,419**
of which				
Individual valuation allowances	0	7,491	25,213	32,704
Lump-sum valuation allowances	3,016	5,119	13,580	21,715
Total	**3,016**	**12,610**	**38,793**	**54,419**

[1] Other receivables primarily comprise lombard loans, debit balances on accounts and unsecured loans.

in CHF 1,000	Individual 2013	Lump-sum 2013	Individual 2012	Lump-sum 2012
By type of valuation allowances				
Balance at the beginning of the financial year	32,704	21,715	29,863	25,480
Amounts written off on loans / utilisation in accordance with purpose	–13,155		–7,017	
Creation of valuation allowances and provisions for credit risks	4,778	1,743	13,073	866
Release of valuation allowances and provisions for credit risks	–1,849	–1,292	–3,163	–4,615
Foreign-currency translation differences and other adjustments	19		–52	–16
Balance at the end of the financial year	**22,497**	**22,166**	**32,704**	**21,715**

Individual valuation allowances relate to loans that are not covered by the liquidation proceeds of collateral or unsecured loans.

16 Valuation allowances for credit risks (continued)

Value-impaired loans

Value-impaired loans are amounts outstanding from customers and banks where it is improbable that the debtor can meet its obligations.

in CHF 1,000	2013	2012
Value-impaired loans [1]	42,258	56,758
Amount of valuation allowances for credit losses from non-performing loans	22,497	32,704
Net amounts due	**19,761**	**24,054**
Estimated realisable value of value-impaired loans	**19,761**	**24,054**
Average amount of value-impaired loans	**49,508**	**59,102**
Recoveries from loans already written off (other income)	38	110

[1] Interest receivable on non-performing loans in 2013 was CHF 0.495 million (2012: CHF 0.724 million).

Non-performing loans

A loan is classified as non-performing as soon as the capital repayments and/or interest payments contractually stipulated are outstanding for 90 days or more. Such loans are not to be classified as value-impaired if it can be assumed that they are still covered by existing collateral.

in CHF 1,000	2013	2012
Non-performing loans	21,502	33,827
Amount of valuation allowances for credit losses from non-performing loans	9,378	19,728
Net amounts due	**12,124**	**14,099**
Average amount of non-performing loans	**27,665**	**29,433**
Valuation allowances on non-performing loans at the beginning of the financial year	19,728	19,815
Net increase	1,996	3,300
Amounts written off and disposals / utilisation in conformity with purpose	–12,346	–3,387
Valuation allowances on non-performing loans at the end of the financial year	**9,378**	**19,728**

in CHF 1,000	31/12/2013	31/12/2012
According to type of exposure		
Banks	**0**	**0**
Mortgage receivables	20,567	20,749
Other receivables	935	13,078
Customers	**21,502**	**33,827**
Total non-performing loans	**21,502**	**33,827**

in CHF 1,000	31/12/2013	31/12/2012
According to region (domicile of debtor)		
Liechtenstein and Switzerland	21,211	18,843
Rest of Europe	33	68
North and South America	93	87
Other countries	165	14,829
Total non-performing loans	**21,502**	**33,827**

17 Trading portfolios

in CHF 1,000	31/12/2013	31/12/2012
Debt securities valued at fair value		
Other public-law institutions	2,392	0
Exchange-listed	0	112
Total	**2,392**	**112**
Equity securities / investment-fund units valued at fair value		
Exchange-listed	0	0
Non-exchange-listed	0	0
Total	**0**	**0**
Other	**230**	**103**
Total trading portfolios	**2,622**	**215**

18 Derivative financial instruments

31/12/2013 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Forward contracts			
Swaps	964	19,104	327,867
Futures			1,538
Options (OTC)		80	20,000
Options (exchange-traded)			
Total interest-rate instruments 31/12/2013	**964**	**19,184**	**349,405**
Foreign currencies			
Forward contracts	2,494	3,162	304,652
Combined interest-rate/currency swaps	30,725	28,511	4,437,263
Futures			
Options (OTC)	339	339	89,051
Options (exchange-traded)			
Total foreign currencies 31/12/2013	**33,558**	**32,012**	**4,830,966**
Equity securities/indices			
Forward contracts			
Futures			9,159
Options (OTC)			
Options (exchange-traded)		328	9,060
Total equity securities/indices 31/12/2013	**0**	**328**	**18,219**
Precious metals			
Forward contracts			
Futures			
Options (OTC)	1,216	1,216	33,411
Options (exchange-traded)			
Total precious metals 31/12/2013	**1,216**	**1,216**	**33,411**
Total derivative financial instruments 31/12/2013	**35,738**	**52,740**	**5,232,001**

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.

31/12/2012 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Forward contracts			
Swaps	26	30,254	312,267
Futures			12,443
Options (OTC)			
Options (exchange-traded)			
Total interest-rate instruments 31/12/2012	**26**	**30,254**	**324,710**
Foreign currencies			
Forward contracts	1,416	3,266	329,309
Combined interest-rate/currency swaps	48,156	46,819	3,589,350
Futures			
Options (OTC)	412	287	85,146
Options (exchange-traded)			
Total foreign currencies 31/12/2012	**49,984**	**50,372**	**4,003,805**
Equity securities/indices			
Forward contracts			
Futures			8,701
Options (OTC)			
Options (exchange-traded)		1,100	17,687
Total equity securities/indices 31/12/2012	**0**	**1,100**	**26,388**

18 Derivative financial instruments (continued)

31/12/2012 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Precious metals			
Forward contracts			
Futures			
Options (OTC)	741	741	40,049
Options (exchange-traded)			
Total precious metals 31/12/2012	**741**	**741**	**40,049**
Total derivative financial instruments 31/12/2012	**50,751**	**82,467**	**4,394,952**

19 Financial instruments at fair value

in CHF 1,000	31/12/2013	31/12/2012
Debt instruments		
Public-law institutions outside Liechtenstein and Switzerland	35,181	69,731
Exchange-listed	216,093	274,322
Non-exchange-listed	16,629	4,688
Total	**267,903**	**348,741**
Equity shares / investment fund units		
Exchange-listed	60,707	38,631
Non-exchange-listed	16,321	35,394
Total	**77,028**	**74,025**
Structured products		
Exchange-listed	0	0
Non-exchange-listed [1]	1,474	6,522
Total	**1,474**	**6,522**
Total financial instruments at fair value	**346,405**	**429,288**

[1] Principally structured credit notes (credit-linked notes and credit-default notes).

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.

20 Financial instruments at amortised cost

in CHF 1,000	31/12/2013	31/12/2012
Debt instruments		
Public-law institutions outside Liechtenstein and Switzerland	302,786	75,466
Exchange-listed	473,437	427,100
Non-exchange-listed	0	0
Total	**776,223**	**502,566**
Total financial instruments at amortised cost	**776,223**	**502,566**

21 Associated companies

in CHF 1,000	31/12/2013	31/12/2012
Balance at the beginning of the financial year	44	25
Additions	5	19
Value impairments	–8	0
Balance as of balance-sheet date	**41**	**44**

Details of material companies reflected in the consolidation using the equity method

Name	Registered office	Activity	Share capital	% of capital held 31/12/2013	% of capital held 31/12/2012
VAM Corporate Holdings Ltd.	Mauritius	Fund promoter company	GBP 50,000	20	20
Data Info Services AG	Vaduz	Procurement, trading and brokerage of goods and services	CHF 50,000	50	50

22 Property and equipment

in CHF 1,000	Bank buildings	Other real estate	Furniture and equipment	IT systems	Total
Acquisition cost 2013					
Balance on 01/01/2013	196,670	21,821	20,427	31,115	270,033
Additions	2,145	217	158	2,727	5,247
Disposals/derecognitions [1]			–35	–5,265	–5,300
Reclassifications					0
Changes in scope of consolidation			–15	–33	–48
Foreign-currency translation			–2	–2	–4
Balance on 31/12/2013	**198,815**	**22,038**	**20,533**	**28,542**	**269,928**
Accumulated depreciation and amortisation					
Balance on 01/01/2013	–101,250	–4,596	–16,200	–25,628	–147,674
Depreciation and amortisation	–5,827	–280	–1,362	–2,956	–10,425
Disposals/derecognitions [1]			35	5,265	5,300
Reclassifications					0
Changes in scope of consolidation			6	33	39
Foreign-currency translation		3	3	5	11
Balance on 31/12/2013	**–107,077**	**–4,873**	**–17,518**	**–23,281**	**–152,749**
Net book values on 31/12/2013	**91,738**	**17,165**	**3,015**	**5,261**	**117,179**
Acquisition cost 2012					
Balance on 01/01/2012	195,537	21,733	20,574	29,015	266,859
Additions	1,161	95	254	2,583	4,093
Disposals/derecognitions [1]			–416	–454	–870
Reclassifications	–25		25		0
Changes in scope of consolidation					0
Foreign-currency translation	–3	–7	–10	–29	–49
Balance on 31/12/2012	**196,670**	**21,821**	**20,427**	**31,115**	**270,033**
Accumulated depreciation and amortisation					
Balance on 01/01/2012	–95,219	–4,316	–15,062	–23,105	–137,702
Depreciation and amortisation	–6,035	–281	–1,545	–2,939	–10,800
Disposals/derecognitions [1]			416	399	815
Changes in scope of consolidation			–13		–13
Reclassification	2		–2		0
Foreign-currency translation	2	1	6	17	26
Balance on 31/12/2012	**–101,250**	**–4,596**	**–16,200**	**–25,628**	**–147,674**
Net book values on 31/12/2012	**95,420**	**17,225**	**4,227**	**5,487**	**122,359**

[1] Includes the derecognitions of completely depreciated and amortised assets.

Additional information regarding property and equipment, in CHF 1,000	2013	2012
Fire insurance value of real estate	179,024	171,147
Fire insurance value of other property and equipment	39,275	39,355
Fair value of other real estate	17,165	17,225

There is no property and equipment arising from financing leasing contracts.

23 Goodwill and other intangible assets

in CHF 1,000	Software	Other intangible assets capitalised	Goodwill	Total
Acquisition cost 2013				
Balance on 01/01/2013	140,634	3,041	46,112	189,787
Additions	3,925	10,037		13,962
Disposals/derecognitions	–493	–3,041		–3,534
Foreign-currency translation	1			1
Balance on 31/12/2013	**144,067**	**10,037**	**46,112**	**200,216**
Accumulated amortisation 2013				
Balance on 01/01/2013	–95,612	–3,041	–35,302	–133,955
Amortisation	–16,441	–167		–16,608
Disposals/derecognitions	493	3,041		3,534
Foreign-currency translation	34			34
Balance on 31/12/2013	**–111,526**	**–167**	**–35,302**	**–146,995**
Net book values on 31/12/2013	**32,541**	**9,870**	**10,810**	**53,221**
Acquisition cost 2012				
Balance on 01/01/2012	139,004	3,041	46,112	188,157
Additions	3,687			3,687
Disposals/derecognitions	–1,977			–1,977
Foreign-currency translation	–80			–80
Balance on 31/12/2012	**140,634**	**3,041**	**46,112**	**189,787**
Accumulated amortisation 2012				
Balance on 01/01/2012	–79,002	–3,041	–35,302	–117,345
Amortisation	–18,632			–18,632
Disposals/derecognitions	1,977			1,977
Foreign-currency translation	45			45
Balance on 31/12/2012	**–95,612**	**–3,041**	**–35,302**	**–133,955**
Net book values on 31/12/2012	**45,022**	**0**	**10,810**	**55,832**

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 existing goodwill of CHF 10.810 million arises from the acquisition of VP Bank (Luxembourg) S.A. in 2001 and is allocated to the cash-generating unit Client Business International. Since 1 January 2005, this goodwill amount has no longer been subject to amortisation, but rather to an annual impairment test.

For the purposes of the impairment test carried out in 2013, the realisable amount was based upon the fair value (Level 3), minus selling costs. The level of the implicit premium (74 basis points) for client assets was computed on the basis of stock exchange quotes for enterprises which focus on the business of asset management, as well as acquisition prices paid on the occasion of corporate mergers, and was used to determine the recoverable amount. The recoverable amount exceeded the book value to such an extent that a decline in the value of the goodwill could be viewed as improbable. For this reason, a supplementary computation of the recoverable amount based upon the value in use was dispensed with.

24 Other assets

in CHF 1,000	31/12/2013	31/12/2012
Value-added taxes and other tax receivables	1,732	1,430
Prepaid retirement pension contributions	0	0
Miscellaneous other assets [1]	11,914	12,598
Total other assets	**13,646**	**14,028**

[1] Compensation accounts, settlement accounts and miscellaneous other assets.

25 Medium-term notes

Maturity in CHF 1,000	Interest rate 0–0.9999%	Interest rate 1–1.9999%	Interest rate 2–2.9999%	Interest rate 3–3.9999%	Total
2014	15,561	81,083	2,029	434	99,107
2015	30,205	21,480	2,116	872	54,673
2016	16,214	38,806	836	620	56,476
2017	2,324	12,306	5,190	263	20,083
2018	1,013	2,434	2,019	111	5,577
2019		2,893	1,557		4,450
2020		190	853		1,043
Longer		1,033	1,280		2,313
Total 31/12/2013	**65,317**	**160,225**	**15,880**	**2,300**	**243,722**
Total 31/12/2012	44,365	215,945	19,630	4,430	284,370

The average interest rate as of 31 December 2013 was 1.43 per cent (prior year: 1.52 per cent).

26 Debentures, Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

						in CHF 1,000	
Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	Total 31/12/2013	Total 31/12/2012
2010	CH0112734469	2.500	CHF	27/05/2016	200,000	198,936	198,513

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 (2.73 per cent) 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	31/12/2013	31/12/2012
Value-added taxes and other tax receivables	9,754	10,187
Accrued retirement pension contributions	35,044	26,587
Miscellaneous other liabilities [1]	101,438	31,981
Total other liabilities	**146,236**	**68,755**

[1] Compensation accounts, settlement accounts and miscellaneous other liabilities.

28 Provisions

in CHF 1,000	Default risks	Legal and litigation risks	Other provisions	Total 2013	Total 2012
Carrying value at the beginning of the financial year	211	6,413 [1]	474 [1]	7,098	6,362
Utilisation in accordance with purpose				0	–5,759
New provisions charged to income statement	23	3,302	659	3,984	5,214
Provisions releases to income statement	–48	–250	–588	–886	–621
Reclassifications				0	1,950 [1]
Foreign-currency translation differences and other adjustments			–238	–238	–48
Carrying value at the end of the financial year	**186**	**9,465**	**307**	**9,958**	**7,098**

Maturity of provisions		
• within one year	9,958	7,098
• over one year	0	0

[1] The reclassifications of CHF 1.950 million recorded last year under other provisions, other additions last year to provisions of CHF 0.957 million (note 9) as well as opening balances as of 01/01/2012 of CHF 3.124 million are reclassified under legal and litigation risks items. The opening balances as of 01/01/2013 of a total amount of CHF 6.031 million were reclassified accordingly.

29 Non-controlling interests

in CHF 1,000	2013	2012
Balance at the beginning of the financial year	17,741	18,986
Reductions and dividend payments	–18,309	–1,045
Foreign-currency translation differences	0	–254
Non-controlling interests in net income	568	54
Balance at the end of the financial year	**0**	**17,741**

30 Share capital

	31/12/2013		31/12/2012	
	No. of shares	Nominal CHF	No. of shares	Nominal CHF
Registered shares of CHF 1.00 nominal value	6,004,167	6,004,167	6,004,167	6,004,167
Bearer shares of CHF 10.00 nominal value	5,314,347	53,143,470	5,314,347	53,143,470
Total share capital		**59,147,637**		**59,147,637**

All shares are fully paid up.

31 Treasury shares

	2013		2012	
	No. of shares	in CHF 1,000	No. of shares	in CHF 1,000
Registered shares at the beginning of the financial year	45,084	572	40,748	587
Purchases	4,325	30	9,336	56
Sales	–18,750	–225	–5,000	–71
Balance of registered shares as of balance-sheet date	**30,659**	**377**	**45,084**	**572**
Bearer shares at the beginning of the financial year	130,207	32,921	150,970	38,045
Purchases	189,396	15,895	47,764	3,528
Sales	–211,808	–23,290	–68,527	–8,652
Balance of bearer shares as of balance-sheet date	**107,795**	**25,526**	**130,207**	**32,921**

32 Assets pledged or assigned to secure own liabilities and assets subject to reservation of title

	31/12/2013		31/12/2012	
in CHF 1,000	Market value	Actual liability	Market value	Actual liability
Securities	380,720	0	603,971	0
Money-market paper	0	0	0	0
Other	0	0	0	0
Total pledged assets	**380,720**	**0**	**603,971**	**0**

The assets are pledged to limits for the repo business with national and central banks, for stock exchange deposits and to secure the business activities of overseas 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 48).

33 Future commitments under operating leases

At the end of the year, there were several operating lease contracts for real estate and other property and equipment, which are principally used for the conduct of business activities of the Bank. The equipment leasing contracts contain renewal options as well as escape clauses.

in CHF 1,000	31/12/2013	31/12/2012
Remaining duration of up to 1 year	5,966	7,746
Remaining duration of 1 to 5 years	11,797	15,412
Remaining duration of over 5 years	5,400	6,000
Total minimum commitments under operating leases	**23,163**	**29,158**

As of 31 December 2013, general and administrative expenses include CHF 7.489 million of operating lease costs (prior year: CHF 6.472 million).

34 Litigation

Within the normal course of business, VP Bank Group is involved in various legal proceedings. It raises provisions for ongoing and threatened litigation whenever, in the opinion of management, payments or losses by Group companies are probable and their amount can be estimated. If no outflow of resources is probable or the amount of the liabilities cannot be reliably estimated, a contingent liability is to be disclosed. All provisions are recorded in the item "Other provisions" in the consolidated balance sheet (note 28).

35 Balance sheet per currency

in CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1,354,324	602	22,027	454	1,377,407
Receivables arising from money-market paper				23,227	23,227
Due from banks	362,849	1,741,311	1,794,197	603,657	4,502,014
Due from customers	2,932,134	407,758	486,007	100,777	3,926,676
Trading portfolios			2,392	230	2,622
Derivative financial instruments	34,360	1,378			35,738
Financial instruments at fair value	227,545	51,673	65,577	1,610	346,405
Financial instruments at amortised cost	247,959	233,420	294,844		776,223
Associated companies	41				41
Property and equipment	116,750	392		37	117,179
Intangible assets	52,248	973			53,221
Tax receivables	14				14
Deferred tax assets	11,319				11,319
Accrued receivables and prepaid expenses	11,937	3,456	5,152	541	21,086
Other assets	10,749	240	2,227	430	13,646
Total assets 31/12/2013	**5,362,229**	**2,441,203**	**2,672,423**	**730,963**	**11,206,818**
Liabilities and shareholders' equity					
Due to banks	92,316	72,074	25,012	34,772	224,174
Due to customers – savings and deposits	880,115	1	343		880,459
Due to customers – other liabilities	2,182,597	2,937,181	2,723,391	681,025	8,524,194
Derivative financial instruments	47,152	2,049	3,539		52,740
Medium-term notes	216,898	1,687	25,137		243,722
Debenture issues	198,936				198,936
Tax liabilities	1,645		135		1,780
Deferred tax liabilities	9,901				9,901
Accrued liabilities and deferred items	21,214	723	3,485	553	25,975
Other liabilities	56,868	59,984	9,088	20,296	146,236
Provisions	9,660	267	31		9,958
Total liabilities	**3,717,302**	**3,073,966**	**2,790,161**	**736,646**	**10,318,075**
Total shareholders' equity	**827,928**	**59,969**	**20**	**826**	**888,743**
Total liabilities and shareholders' equity 31/12/2013	**4,545,230**	**3,133,935**	**2,790,181**	**737,472**	**11,206,818**

in CHF 1,000	CHF	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	905,347	506	20,688	420	926,961
Receivables arising from money-market paper					0
Due from banks	188,792	2,025,239	1,913,340	661,683	4,789,054
Due from customers	2,778,056	390,612	416,679	127,943	3,713,290
Trading portfolios	112			103	215
Derivative financial instruments	49,569	1,041		141	50,751
Financial instruments at fair value	251,327	56,595	84,089	37,277	429,288
Financial instruments at amortised cost	219,566	144,743	138,257		502,566
Associated companies	44				44
Property and equipment	121,649	602	72	36	122,359
Intangible assets	54,346	1,486			55,832
Tax receivables	57		1		58
Deferred tax assets	11,874		29		11,903
Accrued receivables and prepaid expenses	14,309	3,483	6,418	870	25,080
Other assets	11,639	1,194	1,175	20	14,028
Total assets 31/12/2012	**4,606,687**	**2,625,501**	**2,580,748**	**828,493**	**10,641,429**

35 Balance sheet per currency (continued)

in CHF 1,000	CHF	USD	EUR	Other	Total
Liabilities and shareholders' equity					
Due to banks	156,261	111,071	31,554	75,841	374,727
Due to customers – savings and deposits	966,705	1	163	1	966,870
Due to customers – other liabilities	2,031,120	2,473,152	2,514,543	716,350	7,735,165
Derivative financial instruments	74,113	2,920	5,252	182	82,467
Medium-term notes	262,120	1,645	20,605		284,370
Debenture issues	198,513				198,513
Tax liabilities	1,884		1,805		3,689
Deferred tax liabilities	8,401				8,401
Accrued liabilities and deferred items	17,691	958	3,576	322	22,547
Other liabilities	50,803	4,102	11,790	2,060	68,755
Provisions	6,855	243			7,098
Total liabilities	**3,774,466**	**2,594,092**	**2,589,288**	**794,756**	**9,752,602**
Total shareholders' equity	**805,979**	**82,234**	**–98**	**712**	**888,827**
Total liabilities and shareholders' equity 31/12/2012	**4,580,445**	**2,676,326**	**2,589,190**	**795,468**	**10,641,429**

36 Maturity structure of assets and liabilities

in CHF 1,000	At sight	Callable	1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1,377,407					1,377,407
Receivables arising from money-market paper			23,227			23,227
Due from banks	929,941		3,572,073			4,502,014
Due from customers	19,110	425,428	1,744,932	1,279,761	457,445	3,926,676
Trading portfolios	230				2,392	2,622
Derivative financial instruments	35,738					35,738
Financial instruments at fair value	305,461		3,035	13,241	24,668	346,405
Financial instruments at amortised cost			124,666	573,515	78,042	776,223
Associated companies	41					41
Property and equipment[1]					117,179	117,179
Intangible assets					53,221	53,221
Tax receivables	14					14
Deferred tax assets				11,319		11,319
Accrued receivables and prepaid expenses	19,665		893	457	71	21,086
Other assets	13,406	240				13,646
Total assets 31/12/2013	**2,701,013**	**425,668**	**5,468,826**	**1,878,293**	**733,018**	**11,206,818**
Liabilities and shareholders' equity						
Due to banks	169,378		54,796			224,174
Due to customers – savings and deposits		880,459				880,459
Due to customers – other liabilities	7,497,306	183,631	837,981	5,276		8,524,194
Derivative financial instruments	52,740					52,740
Medium-term notes			99,107	136,809	7,806	243,722
Debenture issues				198,936		198,936
Tax liabilities	1,780					1,780
Deferred tax liabilities	5,388			4,513		9,901
Accrued liabilities and deferred items	25,610		355	10		25,975
Other liabilities	146,236					146,236
Provisions	9,958					9,958
Total liabilities 31/12/2013	**7,908,396**	**1,064,090**	**992,239**	**345,544**	**7,806**	**10,318,075**

[1] Without maturity

36 Maturity structure of assets and liabilities (continued)

in CHF 1,000	At sight	Callable	1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	926,961					926,961
Receivables arising from money-market paper						0
Due from banks	975,436		3,813,618			4,789,054
Due from customers	19,896	390,790	1,656,138	1,197,011	449,455	3,713,290
Trading portfolios	103				112	215
Derivative financial instruments	50,751					50,751
Financial instruments at fair value	406,926				22,362	429,288
Financial instruments at amortised cost			79,536	400,282	22,748	502,566
Associated companies	44					44
Property and equipment[1]					122,359	122,359
Intangible assets					55,832	55,832
Tax receivables	57		1			58
Deferred tax assets				11,903		11,903
Accrued receivables and prepaid expenses	22,777		1,945	358		25,080
Other assets	13,601	219	208			14,028
Total assets 31/12/2012	**2,416,552**	**391,009**	**5,551,446**	**1,609,554**	**672,868**	**10,641,429**
Liabilities and shareholders' equity						
Due to banks	174,357	316	200,054			374,727
Due to customers – savings and deposits		966,870				966,870
Due to customers – other liabilities	6,943,926	229,088	556,290	5,861		7,735,165
Derivative financial instruments	82,467					82,467
Medium-term notes			73,217	202,201	8,952	284,370
Debenture issues				198,513		198,513
Tax liabilities	3,689					3,689
Deferred tax liabilities	2,792			5,609		8,401
Accrued liabilities and deferred items	20,610		1,849	88		22,547
Other liabilities	66,380		2,375			68,755
Provisions	7,098					7,098
Total liabilities 31/12/2012	**7,301,319**	**1,196,274**	**833,785**	**412,272**	**8,952**	**9,752,602**

[1] Without maturity

37 Classification of assets by country or groups of countries

	31/12/2013		31/12/2012	
	in CHF 1,000	Proportion in %	in CHF 1,000	Proportion in %
Liechtenstein and Switzerland	6,316,320	56.4	5,945,559	55.9
Rest of Europe	3,949,462	35.2	3,661,658	34.4
North America	279,896	2.5	365,048	3.4
Other countries	661,140	5.9	669,164	6.3
Total assets	**11,206,818**	**100.0**	**10,641,429**	**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.

38 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 31/12/2013	Fair value 31/12/2013	Variance	Carrying value 31/12/2012	Fair value 31/12/2012	Variance
Assets						
Cash and cash equivalents	1,377	1,377	0	927	927	0
Receivables arising from money-market paper	23	23	0	0	0	0
Due from banks	4,502	4,502	0	4,789	4,790	1
Due from customers	3,927	4,001	74	3,713	3,818	105
Trading portfolios	3	3	0	0	0	0
Derivative financial instruments	36	36	0	51	51	0
Financial instruments at fair value	346	346	0	429	429	0
Financial instruments at amortised cost	776	788	12	503	522	19
Subtotal			**86**			**125**
Liabilities						
Due to banks	224	224	0	375	375	0
Due to customers	9,405	9,402	3	8,702	8,701	1
Derivative financial instruments	53	53	0	82	82	0
Medium-term notes	244	247	–3	284	291	–7
Debenture issue	199	211	–12	199	216	–17
Subtotal			**–12**			**–23**
Total variance			**74**			**102**

The following valuation methods are used to determine the fair value of on-balance-sheet financial instruments:

Cash and cash equivalents, money-market paper

For the balance-sheet-items "Cash and cash equivalents" and "Receivables arising from money-market paper", 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 monetary 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.

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 cash-value-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).

38 Financial instruments (continued)

Valuation methods for financial instruments

in CHF million	Quoted market prices Level 1	Valuation methods, based on market data Level 2	Valuation methods, with assumptions based on market data Level 3	Total
Assets 31/12/2013				
Cash and cash equivalents		1,377		**1,377**
Receivables arising from money-market paper	23			**23**
Due from banks		4,502		**4,502**
Due from customers		4,001		**4,001**
Trading portfolios	3			**3**
Derivative financial instruments		36		**36**
Financial instruments at fair value	312	30	4	**346**
Financial instruments at amortised cost	788			**788**
Liabilities 31/12/2013				
Due to banks		224		**224**
Due to customers		9,402		**9,402**
Derivative financial instruments		53		**53**
Medium-term notes		247		**247**
Debenture issued	211			**211**
Assets 31/12/2012				
Cash and cash equivalents		927		**927**
Receivables arising from money-market paper				**0**
Due from banks		4,790		**4,790**
Due from customers		3,818		**3,818**
Trading portfolios				**0**
Derivative financial instruments		51		**51**
Financial instruments at fair value	383	40	6	**429**
Financial instruments at amortised cost	522			**522**
Liabilities 31/12/2012				
Due to banks		375		**375**
Due to customers		8,701		**8,701**
Derivative financial instruments		82		**82**
Medium-term notes		291		**291**
Debenture issued	216			**216**

In the financial year 2013, positions with a fair value of CHF 0.0 million (2012: CHF 0.0 million) were reclassified from Level 1 (quoted market prices) to Level 2 (valuation methods based on market data) and positions with a fair value of CHF 0.0 million (2012: CHF 0.0 million) were reclassified from Level 2 to Level 3 (valuation methods, based on realistic market-data-related assumptions).

The reclassifications are made as of the end of the reporting period in the case of changes in the availability of market prices (market liquidity).

Level 3 financial instruments in CHF million	2013	2012
Balance sheet		
Holdings at the beginning of the year	5.8	18.2
Investments	0.0	0.0
Disposals	0.0	–0.1
Issues	0.0	0.0
Redemptions	–1.3	–4.7
Losses recognised in the income statement	0.0	–5.3
Losses recognised as other comprehensive income	–0.4	–2.2
Gains recognised in the income statement	0.0	0.0
Gains recognised as other comprehensive income	0.0	0.0
Reclassification to Level 3	0.0	0.0
Reclassification from Level 3	0.0	0.0
Translation differences	–0.1	–0.1
Total book value at balance-sheet date	**4.1**	**5.8**

38 Financial instruments (continued)

Level 3 financial instruments in CHF million	2013	2012
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	–0.4	–2.2
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 2013 or 31 December 2012.

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 of the statement of income and of other comprehensive income as well as the shareholders' equity of VP Bank Group.

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 Repo 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 foresee 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

31/12/2013	Balance-sheet netting			Netting potential		
in CHF 1,000	Amount prior to balance-sheet netting	Balance-sheet netting	Carrying value	Financial Liabilities	Collateral received	Assets after taking account of netting potential
Financial assets						
Reverse repurchase transactions	335,739		335,739		335,739	0
Positive replacement values	35,738		35,738	17,416		18,322
Collateral deposited for transactions with derivatives	37,823		37,823	14,342		23,481
Total assets	**409,300**	**0**	**409,300**	**31,758**	**335,739**	**41,803**
in CHF 1,000	Amount prior to balance-sheet netting	Balance-sheet netting	Carrying value	Financial assets	Collateral provided	Liabilities after taking account of netting potential
Financial liabilities						
Repurchase transactions						0
Negative replacement values	52,740		52,740	31,758	19,170	1,812
Collateral received from transactions with derivatives						0
Total liabilities	**52,740**	**0**	**52,740**	**31,758**	**19,170**	**1,812**

31/12/2012	Balance-sheet netting			Netting potential		
in CHF 1,000	Amount prior to balance-sheet netting	Balance-sheet netting	Carrying value	Financial Liabilities	Collateral received	Assets after taking account of netting potential
Financial assets						
Reverse repurchase transactions	511,738		511,738	149,993	361,745	0
Positive replacement values	50,751		50,751	23,695		27,056
Collateral deposited for transactions with derivatives	23,506		23,506	11,884		11,622
Total assets	**585,995**	**0**	**585,995**	**185,572**	**361,745**	**38,678**
in CHF 1,000	Amount prior to balance-sheet netting	Balance-sheet netting	Carrying value	Financial assets	Collateral provided	Liabilities after taking account of netting potential
Financial liabilities						
Repurchase transactions	149,993		149,993		149,993	0
Negative replacement values	82,467		82,467	35,579	44,044	2,844
Collateral received from transactions with derivatives						0
Total liabilities	**232,460**	**0**	**232,460**	**35,579**	**194,037**	**2,844**

39 Scope of consolidation

Company	Registered office	Base currency	Capital	Group share of equity
Verwaltungs- und Privat-Bank Aktiengesellschaft	Vaduz	CHF	59,147,637	100%
IFOS Internationale Fonds Service Aktiengesellschaft	Vaduz	CHF	1,000,000	100%
VP Verwaltung GmbH	Munich	EUR	500,000	100%
VP Bank (Singapore) Ltd.	Singapore	SGD	54,500,000	100%
VP Wealth Management (Hong Kong) Ltd.	Hong Kong	HKD	5,000,000	100%
VP Bank (Luxembourg) S.A.	Luxembourg	CHF	20,000,000	100%
which holds the following sub-participation:				
VPB Finance S.A.	Luxembourg	CHF	5,000,000	100%
VPB Finanz Holding AG	Zurich	CHF	20,000,000	100%
which holds the following sub-participation:				
VP Bank (Switzerland) Ltd.	Zurich	CHF	20,000,000	100%
VP Bank (BVI) Limited	Tortola	USD	10,000,000	100%
Shareholdings excluded from the scope of consolidation	FIB Finanz- und Beteiligungs-AG IGT Intergestions Trust reg. Proventus Treuhand und Verwaltung AG VP Bank and Trust Company (BVI) Limited			
Associated companies	VAM Corporate Holdings Ltd., Mauritius Data Info Services AG, Vaduz			
Companies consolidated for the first time	none			
Shareholdings accounted for the first time in accordance with the equity method	none			
Name changes during the financial year	none			

40 Transactions with related companies and individuals

Members of the Board of Directors and Group Management as well as their next of kin, and companies which are controlled by these individuals either by virtue of a majority shareholding or as a result of their role as Chairman of the Board and/or Chief Executive Officer in these companies, are considered to be related companies and individuals.

in CHF 1,000	2013	2012
Remuneration of the members of the Board of Directors		
Remuneration due in the short term [1,2]	1,025	1,020
Post-employment benefits		
Other long-term remuneration due		
Remuneration due upon termination of contract of employment		
Share-based payment [1,2,3]	319	326
Remuneration of the members of Group Management		
Remuneration due in the short term	2,584	1,913
Post-employment benefits		
Other long-term remuneration due		
Remuneration due upon termination of contract of employment		
Share-based payments [3]	98	799

1 The social-security costs and any applicable value-added taxes 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 43 and 44).

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 2013 totalled CHF 0.327 million (previous year: CHF 0.253 million).

The Board of Directors and the Group Management as well as parties related thereto (excluding qualifying shareholders) and retirement pension plans as of 31 December 2013, held 89,627 bearer shares and 179,600 registered shares of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz (previous year: 77,577 bearer shares and 163,100 registered shares).

Loans to related companies and individuals (as of balance-sheet dates):

in CHF 1,000	2013	2012
Mortgages and loans at the beginning of the financial year	9,481	7,643
Additions	1,065	4,234
Repayments	–1,376	–2,396
Mortgages and loans at the end of the financial year	**9,170**	**9,481**

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.

41 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.

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 deducted by the employer from the salary typically 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 employee contributions to contribution-defined pension plans (excluding discontinued operations) for 2013 amounted to CHF 0.602 million (prior year: CHF 0.968 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 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 are 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 Council of the Foundation 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 Council is obligated to act solely in the interests of the Foundation and of the beneficiaries (current actively insured employees and pensioners). Thus, in this plan, the employer cannot himself determine pension benefits and their financing, but resolutions are taken on an equal representation basis. The Council of the Foundation 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 and its Implementing Provisions (BPVG) are to be observed in determining employee benefits. The minimum insurable salary and the minimum savings credits are laid down in the BPVG.

As a result of the form of the pension plan and the legal provisions of the BPVG, 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 Councils of the Foundations. In this connection, 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 2013 by independent actuaries using the Projected Unit Credit Method. The fair value of plan assets as of 31 December 2013 was determined based upon information available at the time of preparation of the annual financial statements.

The most significant assumptions underlying the actuarial computations may be summarised as follows:

	31/12/2013	31/12/2012
Discount rate	2.4%	2.0%
Rate of future salary increases	1.5%	1.5%
Rate of future pension increases	0.0%	0.0%
Life expectancy at the age of 65, in years		
Year of birth	1948	1947
• men	21	21
• women	24	24
Year of birth	1968	1967
• men	23	23
• women	26	25

41 Retirement pension plans (continued)

The amounts recognised in the income statement and in shareholders' equity may be summarised as follows:

Pension costs

in CHF 1,000	2013	2012
Pension expense recognised in income statement		
Service cost		
• current service cost	10,434	11,669
• past service cost	0	–19,554
• plan settlements	0	–3,180
Net interest expense	401	1,828
Administrative costs	246	237
Total pension cost expense of the period	**11,081**	**–9,000**
Revaluation components recognised in comprehensive income		
Actuarial gains / losses		
Result of changes to demographic assumptions	9,789	7,046
Result of changes to economic assumptions	–7,784	–22,269
Experience adjustments	3,084	–4,342
Return on plan assets (excluding amounts in net interest expense)	1,787	–14,751
Total expense recognised in comprehensive income	**6,876**	**–34,316**
Total pension cost	**17,957**	**–43,316**

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	2013	2012
Present value of defined-benefit obligations at beginning of financial year	216,137	252,840
Current service cost	10,434	11,669
Employee contributions	4,961	5,086
Interest expense on present value of pension obligations	4,255	6,072
Actuarial gains / losses	5,089	–19,565
Past service cost	0	–19,554
Plan settlements	0	–7,407
Pension payments financed by plan assets	–6,735	–13,004
Balance at end of financial year	**234,141**	**216,137**

Movement in plan assets

in CHF 1,000	2013	2012
Plan assets at beginning of financial year	189,550	172,969
Employee contributions	4,961	5,086
Employer contributions	8,000	7,968
Third-party contributions	1,500	2,000
Interest income on plan assets	3,854	4,244
Return on plan assets (excluding amounts under interest income)	–1,787	14,751
Transfers of assets through plan settlements	0	–4,227
Pension payments financed by plan assets	–6,735	–13,004
Administrative costs	–246	–237
Balance at end of financial year	**199,097**	**189,550**

41 Retirement pension plans (continued)

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	31/12/2013	31/12/2012
Present value of pension obligations financed through a fund	234,141	216,137
Market value of plan assets	–199,097	–189,550
Under-/Excess of funding	**35,044**	**26,587**
Present value of pension obligations not financed through a fund	0	0
Unrecognised assets	0	0
Recognised pension obligations	**35,044**	**26,587**

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.

The plan assets of collective pension foundations are invested in insurance policies with insurance companies.

The Council of the Foundation 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 is also subject to ongoing review.

Plan assets primarily consist of the following categories of securities:

in CHF 1,000	31/12/2013	31/12/2012
Equity shares	23,178	17,075
Bonds	92,273	96,039
Alternative financial investments	4,166	4,993
Real estate	8,781	8,867
Qualifying insurance paper	43,344	40,232
Cash equivalents	27,355	19,842
Other financial investments	0	2,502
Total	**199,097**	**189,550**

The pension plans hold shares in Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, with a market value totalling CHF 1.3 million (previous year: CHF 0.9 million). In 2013, the return on plan assets was CHF 2.067 million (previous year: CHF 18.995 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	31/12/2013	31/12/2012
Current actively insured employees	176,593	162,366
Pensioners	57,548	53,771
Total	**234,141**	**216,137**

The duration of pension obligations is approximately 16 years (previous year: 14 years).

Presented in the following table are the sensitivities for the most important factors in the computation of the present value of pension obligations.

Changes in present value of defined-benefit obligations

in CHF 1,000	31/12/2013		31/12/2012	
Variance	0.25%	–0.25%	0.25%	–0.25%
Discount rate	–8,371	8,976	–5,988	6,313
Interest on pension capital accounts	2,092	–2,041	1,099	–1,033
Development of salaries	814	–806	361	–369

42 Significant foreign exchange rates

The following exchange rates were used for the most important currencies:

	Year-end rates		Annual average rates	
	31/12/2013	31/12/2012	2013	2012
USD/CHF	0.8894	0.9154	0.92679	0.93828
EUR/CHF	1.2255	1.2068	1.23077	1.20520
SGD/CHF	0.7044	0.7494	0.74065	0.75104
HKD/CHF	0.1147	0.1181	0.11948	0.12095
GBP/CHF	1.4730	1.4879	1.44933	1.48661

43 Employee stock-ownership plan

The stock-ownership plan enables employees to subscribe annually to a defined number of bearer shares of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, at a preferential price subject to a four-year restriction on selling. 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 participation plans is recorded in full at the time of their respective allocation. The number of bearer shares that can be subscribed to depends upon the years of service, rank and management level.

The purchase price is determined annually in relation to the market value of the bearer shares on the Swiss Exchange (ex-dividend). The shares issued in this manner derive either from shareholdings 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 2013, 10,324 shares were issued at a preferential price (2012: 9,396 shares). Share issue expenses in 2013 were CHF 0.7 million (2012: CHF 0.7 million).

There is no profit-sharing plan for the Board of Directors. Its members, however, receive a part of their remuneration/bonuses in the form of equity shares which are not subject to any lock-up period (note 40). A profit-sharing plan exists for Group Management and other management members (note 44). VP Bank has defined waiting periods for the Board of Directors, Group Management and selected executives and employees, during which it is forbidden to trade in the shares of VP Bank.

44 Management profit-sharing plan

A long-term, value-oriented compensation model applies to the Group Executive Management and second-level management members of VP Bank. Under this model, the compensation paid to members of senior management consists of the following:

1. A fixed base salary that is contractually agreed between the Committee of the Board of Directors (in its function as Nomination & Compensation Committee) and the members of Group Executive Management. In addition to the base salary, VP Bank will pay proportionate contributions to management insurance and the pension fund.
2. A variable performance-related portion (Short-Term Incentive Plan, STI) which depends on the annual value creation of VP Bank Group. It is allocated on the basis of qualitative individual criteria and financial Group targets. The financial Group targets are weighted by some two-thirds. The STI is paid annually in cash.
3. A long-term variable management equity-share plan (Long-Term Incentive Plan, LTI) settled in the form of bearer shares of VP Bank. The basic principles thereof are the focus on value creation (economic profit) and the long-term commitment of management to a variable salary component in the form of shares. The number of shares which are vested after a period of three years is directly dependent on the trend of the economic profit of VP Bank Group. This latter takes account of capital- and risk-related costs. Targets are set on the basis of an external perspective. The starting point in this connection is the target yield on the market value. Thus, depending on the financial trend, a greater or lesser number of shares are allocated. The factor ranges from a minimum of 0.5 and a maximum of 2.0. The basis for calculating expenses for management stock participation consists of the number of shares, the goal-achievement factor and the current price of the stock at the time the goals were set. The share price is determined by reference to the average closing price of the three preceding months of the bearer shares quoted on the SWX for the respective grant date. The monetary benefit settled in shares at the end of the plan is also dependent on the stock price of the VP Bank bearer shares. The bearer shares required to service the LTI equity-share plan are either taken from the portfolio of treasury shares of VP Bank Group or are purchased on the stock exchange.

The Board of Directors lays down each year the planning parameters of the LTI for the following three years as well as the level of the STI. In the 2013–2015 programme, a target bonus (LTI and STI) of between 65 and 100 per cent of the fixed base salary is calculated provided that the annual and three-year goals are attained.

Management equity-sharing plan (LTI)

Number	2013	2012	Variance in %
Balance of entitlements at the beginning of the year	36,416	47,436	–23.2
New entitlements	61,606	26,944	128.6
Changes in entitlements as a result of allocation	–21,764	–25,793	–15.6
Changes in entitlements as a result of expiry	–26,039	–12,171	113.9
Changes in entitlements as a result of changes in factors	28,109	0	n.a.
Balance of calculated entitlements at the end of the year	78,328	36,416	115.1

in CHF 1,000	2013	2012	Variance in %
Personnel expense recorded over vesting period for allocated management sharing plan	3,611	3,342	8.0
Fair value of management sharing plan at date of allocation	1,634	2,048	–20.2
Personnel expense for management sharing plan (LTI) expense for reporting period	5,573	1,142	387.9
Accrual for management sharing plan (LTI) in equity at the end of the year	6,976	5,014	39.1

45 Discontinued operations

In the summer of 2012, the Board of Directors of VP Bank Group resolved to focus strategically on the middle private-banking segment as well as the business with intermediaries. Market-development activities, the whole distribution and all supporting units were redirected on target clients in defined markets in Europe and Asia. The primary goal is to grow as a group in a profitable manner. Markets, client segments as well as products and services were all subjected to in-depth analysis.

During the process of strategic redirection, the Board of Directors decided to dispose of the Group's own trust and fiduciary companies. The subsidiary company IGT Intergestions Trust reg. in Vaduz was disposed of by VP Bank Group as part of a management buyout; all employees were transferred to the existing company.

VP Bank Group also simplified the structures of its umbrella holding company VP Bank and Trust Company (BVI) Limited in Tortola on the British Virgin Islands, which was a joint venture with the Liechtenstein-based Allgemeines Treuunternehmen (ATU), Vaduz. VP Bank Group acquired the entire capital of VP Bank (BVI) Limited (note 46), and the remaining participations were transferred to ATU.

in CHF 1,000	2013[1]	2012	Variance absolute	Variance in %
Interest income	1	9	–8	–88.9
Interest expense	55	2	53	n.a.
Total interest income	**–54**	**7**	**–61**	**n.a.**
Commission income	6,014	7,598	–1,584	–20.8
Commission expense	591	561	30	5.3
Total income from commission business and services	**5,423**	**7,037**	**–1,614**	**–22.9**
Trading income	–1	0	–1	n.a.
Income from financial investments	–1	7	–8	–114.3
Other income	180	107	73	68.2
Total operating income	**5,547**	**7,158**	**–1,611**	**–22.5**
Personnel expense	2,084	3,276	–1,192	–36.4
General and administrative expenses	943	1,734	–791	–45.6
Operating expenses	**3,027**	**5,010**	**–1,983**	**–39.6**
Gross profit	**2,520**	**2,148**	**372**	**17.3**
Depreciation and amortisation	1	13	–12	–92.3
Valuation allowances, provisions and losses	2	3,822	–3,820	–99.9
Pre-tax profit from discontinued operations	**2,517**	**–1,687**	**4,204**	**n.a.**
Taxes on income	150	132	18	13.6
Group net income from discontinued operations	**2,367**	**–1,819**	**4,186**	**n.a.**
Attributable to:				
Shareholders of Verwaltungs- und Privat-Bank AG, Vaduz	1,799	–705	2,504	n.a.
Non-controlling interests	568	–1,114	1,682	n.a.
Gain on disposal of discontinued operations	595	0	595	n.a.
Total Group net income from discontinued operations	**2,962**	**–1,819**	**4,781**	**n.a.**
Earnings per share in CHF				
Undiluted Group net income per bearer share from discontinued operations	0.41	–0.12		
Undiluted Group net income per registered share from discontinued operations	0.04	–0.01		
Diluted Group net income per bearer share from discontinued operations	0.41	–0.12		
Diluted Group net income per registered share from discontinued operations	0.04	–0.01		
Net cash flows from discontinued operations				
Net cash flow from operating activities	2,636	1,163		
Net cash flow from investing activities	0	0		
Net cash flow from financing activities	–64	81		
Net outflow of cash and cash equivalents	**2,572**	**1,244**		

[1] The 2013 results from discontinued operations for the current period represent the results for the period from 1 January 2013 to 22 August 2013. Figures for the comparative prior-year period relate to the period from 1 January 2012 to 31 December 2012. On the other hand, the non-controlling interests in VP Bank (BVI) Limited were purchased (note 46).

46 Material changes to non-controlling interests

VP Bank (BVI) Limited, Tortola	
Date of acquisition	22/08/2013
Non-controlling interests acquired	40%
Shareholding after acquisition	100%
Additional payment for non-controlling interests (in CHF 1,000) [1]	15,300
Carrying value of non-controlling interests (in CHF 1,000)	17,646
Excess of capital (in CHF 1,000) [2]	2,346

[1] This additional payment of VP Bank Group encompasses the complete acquisition of VP Bank (BVI) Limited, Tortola, excluding the related sale of other participations to ATU, Vaduz (note 45).
[2] The difference between the carrying value of the non-controlling interests at the date of the transaction and the purchase price was recorded as a capital excess in shareholders' equity attributable to the shareholders of Verwaltungs- und Privat-Bank AG.

47 Acquisitions in 2013

Asset deal – HSBC Trinkaus & Burkhardt AG, Düsseldorf

On 14 July 2013, VP Bank and HSBC Trinkaus & Burkhardt AG, Düsseldorf, agreed that VP Bank acquires the private-banking activities of HSBC Trinkaus & Burkhardt (International) SA as well as the investment-fund business of HSBC Trinkaus Investment Managers SA in Luxembourg relating to private banking.

The following assets and liabilities were acquired as part of the purchase acquisition:

in CHF 1,000	Carrying value	Step up to fair value	Fair value
Amounts due from banks	452		452
Amounts due from customers	110		110
Other intangible assets	0	10,049	10,049
Amounts due to clients	–562		–562
Deferred tax liabilities	0	–2,937	–2,937
Total net assets	**0**	**7,112**	**7,112**

Net assets acquired	**7,112**
Bargain purchase	–647
Acquisition cost	**6,465**
Purchase consideration already settled in cash and cash equivalents	6,465
Purchase consideration to be settled in future in cash and cash equivalents	0
Aggregate purchase price	**6,465**
Cash and cash equivalents on hand in the acquired businesses	0
Outflow of cash and cash equivalents for the transaction	**6,465**
Future cash outflow for the transaction	0

The other intangible assets listed relate to existing client relationships of this entity in an amount of some CHF 2.0 billion. These assets will be amortised over five years.

The bargain purchase results primarily from the fact that no earn-out agreement was concluded. The gain was recognised in the income statement under the other income items (note 5).

48 Consolidated off-balance-sheet transactions

in CHF 1,000	31/12/2013	31/12/2012
Contingent liabilities		
Credit guarantees and similar	17,827	13,907
Performance guarantees and similar	69,108	84,554
Irrevocable commitments	0	0
Other contingent liabilities	0	0
Total contingent liabilities	**86,935**	**98,461**
Credit risks		
Irrevocable facilities granted	20,704	24,045
Capital subscription and margin obligations	0	0
Commitment credits	0	0
Commitments arising from artificial repurchase transactions	0	0
Total credit risks	**20,704**	**24,045**
Fiduciary transactions		
Fiduciary deposits [1]	664,652	961,029
Fiduciary loans	9,941	7,009
Other fiduciary financial transactions	0	0
Total fiduciary transactions	**674,593**	**968,038**

[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

		Maturing within			
in CHF 1,000	At sight	1 year	1 to 5 years	Over 5 years	Total
31/12/2013					
Contingent liabilities	26,849	49,480	8,242	2,364	86,935
Credit risks	1,880	13,235	1,131	4,458	20,704
31/12/2012					
Contingent liabilities	35,198	55,686	5,185	2,392	98,461
Credit risks	2,110	19,032	810	2,093	24,045

Securities lending and repurchase and reverse repurchase transactions

in CHF 1,000	31/12/2013	31/12/2012
Accounts receivable arising from cash deposits in connection with securities borrowing and reverse repurchase transactions	335,739	511,738
Accounts payable arising from cash deposits in connection with securities borrowing and reverse repurchase transactions	0	149,993
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	360,667	575,966
of which securities where the unlimited right to sell on or pledge has been granted	244,821	303,384
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	719,688	974,065
of which securities which have been resold or repledged	106,593	125,407

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.

Client assets

in CHF million	2013	2012	Variance in %
Analysis of client assets under management			
Assets in self-administered investment funds[1]	5,242.2	4,489.3	16.8
Assets in discretionary asset-management accounts	2,975.9	2,855.5	4.2
Other client assets under management[1]	22,366.8	21,145.7	5.8
Total client assets under management (including amounts counted twice)	**30,584.9**	**28,490.5**	**7.4**
of which: amounts counted twice	1,634.8	2,013.3	–18.8
Net new money[2]	**965.0**	**–192.0**	**n.a.**
Custody assets	**9,003.5**	**8,826.1**	**2.0**
Total client assets			
Total client assets under management (including amounts counted twice)	30,584.9	28,490.5	7.4
Custody assets	9,003.5	8,826.1	2.0
Total client assets	**39,588.4**	**37,316.6**	**6.1**

[1] The prior year's comparatives were restated.
[2] Included in these items are client assets aggregating CHF 2.0 billion acquired from the asset deal (note 47).

Classification of client assets under management

in %	31/12/2013	31/12/2012
Analysis by asset class		
Liquidity	31	31
Bonds	21	25
Equities	21	18
Investment funds	25	23
Other	2	3
Total	**100**	**100**
Analysis by currency		
CHF	26	28
EUR	37	36
USD	24	22
Other	13	14
Total	**100**	**100**

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, FL-BankV) 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, as well as interest charged to clients, are not considered as inflows and outflows. Acquisition-related changes in assets are presented separately.

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.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

As Group auditor, we have audited the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes; pages 90–158) and the consolidated annual report (pages 87–89) of Verwaltungs- und Privat-Bank Aktiengesellschaft for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the law as well as the consolidated annual report. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements and their accordance with the consolidated annual report based on our audit. We conducted our audit in accordance with Liechtenstein law, the auditing standards promulgated by the Liechtenstein profession and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and consolidated annual report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Liechtenstein law. Furthermore, the consolidated annual report corresponds to the consolidated financial statements.

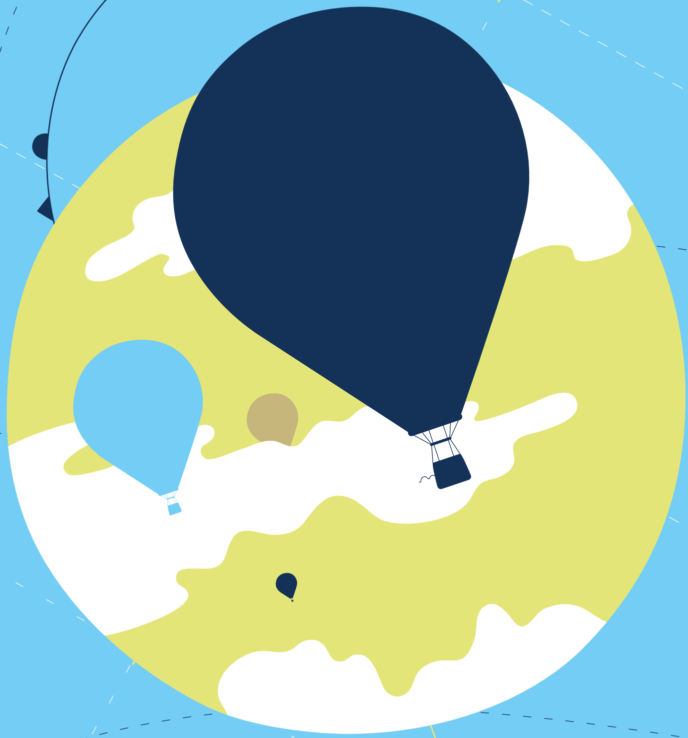
We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Stefan Fuchs
Certified Accountant
(Auditor in charge)

Bruno Taugner
Certified Accountant

Berne, 28 February 2014



Freedom means that the sky is the limit.

VP Bank fulfils ambitious aims with exceptional client experiences.
We are passionate about keeping you flying high.
Because anything can be achieved with dedication.

Safely ahead.

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Financial report 2013 of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

Annual report of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

The annual report of Verwaltungs- und Privat-Bank Aktiengesellschaft is largely evident from the consolidated annual report of VP Bank Group.

As of the balance-sheet date, Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, and/or its subsidiaries held in total 107,795 bearer shares as well as 30,659 registered shares (previous year: 130,207 bearer shares and 45,084 registered shares). This equates to a capital share of approximately 1.9 per cent (previous year: 2.3 per cent). In addition, we refer 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 adjusted VP Bank's dividend policy, the Board of Directors will propose a dividend of CHF 3.50 per bearer share and CHF 0.35 per registered share (previous year: CHF 2.50 per bearer share and CHF 0.25 per registered share) at the annual general meeting of shareholders to be held on 25 April 2014.

Balance sheet

Assets

in CHF 1,000 (Art. 24b FL-BankV)	31/12/2013	31/12/2012	Variance absolute	Variance in %
Cash balances	1,256,071	858,321	397,750	46.3
Public-sector debt instruments and bills of exchange eligible for refinancing at central banks	0	0	0	0.0
• public-sector debt instruments and similar securities	0	0	0	0.0
Due from banks	3,160,531	3,758,551	–598,020	–15.9
• maturing daily	778,733	725,683	53,050	7.3
• other receivables	2,381,798	3,032,868	–651,070	–21.5
Due from customers	3,256,268	3,108,535	147,733	4.8
of which mortgage receivables	2,583,181	2,440,453	142,728	5.8
Debentures and other interest-bearing securities	1,009,995	779,666	230,329	29.5
• money-market paper	0	0	0	0.0
• from public-sector issuers	0	0	0	0.0
• from other issuers	0	0	0	0.0
• debt securities	1,009,995	779,666	230,329	29.5
• from public-sector issuers	322,131	103,682	218,449	210.7
• from other issuers	687,864	675,984	11,880	1.8
Equity shares and other non-interest-bearing securities	69,124	68,597	527	0.8
Participations	127	127	0	0.0
Shares in affiliated companies	110,435	97,304	13,131	13.5
Intangible assets	18,990	29,779	–10,789	–36.2
Property and equipment	111,286	115,315	–4,029	–3.5
Treasury shares	10,771	8,711	2,060	23.6
Other assets	47,282	66,989	–19,707	–29.4
Accrued receivables and prepaid expenses	15,745	19,600	–3,855	–19.7
Total assets	**9,066,625**	**8,911,495**	**155,130**	**1.7**

Total liabilities and shareholders' equity

in CHF 1,000 (Art. 24b FL-BankV)	31/12/2013	31/12/2012	Variance absolute	Variance in %
Due to banks	1,238,343	1,158,343	80,000	6.9
• maturing daily	1,111,737	887,863	223,874	25.2
• with agreed duration or term of notice	126,606	270,480	–143,874	–53.2
Due to customers	6,511,147	6,418,676	92,471	1.4
• savings deposits	877,172	857,889	19,283	2.2
• other liabilities	5,633,975	5,560,787	73,188	1.3
• maturing daily	5,274,477	5,184,466	90,011	1.7
• with agreed duration or term of notice	359,498	376,321	–16,823	–4.5
Securitised liabilities	445,722	487,870	–42,148	–8.6
• issued debentures	445,722	487,870	–42,148	–8.6
of which medium-term notes	245,722	287,870	–42,148	–14.6
Other liabilities	80,818	84,381	–3,563	–4.2
Accrued liabilities and deferred items	14,589	16,769	–2,180	–13.0
Provisions	13,926	10,088	3,838	38.0
• tax provisions	600	100	500	n.a.
• other provisions	13,326	9,988	3,338	33.4
Provisions for general banking risks	63,150	63,150	0	0.0
Subscribed capital	59,148	59,148	0	0.0
Income reserves	583,889	583,591	298	0.1
• legal reserves	239,800	239,800	0	0.0
• reserve for treasury shares and stock	10,771	8,711	2,060	23.6
• other reserves	333,318	335,080	–1,762	–0.5
Retained earnings brought forward	14,692	7,592	7,100	93.5
Net income for the year	41,201	21,887	19,314	88.2
Total liabilities and shareholders' equity	**9,066,625**	**8,911,495**	**155,130**	**1.7**

Off-balance-sheet items

in CHF 1,000 (Art. 24b FL-BankV)	31/12/2013	31/12/2012	Variance absolute	Variance in %
Contingent liabilities	**58,011**	**74,800**	**–16,789**	**–22.4**
Credit risks	**29,524**	**27,801**	**1,723**	**6.2**
• irrevocable facilities granted	29,524	27,801	1,723	6.2
Derivative financial instruments				
• positive replacement values	29,660	35,003	–5,343	–15.3
• negative replacement values	46,462	66,253	–19,791	–29.9
• contract volumes	4,227,731	3,540,787	686,944	19.4
Fiduciary transactions	**558,580**	**841,195**	**–282,615**	**–33.6**

Income statement

in CHF 1,000 (Art. 24c FL-BankV)	2013	2012	Variance absolute	Variance in %
Interest income	77,652	93,838	–16,186	–17.2
of which from interest-bearing securities	16,840	18,439	–1,599	–8.7
of which from trading transactions	0	–406	406	–100.0
Interest expenses	15,411	23,044	–7,633	–33.1
Income from interest-differential business	62,241	70,794	–8,553	–12.1
Current income from securities	13,582	12,499	1,083	8.7
• shares and other non-interest-bearing securities	3,553	7,358	–3,805	–51.7
of which from trading transactions	0	0	0	0.0
• participations	8	5	3	60.0
• shares in affiliated companies	10,021	5,136	4,885	95.1
Income from commission business and services	76,119	73,026	3,093	4.2
• commission income from credit business	591	793	–202	–25.5
• commission income from securities and investing business	66,169	64,127	2,042	3.2
• commission income from other services	9,359	8,106	1,253	15.5
Commission expenses	12,302	13,350	–1,048	–7.9
Income from commission business and services	63,817	59,676	4,141	6.9
Income from financial transactions	23,162	17,286	5,876	34.0
of which from trading transactions	13,418	13,733	–315	–2.3
Other ordinary income	6,313	3,870	2,443	63.1
• income from real estate	351	248	103	41.3
• other ordinary income	5,962	3,622	2,340	64.6
Total net operating income	**169,115**	**164,125**	**4,990**	**3.0**
Operating expenses	102,682	101,292	1,390	1.4
• personnel expenses	75,618	71,271	4,347	6.1
• general and administrative expenses	27,064	30,021	–2,957	–9.8
Gross profit	**66,433**	**62,833**	**3,600**	**5.7**
Depreciation and amortisation of intangible assets and property and equipment	22,438	25,616	–3,178	–12.4
Other ordinary expenses	170	6,041	–5,871	–97.2
Valuation allowances on receivables and increases in provisions for contingent liabilities and credit risks	5,311	9,827	–4,516	–46.0
Income from release of valuation allowances on receivables and from the release of provisions for contingent liabilities and credit risks	3,493	4,090	–597	–14.6
Write-offs on participations, shares in affiliated companies and securities dealt with as non-current assets	305	15,531	–15,226	–98.0
Gains from appreciations on participations, shares in affiliated companies and securities dealt with as non-current assets	0	12,081	–12,081	–100.0
Income from normal business operations	**41,702**	**21,989**	**19,713**	**89.7**
Extraordinary income	0	0	0	0.0
Extraordinary expenses	0	0	0	0.0
Taxes on income	501	101	400	395.3
Other taxes if not included in above items	0	0	0	0.0
Increases in provisions for general banking risks / income from release for provisions for general banking risks	0	0	0	0.0
Net income for the year	**41,201**	**21,887**	**19,314**	**88.2**

Appropriation of income

in CHF 1,000 (Art. 24c FL-BankV)	2013	2012	Variance absolute	Variance in %
Net income for the year	41,201	21,887	19,314	88.2
Retained earnings brought forward	14,692	7,592	7,100	93.5
Retained earnings	55,893	29,479	26,414	89.6
Appropriation of retained earnings				
• appropriation to other reserves	0	0	0	0.0
• distribution on the basis of company capital	20,702	14,787	5,915	40.0
• release from other reserves	0	0	0	0.0
Retained earnings to be carried forward	**35,191**	**14,692**	**20,499**	**139.5**

Information regarding business activities and the number of employees

(Art. 24e Par. 1 Point 1 FL-BankV)

Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank), which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. As of 31 December 2013,, it owns subsidiary companies in Zurich, Luxembourg, the British Virgin Islands, Singapore and Hong Kong, as well as representative offices in Moscow and Hong Kong. Adjusted to reflect full-time equivalents, at year-end 2013 VP Bank had 424.5 individuals under its employment (previous year: 432.5).

VP Bank's core activities consist of asset-management and investment-advisory services for private and institutional investors, as well as lending operations.

Commission business and services

Aside from its general banking operations, VP Bank's commission- and service-related business encompasses asset management for private clients, financial intermediaries and institutional clients, as well as investment advice, safekeeping and fiduciary services. VP Bank earns a significant portion of its total commission-related revenues from transactions in securities on behalf of clients.

Lending business

The credit business of the Bank is primarily geared to providing financing of residential properties for private clients, as well as asset 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 transaction. A significant portion of VP Bank's trading activities is related to foreign-exchange dealings on behalf of private clients.

For liquidity-management and investment purposes, VP Bank maintains a portfolio of interest-bearing security and equity positions.

Principles of accounting and valuation, disclosures on risk management

(Art. 24e Par. 1 Point 2 FL-BankV)

Principles of accounting and valuation

General principles

Accounting and valuation follow the prescriptions of the Liechtenstein Civil and Company Act, as well as the Liechtenstein Banking Act and its related Ordinance.

Recording of transactions

In accordance with the valuation policies laid down, all business transactions are recorded in the Bank's accounts as of their trading date. Forward contracts are recorded under off-balance-sheet transactions until their settlement or value date.

Income and expenditure in foreign currencies are converted into Swiss francs at their respective daily rates; assets and liabilities are converted at the rates prevailing at year-end. Foreign-exchange gains and losses resulting from revaluation are recorded in 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 effected at nominal values minus any applicable unearned discount in the case of money-market paper. Valuation allowances are established to cover identifiable risks taking into account the principle of prudence. Individual and lump-sum valuation allowances are deducted directly from the related balance-sheet positions.

Interest overdue for more than 90 days is provided for and recorded in the income statement as and when received.

Amounts due from clients

Receivables from clients are recorded in the balance sheet at their nominal values minus any applicable valuation allowances. A receivable is considered as being value-impaired when there is a probability that the total contractually owed amount is no longer recoverable.

A valuation allowance is recorded in the balance sheet as a reduction of the carrying value of the receivable to its probable realisable value. On the other hand, provisions for credit risks are established for off-balance-sheet positions. In addition to individual valuation allowances, VP Bank creates individual valuation allowances on a lump-sum basis as well as lump-sum valuation allowances to cover latent credit risks.

A review of collectability is undertaken at least annually for all non-performing loans.

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 classified as current assets are valued at the lower of cost and market. Interest on interest-bearing securities is reflected in the interest income items, dividend income in the current i ncome from securities items. Gains and losses from revaluation are disclosed in the gains/losses arising from financial transactions item.

Participations

Equity shareholdings in companies owned by the Bank representing a non-controlling interest held on a long-term basis are recorded as participations. Participations are valued at acquisition cost minus economically required valuation allowances.

Shares in affiliated companies

The existing majority shareholdings of VP Bank are recorded as shares in affiliated companies. Shares in affiliated companies are valued at acquisition cost minus economically required valuation allowances.

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. Self-developed intangible assets are not capitalised. Minor purchases are charged directly to general and administrative expenses.

Property and equipment

Property 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 and equipment are capitalised and valued at acquisition cost. Minor purchases are charged directly to general and administrative expenses.

In subsequent valuations, property and equipment is recorded at acquisition cost, minus accumulated depreciation and amortisation. Depreciation and amortisation is charged on a systematic basis over the estimated useful lives (buildings used by the Bank and other real estate: 25 years; furniture and equipment: 8 years; IT: 3 years; software: 3 to 7 years). The property and equipment is reviewed annually for impairment in value.

Other assets, other liabilities

Other assets and liabilities include the positive and negative replacement values, respectively, of all financial derivative instruments open at 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 positions include balances of various settlement and clearing accounts.

Valuation allowances and provisions

Valuation allowances and provisions are established to reflect identifiable risks, as dictated by the principle of prudence. Individual and lump-sum valuation allowances for receivables from banks and clients as well as on mortgage receivables are deducted directly from the corresponding asset position. Provisions are 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 in the balance sheet. Changes thereto are disclosed separately in 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 in the balance sheet for latent default risks.

Statement of cash flow

VP Bank is exempted from drawing up a statement of cash flow as a result of the obligation to prepare consolidated financial statements (Art. 24l FL-BankV). 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 material occurrences having an impact on the balance sheet and income statement to be reported for the 2013 financial year.

Commentaries on risk management

Appropriate risk management is the basic prerequisite for the sustainable development and continuing success of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz. By "appropriate" it is to be understood that VP Bank, as a value-oriented enterprise, although it takes on financial, operational and business risks in a conscious 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 Verwaltungs- und Privat-Bank Aktiengesellschaft 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 107 ff.

Information regarding balance sheet and income statement

Analysis of collateral

in CHF 1,000 (Art. 24e Par. 1 Point 3.1 FL-BankV)	Mortgage collateral	Other collateral	Without collateral	Total
Loans				
Due from clients (excluding mortgage loans)	18,883	381,861	272,343	673,087
Mortgage loans secured by	2,489,115	69,698	24,368	2,583,181
• residential property	2,018,484	0	0	2,018,484
• office and business premises	39,519	0	0	39,519
• commercial and industrial property	383,293	0	0	383,293
• other	47,819	69,698	24,368	141,885
Total loans, 31/12/2013	**2,507,998**	**451,559**	**296,711**	**3,256,268**
Total loans, 31/12/2012	2,379,494	414,433	314,608	3,108,535
Off-balance-sheet amounts				
Contingent liabilities	572	45,289	12,150	58,011
Irrevocable facilities granted	8,049	1,022	20,453	29,524
Total off-balance-sheet amounts, 31/12/2013	**8,621**	**46,311**	**32,603**	**87,535**
Total off-balance-sheet amounts, 31/12/2012	6,637	65,137	30,827	102,601

Value-impaired loans

in CHF 1,000	Gross amount owed	Estimated liquidation proceeds from collateral	Net amount owed	Individual value adjustments
Total value-impaired loans, 31/12/2013	**38,348**	**18,718**	**19,630**	**19,630**
Total value-impaired loans, 31/12/2012	46,028	16,602	29,426	29,426

Portfolios of securities and precious metals

in CHF 1,000	Carrying value		Acquisition cost		Market value	
(Art. 24e Par. 1 Point 3.2 FL-BankV)	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Trading portfolios of securities and precious metals						
Debt securities	0	0	0	0	0	0
Equity shares	1,313	261	1,355	597	1,313	261
of which equity shares in the treasury	1,313	261	1,355	597	1,313	261
Precious metals	230	103	238	106	230	103
Total	**1,543**	**364**	**1,593**	**703**	**1,543**	**364**
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)	28,696	34,977			28,696	34,977
Negative replacement values of derivative financial instruments in trading portfolios (other liabilities)	27,278	35,999			27,278	35,999
Total	**55,974**	**70,976**			**55,974**	**70,976**
Portfolios of securities and precious metals in current assets (excluding trading portfolios)						
Debt securities	1,009,995	779,666	1,036,571	807,212	1,032,510	812,038
Equity shares	78,582	77,047	124,281	133,514	87,869	86,468
of which equity shares in the treasury	9,458	8,450	24,538	32,886	9,458	8,450
Precious metals	0	0	0	0	0	0
Total	**1,088,577**	**856,713**	**1,160,852**	**940,726**	**1,120,379**	**898,506**
of which repo-eligible securities	739,468	560,104	757,005	582,092	756,850	584,654
of which exchange-listed securities	1,001,191	754,051	1,046,092	811,072	1,026,113	785,845

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

in numbers / in CHF 1,000 (Art. 24e Par. 1 Point 3.2 FL-BankV)	Amount		Carrying value	
	2013	2012	2013	2012
Balance at the beginning of the year	**130,000**	**150,000**	**8,450**	**12,450**
Purchase				
Disposals	–33,000	–20,000	–2,605	–1,540
Valuation allowances				–2,460
Appreciation			3,613	
Balance at the end of the year	**97,000**	**130,000**	**9,458**	**8,450**

Participations and shares in affiliated companies

in CHF 1,000 (Art. 24e Par. 1 Point 3.2 FL-BankV)	Carrying value 31/12/2013	Carrying value 31/12/2012
Participations		
without quoted market value	127	127
Total participations	**127**	**127**
Shares in affiliated companies		
without quoted market value [1]	110,435	97,304
Total shares in affiliated companies	**110,435**	**97,304**

[1] In 2013, no recoveries in value pursuant to Art. 1090 PGR were recorded (prior year: CHF 12.1 million).

in CHF 1,000 (Art. 24e Par. 1 Point 3.3 FL-BankV)	31/12/2013			31/12/2012		
	Currency	Corporate capital	Percentage ownership	Currency	Corporate capital	Percentage ownership
Participations						
Finarbit AG, Küsnacht (money-market and foreign-exchange broker)	CHF	1,500	5%	CHF	1,500	5%
Data Info Services AG, Vaduz (procurement, trade and exchange of goods and services)	CHF	50	50%	CHF	50	50%
Shares in affiliated companies						
FIB Finanz- und Beteiligungs-AG, Vaduz (investment company)				CHF	50	100%
IGT Intergestions Trust reg., Vaduz [2] (trustee company)				CHF	100	100%
IFOS Internationale Fonds Service AG, Vaduz (fund management company)	CHF	1,000	100%	CHF	1,000	100%
VP Bank and Trust Company (BVI) Limited, Tortola [3] (holding company)				USD	11,000	60%
VPB Finanz Holding AG, Zurich [1] (holding company)	CHF	20,000	100%	CHF	20,000	100%
VP Bank (Luxembourg) S.A., Luxembourg (bank)	CHF	20,000	100%	CHF	20,000	100%
Proventus Treuhand und Verwaltung AG, Vaduz [2] (trustee company)				CHF	250	100%
VP Verwaltung GmbH, Munich (management company)	EUR	500	100%	EUR	500	100%
VP Wealth Management (Hong Kong) Ltd., Hong Kong (asset management company)	HKD	5,000	100%	HKD	5,000	100%
VP Bank (Singapore) Ltd., Singapore (bank)	SGD	54,500	100%	SGD	54,500	100%
VP Bank (BVI) Limited, Tortola [3] (bank)	USD	10,000	100%			

[1] There is a subordinated loan of CHF 6.0 million in favour of VP Bank (Switzerland) Ltd. which is a 100%-owned subsidiary company of VPB Finanz Holding AG, Zurich.
[2] During a process of strategic redirection, the Board of Directors decided to dispose of the Group's own trust and fiduciary companies. The subsidiary company IGT Intergestions Trust reg. in Vaduz was spun off from VP Bank Group as part of a management buyout; all employees were transferred to the existing company.
[3] VP Bank Group also simplified the structures of its umbrella holding company VP Bank and Trust Company (BVI) Limited in Tortola on the British Virgin Islands, which was a joint venture with the Liechtenstein-based Allgemeines Treuunternehmen (ATU). VP Bank Group also purchased the entire share capital of VP Bank (BVI) Limited and transferred the remaining participations to Allgemeines Treuunternehmen (ATU).

The carrying value of affiliated banks included under shares in affiliated companies amounts to CHF 105.1 million including subordinated loans (previous year: CHF 81.0 million).

Overview of investments

in CHF 1,000 (Art. 24e Par. 1 Point 3.4 FL-BankV)	Acquisition cost	Cumulative depreciation to date	Carrying value 31/12/2012	Financial year 2013 Investments	Divestments	Revaluations	Depr. and amortisation	Depr. and amort. on disposal	Carrying value 31/12/2013
Total participations (minority participations)	255	–128	127						**127**
Total shares in affiliated companies	148,235	–50,931	97,304	24,380	–10,944		–305		**110,435**
Total intangible assets (excluding goodwill)	126,176	–96,397	29,779	3,069	–359		–13,858	359	**18,990**
Real estate									
• bank premises	196,412	–101,484	94,928	2,140			–5,843		**91,225**
• other real estate	17,214	–714	16,500						**16,500**
Other property and equipment	38,404	–34,517	3,887	2,411	–4,931		–2,737	4,931	**3,561**
Total property and equipment	252,030	–136,715	115,315	4,551	–4,931		–8,580	4,931	**111,286**
Fire-insurance values of real estate			168,790						**168,790**
Fire-insurance values of other property and equipment			28,120						**28,120**

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 (Art. 1092 Point 3 PGR)	31/12/2013	31/12/2012
Total minimum commitments arising from operating leases	**10,374**	**13,750**

Operating expenses as of 31 December 2013 include CHF 3.118 million arising from operating leases (previous year: CHF 2.792 million).

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

in CHF 1,000 (Art. 24k Par. 1 and Art. 24e Par. 1 Point 3.6 FL-BankV)	31/12/2013	31/12/2012
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	351,814	560,104
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	335,739	511,738
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	149,993
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	360,667	575,966
of which securities for which an unconditional right has been granted to sell on or repledge	244,821	303,384
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	719,688	974,065
of which securities repledged or sold on	106,593	125,407

Liabilities to own retirement pension plans

in CHF 1,000 (Art. 24e Par. 1 Point 3.7 FL-BankV)	31/12/2013	31/12/2012
Due to customers	34,199	25,651
Securitised liabilities	1,510	0
Other liabilities	1,498	3,312
Total liabilities to own retirement pension plans	**37,207**	**28,963**

Outstanding debenture loan

in CHF 1,000 (Art. 24e Par. 1 Point 3.8 FL-BankV)	Interest rate in %	Year of issue	Maturity	Nominal amount 31/12/2013	Nominal amount 31/12/2012
VP Bank debenture issue	2.500	2010	27/05/2016	200,000	200,000

Valuation allowances/provisions for general banking risks

in CHF 1,000 (Art. 24e Par. 1 Point 3.9 FL-BankV)	01/01/2013	Utilisation in accordance with purpose	Recoveries, overdue interest, forex diff.	Charges to income statement	Releases to income statement	31/12/2013
Valuation allowances for default risks						
• individual valuation allowances	29,427	11,908	829	3,583	2,300	19,631
• individual valuation allowances made on lump-sum basis	0					0
• lump-sum valuation allowances	18,209			262	623	17,848
• individual valuation allowances made on lump-sum basis for country risks	1,000			1,250		2,250
Provisions for contingent liabilities and credit risks	225				28	197
Provisions for other business risks	0					0
Provisions for taxes and deferred taxes	100			500		600
Other provisions	8,762	856		3,514	542	10,878
Total valuation allowances and provisions	**57,723**	**12,764**	**829**	**9,109**	**3,493**	**51,404**
less: valuation allowances	47,635					37,478
Total provisions as per balance sheet	**10,088**					**13,926**
Provisions for general banking risks	**63,150**					**63,150**

Company capital

in CHF 1,000 (Art. 24e Par. 1 Point 3.10 FL-BankV)	31/12/2013			31/12/2012		
	Total par value	Number	Capital entitled to dividends	Total par value	Number	Capital entitled to dividends
Bearer shares	53,143	5,314,347	53,143	53,143	5,314,347	53,143
Registered shares	6,005	6,004,167	6,005	6,005	6,004,167	6,005
Total company capital	**59,148**	**11,318,514**	**59,148**	**59,148**	**11,318,514**	**59,148**

Significant stakeholders and groups of stakeholders with interlinking voting rights

in CHF 1,000 (Art. 24e Par. 1 Point 3.10 FL-BankV)	31/12/2013			31/12/2012		
	Par value	Share in % of par value	Share of voting rights in %	Par value	Share in % of par value	Share of voting rights in %
With voting rights						
Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz	14,717	24.9	48.4	14,717	24.9	48.4
U.M.M. Hilti-Stiftung, Schaan	6,065	10.3	10.6	6,065	10.3	10.6
Ethenea Independent Investors S.A., Luxembourg	8,355	14.1	7.4	7,950	13.4	7.0

Statement of changes in shareholders' equity

in CHF 1,000 (Art. 24e Par. 1 Point 3.11 FL-BankV)	2013
Shareholders' equity at the beginning of the financial year	
Subscribed and paid-up capital	59,148
Legal reserves	239,800
Reserve for treasury shares	8,711
Other reserves	335,080
Provisions for general banking risks	63,150
Retained earnings	29,479
Total shareholders' equity at the beginning of the financial year	**735,368**

Statement of changes in shareholders' equity (continued)

in CHF 1,000 (Art. 24e Par. 1 Point 3.11 FL-BankV)	2013
Capital increase /reduction (–)	0
Other appropriations / releases from reserves (–)	298
Dividends and other distributions from net income of the previous year [1]	–14,787
Net income for the financial year	41,201
Total shareholders' equity at the end of the financial year	**762,080**
of which	
Subscribed and paid-up capital	59,148
Legal reserves	239,800
Reserve for treasury shares	10,771
Other reserves	333,318
Provisions for general banking risks	63,150
Retained earnings	55,893

[1] Only dividends to third parties.

Maturity structure of assets as well as liabilities and provisions

in CHF 1,000 (Art. 24e Par. 1 Point 3.12 FL-BankV)	Sight	Callable	Due within 3 months	Due after 3 to 12 months	Due after 12 months to 5 years	Due after 5 years	Without maturity	Total
Assets								
Cash balances	1,256,071							1,256,071
Public-sector debt instruments and bills of exchange eligible for refinancing at central banks								0
Due from banks	778,733		1,501,377	873,183	6,860	378		3,160,531
Due from customers	1,804	216,046	1,118,666	398,038	1,085,191	436,523		3,256,268
of which mortgage receivables	1,804	114,859	750,755	253,000	1,024,947	437,816		2,583,181
Trading portfolios of securities and precious metals	1,543							1,543
Portfolios of securities and precious metals in current assets (excluding trading portfolios)	1,088,577							1,088,577
Other assets	195,667		243				107,725	303,635
Total assets, 31/12/2013	**3,322,395**	**216,046**	**2,620,286**	**1,271,221**	**1,092,051**	**436,901**	**107,725**	**9,066,625**
Total assets, 31/12/2012	2,660,880	234,291	3,638,116	710,635	1,116,840	439,305	111,428	8,911,495
Liabilities and provisions								
Due to banks	1,111,738	76,406	25,714	24,485				1,238,343
Due to customers	5,241,827	909,822	175,681	182,481	1,336			6,511,147
• savings deposits		877,172						877,172
• other liabilities	5,241,827	32,650	175,681	182,481	1,336			5,633,975
Securitised liabilities			13,743	85,364	338,809	7,806		445,722
• issued debentures			13,743	85,364	338,809	7,806		445,722
of which medium-term notes			13,743	85,364	138,809	7,806		245,722
Provisions (excluding provisions for general banking risks)	13,926							13,926
Other liabilities	94,667		740					95,407
Total liabilities, 31/12/2013	**6,462,158**	**986,228**	**215,878**	**292,330**	**340,145**	**7,806**		**8,304,545**
Total liabilities, 31/12/2012	6,152,482	995,032	365,094	250,021	404,545	8,953		8,176,127

Debentures and other interest-bearing securities which mature in the following financial year	167,287
Issued debentures which mature in the following financial year	99,107

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 (Art. 24e Par. 1 Point 3.13 FL-BankV)	31/12/2013	31/12/2012
Receivables from and payables to participations, affiliated companies and qualifying participants		
Receivables from participations	0	0
Payables to participations	575	173
Receivables from affiliated companies	164,922	153,460
Payables to affiliated companies	1,112,188	947,853
Receivables from qualifying participants	0	0
Payables to qualifying participants	19,657	20,382
Loans to governing bodies		
Members of the Executive Board and parties related thereto	5,460	2,470
Members of the Board of Directors and parties related thereto [1]	3,635	3,941

[1] Excluding receivables from related qualifying participants.

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 2013 totalled CHF 0.327 million (2012: CHF 0.253 million).

Remuneration paid to members of governing bodies

in CHF 1,000	Remuneration [1,2]						Total remuneration	
(Art. 663b^{bis} Swiss Code of Obligations)	Fixed		Thereof in bearer shares (market value)		Pension fund, senior employee insurance			
	2013	2012	2013	2012	2013	2012	2013	2012
Board of Directors								
Fredy Vogt, Chairman [A,D,F]	605	400	151	100	68	43	673	443
Hans Brunhart, Chairman [E]		200		50			0	200
Dr Guido Meier, Vice Chairman [B]	115	115	29	29			115	115
Prof. Teodoro D. Cocca, BoD [B,F]	86	80	22	20			86	80
Roland Feger, BoD [D,G]	60	115	15	29			60	115
Walo Frischknecht, BoD [C]	135 [3]	135 [3]	34	34			135	135
Markus Thomas Hilti, BoD [B]	105	105	26	26			105	105
Max E. Katz, BoD [D,H]	83	73	21	18			83	73
Dr Daniel H. Sigg, BoD [D,I]	88	80	22	20			88	80
Total Board of Directors	**1,276**	**1,303**	**319**	**326**	**68**	**43**	**1,344**	**1,346**

[A] Chairman of the Nomination & Compensation Committee
[B] Member of the Nomination & Compensation Committee
[C] Chairman of the Audit & Risk Management Committee
[D] Member of the Audit & Risk Management Committee
[E] up to Annual General Meeting 2012
[F] as from Annual General Meeting 2012
[G] up to Annual General Meeting 2013
[H] up to September 2013
[I] as from September 2013

[1] Social-security costs and any applicable value-added taxes on the emoluments paid to the Board members are borne by VP Bank.
[2] Compensation for out-of-pocket expenses is not included.
[3] Including remuneration as representative of the Board of Directors in the pension fund.

Remuneration paid to members of governing bodies (continued)

in CHF 1,000	Remuneration[1,2,3]								Total remuneration			
(Art. 663b[bis] Swiss Code of Obligations)	Fixed basic salary[4]		Short-Term Incentive (STI)		Long-Term Incentive (LTI)		Pension fund, senior employee insurance				Long-Term Incentive (LTI) (prospective entitlement)[6] number of bearer shares	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Executive Management	2,823	2,072	708	0	295	845	393	244	4,219	3,161	33,862	6,574
Highest remuneration												
Juerg W. Sturzenegger, COO	540		175		98		78		891		5,157	
Georg Wohlwend, Head of BLI[5]		405		0		329		44		778		0

The model of variable remuneration with a Short-Term Incentive (STI) and Long-Term Incentive (LTI) is described in the Corporate Governance section (see Section 5.1.2, pages 78 f.). The number of bearer shares (eligibility from LTI – see last column) and the corresponding monetary value will not be defined until the end of the term of the plan (or at the time of transfer of the bearer shares). The calculation of the number of shares depends on the average economic profit over the performance period. The monetary benefit arising from the respective LTI programme is determined, by definition, by the equity share price at the time of ownership. The transfer of the bearer shares from the 2008–2012 and 2010–2012 LTI programmes was made in April 2013. The imputed entitlement shows the total number of shares under the LTI programmes for 2011–2013, 2012–2014 and 2013–2015, taking account of economic profits hitherto earned and of a time limit.

1 Compensation for out-of-pocket expenses is not included.
2 The compensation paid for the calendar year is reported.
3 The members of the Executive Board retiring during the financial year are included up to the date when they relinquish their functions.
4 Gifts for length of service are included.
5 Head of Banking Liechtenstein & Regional Market until 30 September 2012.
6 To the Executive Board members in office as of year-end (2013: 7 members).

	Shareholdings in VP Bank				Loans and credits		Related parties[1]			
	Number of shares (including related parties, excluding qualifying participants)						Loans and credits[2]		Remuneration for services provided	
	Registered shares		Bearer shares							
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Board of Directors										
Fredy Vogt			12,067	10,337	635	637				
Dr Guido Meier	79,600[3]	22,750[3]	48,316[3]	21,500[3]	2,900	2,900			250	
Prof. Teodoro D. Cocca			753	505						3
Roland Feger		40,350[3]		30,651[3]		404				250
Walo Frischknecht			2,274	1,885					65	
Markus Thomas Hilti			5,039[3]	4,737[3]						
Max E. Katz				274						
Dr Daniel H. Sigg			3,480	928	100				12	
Total Board of Directors	**79,600**	**63,100**	**71,929**	**70,817**	**3,635**	**3,941**	**none**	**none**	**327**	**253**
Alfred W. Moeckli, CEO[4]			5,250							
Martin Engler[5]			300		2,260					
Rolf Jermann			1,177	610	1,100	970				
Günther Kaufmann[5]			1,217							
Siegbert Näscher, CFO[6]			250	250	1,100	500				
Christoph Mauchle[7]			5,000							
Juerg W. Sturzenegger, COO[6]			2,198	900	1,000	1,000				
Total Executive Management	**none**	**none**	**15,392**	**1,760**	**5,460**	**2,470**	**none**	**none**	**none**	**none**

1 Individual or legal entities which are economically, legally or de facto closely related to a member of one of the governing bodies.
2 As of the balance-sheet date, there were no loans or credits to related parties that were not granted at market conditions.
3 Excluding the number of shares of the significant shareholders (qualifying participants).
4 CEO as from 1 May 2013
5 GEL member as from 1 January 2013
6 CEO ad interim from mid-July 2012 until 30 April 2013
7 GEL member as from 1 October 2013

Balance sheet – domestic and abroad

in CHF 1,000	31/12/2013		31/12/2012	
(Art. 24e Par. 1 Point 3.14 FL-BankV)	Domestic	Foreign	Domestic	Foreign
Assets				
Cash balances	1,256,071		858,321	
Due from banks	1,227,778	1,932,753	1,347,181	2,411,370
Due from customers	2,988,803	267,465	2,852,482	256,053
of which mortgage receivables	2,578,803	4,378	2,436,120	4,333
Debentures and other interest-bearing securities	1,996	1,007,999	4,981	774,685
Equity shares and other non-interest-bearing securities	43,789	25,335	39,782	28,815
Participations	127		127	
Shares in affiliated companies	10,600	99,835	11,014	86,290
Intangible assets	18,990		29,779	
Property and equipment	111,286		115,315	
Treasury shares	10,771		8,711	
Other assets	38,166	9,116	55,815	11,174
Accrued receivables and prepaid expenses	5,610	10,135	8,645	10,955
Total assets	**5,713,987**	**3,352,638**	**5,332,153**	**3,579,342**

Liabilities and shareholders' equity				
Due to banks	1,000,101	238,242	834,232	324,111
Due to customers	4,207,444	2,303,703	4,208,571	2,210,105
• savings deposits	727,216	149,956	707,601	150,288
• other liabilities	3,480,228	2,153,747	3,500,970	2,059,817
Securitised liabilities	445,722		487,870	
Other liabilities	74,121	6,697	75,028	9,353
Accrued liabilities and deferred items	14,515	74	15,814	955
Provisions	13,926		10,088	
Provisions for general banking risks	63,150		63,150	
Subscribed capital	59,148		59,148	
Income reserves	583,889		583,591	
• legal reserves	239,800		239,800	
• reserve for treasury shares	10,771		8,711	
• other reserves	333,318		335,080	
Retained earnings brought forward	14,692		7,592	
Net profit for the year	41,201		21,887	
Total liabilities and shareholders' equity	**6,517,909**	**2,548,716**	**6,366,971**	**2,544,524**

In accordance with the Banking Ordinance (Art. 24e Par. 1), Switzerland counts as domestic.

Assets in individual countries / groups of countries

in CHF 1,000	31/12/2013		31/12/2012	
(Art. 24e Par. 1 Point 3.15 FL-BankV)	Absolute	Share in %	Absolute	Share in %
Assets				
Liechtenstein/Switzerland	5,713,987	63.0	5,332,153	59.8
Europe (excluding Liechtenstein/Switzerland)	2,786,892	30.8	2,963,985	33.3
North America	220,458	2.4	233,730	2.6
Caribbean	134,570	1.5	140,805	1.6
Asia	93,197	1.0	168,286	1.9
Other	117,521	1.3	72,536	0.8
Total assets	**9,066,625**	**100.0**	**8,911,495**	**100.0**

Balance sheet by currency

in CHF 1,000 (Art. 24e Par. 1 Point 3.16 FL-BankV)	CHF	USD	EUR	Other	Total
Assets					
Cash balances	1,249,764	322	5,619	366	1,256,071
Due from banks	320,401	1,220,058	1,036,925	583,147	3,160,531
Due from customers	2,831,016	162,070	227,491	35,691	3,256,268
of which mortgage receivables	2,572,193		10,988		2,583,181
Debentures and other interest-bearing securities	429,824	258,605	321,566		1,009,995
Equity shares and other non-interest-bearing securities	23,628	18,118	27,378		69,124
Participations	127				127
Shares in affiliated companies	110,435				110,435
Intangible assets	18,990				18,990
Property and equipment	111,286				111,286
Treasury shares	10,771				10,771
Other assets	42,059	1,972	2,889	362	47,282
Accrued receivables and prepaid expenses	8,236	2,866	4,289	354	15,745
Total on-balance-sheet assets	**5,156,537**	**1,664,011**	**1,626,157**	**619,920**	**9,066,625**
Delivery claims arising from foreign-exchange spot, forward and option transactions	1,054,466	1,324,830	1,211,250	269,561	3,860,107
Total assets, 31/12/2013	**6,211,003**	**2,988,841**	**2,837,407**	**889,481**	**12,926,732**
Total assets, 31/12/2012	5,524,943	2,681,363	3,011,485	886,538	12,104,329
Liabilities and shareholders' equity					
Due to banks	293,751	478,865	289,820	175,907	1,238,343
Due to customers	2,759,930	1,562,408	1,754,521	434,288	6,511,147
• savings deposits	876,828	1	343		877,172
• other liabilities	1,883,102	1,562,407	1,754,178	434,288	5,633,975
Securitised liabilities	418,898	1,687	25,137		445,722
Other liabilities	54,808	17,836	7,846	328	80,818
Accrued liabilities and deferred items	14,434	57	54	44	14,589
Provisions	13,926				13,926
Provisions for general banking risks	63,150				63,150
Subscribed capital	59,148				59,148
Income reserves	583,889				583,889
• legal reserves	239,800				239,800
• reserve for treasury shares	10,771				10,771
• other reserves	333,318				333,318
Retained earnings brought forward	14,692				14,692
Net income of the year	41,201				41,201
Total on-balance-sheet liabilities and shareholders' equity	**4,317,827**	**2,060,853**	**2,077,378**	**610,567**	**9,066,625**
Delivery obligations arising from foreign-exchange spot, forward and option transactions	1,972,130	898,426	709,591	278,214	3,858,361
Total liabilities and shareholders' equity, 31/12/2013	**6,289,957**	**2,959,279**	**2,786,969**	**888,781**	**12,924,986**
Total liabilities and shareholders' equity, 31/12/2012	5,574,493	2,654,390	2,987,774	885,976	12,102,633
Net position per currency	**–78,954**	**29,562**	**50,438**	**700**	

Contingent liabilities

in CHF 1,000 (Art. 24e Par. 1 Point 4.3 FL-BankV)	31/12/2013	31/12/2012	Variance absolute	Variance in %
Contingent liabilities				
Credit guarantees and similar	0	0	0	0.0
Performance guarantees and similar	58,011	74,800	–16,789	–22.4
Other contingent liabilities	0	0	0	0.0
Total contingent liabilities	**58,011**	**74,800**	**–16,789**	**–22.4**

Unsettled derivative financial instruments

in CHF 1,000 (Art. 24e Par. 1 Point 4.3 FL-BankV)	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volumes	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments						
Swaps				964	19,104	327,867
Futures						1,538
Options (OTC)					80	20,000
Foreign exchange / precious metals						
Forward contracts	3,192	3,597	334,321			
Combined interest-rate /currency swaps	23,967	21,817	3,407,727			
Options (OTC)	1,537	1,537	118,058			
Equity instruments/indices						
Futures						9,159
Options (exchange-traded)		328	9,060			
Total prior to consideration of netting agreements, 31/12/2013	**28,696**	**27,279**	**3,869,166**	**964**	**19,183**	**358,565**
Total prior to consideration of netting agreements, 31/12/2012	34,851	35,727	3,141,774	152	30,526	399,012

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 38, page 147).

Fiduciary transactions

in CHF 1,000 (Art. 24e Par. 1 Point 4.4 FL-BankV)	31/12/2013	31/12/2012	Variance absolute	Variance in %
Fiduciary transactions				
Fiduciary deposits	556,964	838,192	–281,228	–33.6
• fiduciary deposits with third-party banks	551,072	826,322	–275,250	–33.3
• fiduciary deposits with affiliated banks and finance companies	5,892	11,870	–5,978	–50.4
Fiduciary loans	1,616	3,003	–1,387	–46.2
Other fiduciary transactions of financial nature	0	0	0	0.0
Total fiduciary transactions	**558,580**	**841,195**	**–282,615**	**–33.6**

Information regarding the income statement

in CHF 1,000 (Art. 24e Par. 1 Point 5.2 FL-BankV)	2013	2012	Variance absolute	Variance in %
Income from trading activities				
Gains from securities	591	–395	986	–249.9
Gains from foreign-exchange derivatives	–5,361	–2,080	–3,281	157.8
Gains from foreign-exchange transactions	16,142	14,311	1,832	12.8
Gains from trading in banknotes	1,450	1,353	97	7.1
Gains from precious metals	596	544	52	9.6
Total income from trading activities	**13,418**	**13,733**	**–315**	**–2.3**

in CHF 1,000 (Art. 24e Par. 1 Point 5.3 FL-BankV)	2013	2012	Variance absolute	Variance in %
Personnel expenses				
Salaries and wages	60,111	56,151	3,960	7.1
Social security costs and staff retirement pensions and assistance costs	11,835	11,124	711	6.4
of which for staff retirement pensions	10,780	9,984	796	8.0
Other personnel expenses	3,672	3,996	–324	–8.1
Total personnel expenses	**75,618**	**71,271**	**4,347**	**6.1**
Emoluments of members of the Board of Directors [1,2]	1,344	1,346	–2	–0.1
Compensation of the Executive Board [2,3]	4,219	3,161	1,058	33.5

1 Social costs and any applicable value-added taxes on the emoluments paid to Board members are not included.
2 Compensation for out-of-pocket expenses is not included.
3 The compensation paid for the current year has been recorded.

Information regarding the income statement (continued)

in CHF 1,000 (Art. 24e Par. 1 Point 5.4 FL-BankV)	2013	2012	Variance absolute	Variance in %
General and administrative expenses				
Occupancy expenses	2,562	3,115	–553	–17.7
Expenses for IT, equipment, furniture, motor vehicles and other installations	9,176	10,744	–1,568	–14.6
Other business expenses	15,326	16,162	–836	–5.2
Total general and administrative expenses	**27,064**	**30,021**	**–2,957**	**–9.8**

in CHF 1,000 (Art. 24e Par. 2 Point 6e FL-BankV)	2013	2012	Variance absolute	Variance in %
Other ordinary income				
Income from real estate	351	248	103	41.3
Other ordinary income [1]	5,962	3,622	2,340	64.6
Total other ordinary income	**6,313**	**3,870**	**2,443**	**63.1**

1 2013: thereof CHF 2.781 million resulting from service level agreements within the Group, CHF 1.706 million earnings from divestiture of participations.
2012: thereof CHF 2.362 million resulting from the release of provisions for management share equity plans constituted in prior years which were excess to requirements.

Other assets and liabilities

in CHF 1,000 (Art. 24e Par. 2 Point 6 FL-BankV)	31/12/2013	31/12/2012	Variance absolute	Variance in %
Other assets				
Precious metals	230	103	127	123.2
Unsettled derivative financial instruments (positive replacement values)	29,660	35,003	–5,343	–15.3
• trading positions	28,696	34,977	–6,281	–18.0
• liquidity positions	964	26	938	n.a.
Compensation accounts	16,232	30,254	–14,022	–46.3
Settlement accounts	621	1,104	–483	–43.8
Miscellaneous other assets	539	525	14	2.7
Total other assets	**47,282**	**66,989**	**–19,707**	**–29.4**
Other liabilities				
Accounts for disbursement of taxes and fees	4,722	5,437	–715	–13.1
Unsettled derivative financial instruments (negative replacement values)	46,462	66,253	–19,791	–29.9
• trading positions	27,278	35,999	–8,721	–24.2
• liquidity positions	19,184	30,254	–11,070	–36.6
Compensation accounts	1,122	26	1,096	n.a.
Settlement accounts	27,672	12,223	15,449	126.4
Miscellaneous other liabilities	840	442	398	90.0
Total other liabilities	**80,818**	**84,381**	**–3,563**	**–4.2**

Report of the statutory auditor on the financial statements

To the General Meeting of shareholders of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz

As statutory auditor, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 164–181) and the annual report (page 163) of Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, for the year ended 31 December 2013.

These financial statements and the annual report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Liechtenstein profession, which require that an audit be planned and performed to obtain reasonable assurance that the financial statements and annual report are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the result of operations and the cash flows in accordance with Liechtenstein law. Furthermore, the accounting records, the financial statements and the annual report as well as the proposed appropriation of available earnings comply with Liechtenstein law and the Company's articles of incorporation.

The annual report corresponds to the annual financial statements.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Stefan Fuchs	**Bruno Taugner**
Certified Accountant	Certified Accountant
(Auditor in charge)	

Berne, 28 February 2014

VP Bank Group

Verwaltungs- und Privat-Bank Aktiengesellschaft is a bank domiciled in Liechtenstein and is subject to the Finanzmarktaufsicht Liechtenstein (FMA), Landstrasse 109, Postfach 279, LI-9490 Vaduz, www.fma-li.li

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Imprint

This annual report has been produced with the greatest possible care and all data have been closely examined. Rounding, typeset or printing errors however cannot be ruled out.

This annual report includes information and forecasts relating to the future development of VP Bank Group. Those forecasts represent estimates based on all information available at the time of publication. Any such forward-looking statement is subject to risks and uncertainties that could lead to significant variances in actual future results. No guarantee can be made as to the reliability of the prognoses, planned quantities or forward-looking statements contained herein.

This annual report has been produced in German and English, whereas the German version shall prevail in case of doubt.

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VP Bank, Vaduz

Layout and realisation
VP Bank, Vaduz

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Shareholder information

Tuesday, 18 March 2014	Media and analyst conference, 2013 financial results
Friday, 25 April 2014	Annual general meeting of shareholders 2014
Monday, 5 May 2014	Dividend payment
Thursday, 15 May 2014	Investors' day
Tuesday, 26 August 2014	Round-table discussion on semi-annual results 2014

Core data on shares

Bearer shares listed on SIX Swiss Exchange

Symbol	SIX VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216
Sedol number	5968006 CH