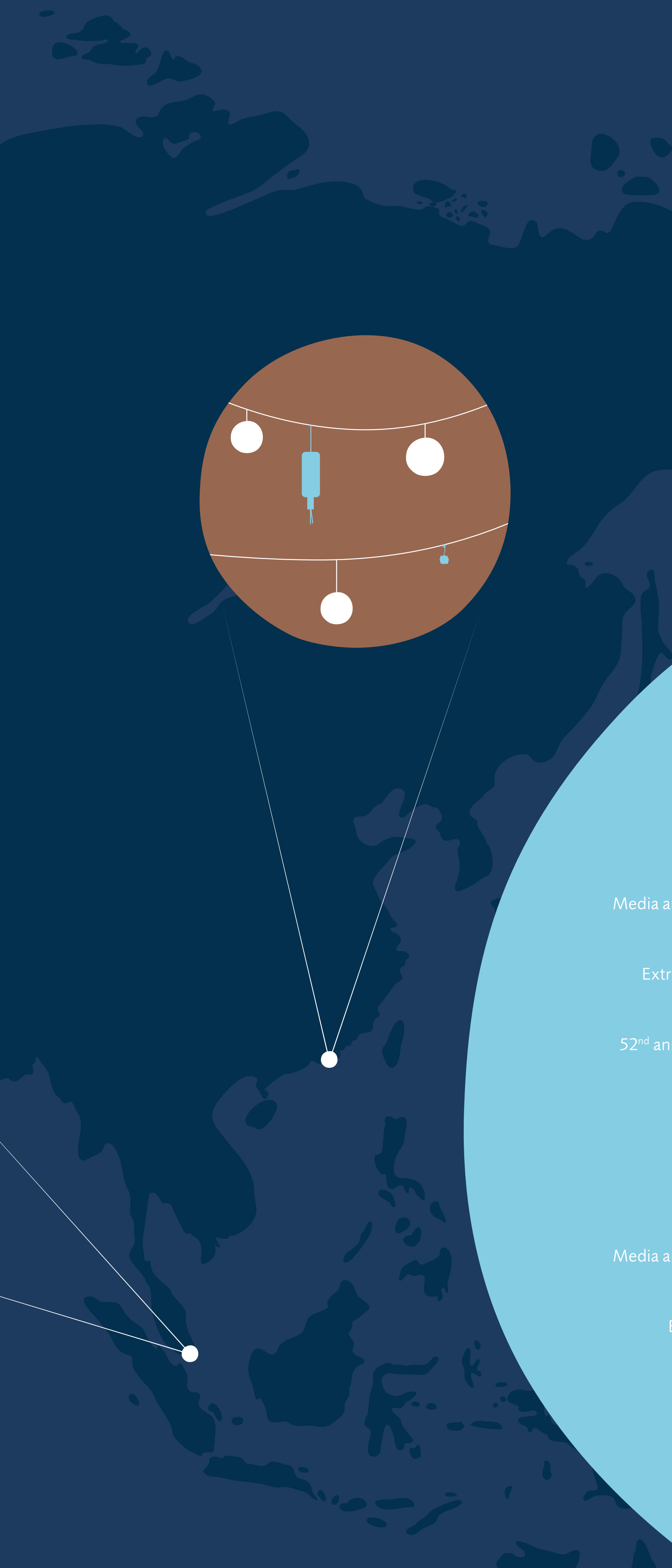
Viewpoints

Annual Report 2014

VP BANK



Shareholder information

Tuesday, 3 March 2015
Media and analyst conference, 2014 annual results

Friday, 10 April 2015
Extraordinary general meeting of shareholders

Friday, 24 April 2015
52nd annual general meeting of shareholders 2015

Thursday, 30 April 2015
Dividend payment

Tuesday, 25 August 2015
Round-table, 2015 semi-annual results

Tuesday, 8 March 2016
Media and analyst conference, 2015 annual results

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

Editorial

"Viewpoints" is the creative theme underlying our 2014 annual report. VP Bank Group's seven international sites are the centrepiece of this theme. With its own characteristics, each site offers a culturally shaped perspective – thereby constituting an individual "viewpoint".

The illustrations in the annual report depict our sites in the form of graphic collages. The reader will find a variety of symbols, prominent landmarks, regional specialities, ethnic customs and much more.

These elements come together to create an overall visual experience and highlight the uniqueness of the respective sites. The longer you look at the illustrations, the more hidden details you will find. Alongside the illustrations, you will also find some facts and figures along with the viewpoints of the Managing Directors of our sites.

As diverse as the regions and viewpoints are, the individual sites all have one thing in common, namely the objective of realising VP Bank Group's vision of establishing itself **as the most recommended private bank with unique client experiences**.

For decades we have worked alongside our clients in the international arena – thereby putting us "safely ahead". Join us on this journey through the world of VP Bank.

Contents

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

Dear Shareholders,
Ladies and Gentlemen

In 2014, the implementation of our main goals – focusing on clients and distribution, ensuring more efficient market development and taking advantage of growth opportunities – occurred in an environment heavily influenced by central bank policies. Low inflation and fragile economic growth made continued loose monetary policy necessary. The central banks have established important cornerstones that also have an impact on VP Bank's performance. The 2014 results must be measured against this background.

Annual results

In 2014, VP Bank Group recorded a Group net income of CHF 20.0 million, down from CHF 38.7 million the previous year. This decline was caused by the continuing fall in Swiss franc bond yields, which led to unrealised losses on interest rate hedges. Adjusted for these unrealised losses, the Group's 2014 net income was CHF 36.0 million (compared with CHF 30.1 million in 2013 after adjusting for gains on interest rate hedges).

Adjusted for the impact of interest rate hedging transactions, gross income and operating income both increased. Operating expenses fell by 1.6 per cent to CHF 165.3 million thanks to active cost management.

Assets under management rose by a satisfactory 1.8 per cent from CHF 30.4 billion to CHF 30.9 billion. Client assets again came under intense pressure because of the tax issue. In 2014, VP Bank Group recorded a CHF 850 million net outflow of client assets, compared with a net inflow of CHF 965 million the previous year (including the asset deal with HSBC Trinkaus & Burkhardt (International) SA in Luxembourg). Thanks to successful market development efforts, VP Bank was able to limit the net outflow of client assets in its existing business. However, the inflows generated were not sufficient to offset the outflows of assets under management. As a result of the merger with Centrum Bank, VP Bank Group will record substantial client asset inflows.

Proposed dividend

At the annual general meeting on 24 April 2015, the Board of Directors will propose a dividend of CHF 3.00 per bearer share (previous year: CHF 3.50) and CHF 0.30 per registered share (previous year: CHF 0.35). The proposed dividend reflects the dividend policy adopted by the Board of Directors, namely to pay out between 40 to 60 per cent of total net income to shareholders, provided that the Bank's medium-term tier 1 capital ratio exceeds the target of 16 per cent. The goal is to maintain a steady dividend trend. The Board of Directors justifies its proposed dividend based on the net income adjusted for losses on interest rate hedging transactions of CHF 36.0 million.

Laying the groundwork

In 2014, VP Bank Group implemented a number of essential measures. The main measure, first announced in 2013, involved the establishment of an efficient management structure focused on clients and distribution. VP Bank is thereby more closely aligned with current market trends and client needs.

In early 2014, we established a streamlined Executive Board. The company structure was also optimised; it now consists of three business segments instead of four. The Executive Board of the Head Office in Vaduz now fulfils the Group Management function. More information is available in the section "The organisational structure of VP Bank Group" on page 16.

Strategic orientation and positioning

Independence and growth are the cornerstones of our strategic orientation. We strive to acquire new clients in our target markets and generate qualitative growth in assets under management. In 2014, we therefore set two key priorities.

In late 2013, we already moved to acquire 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. Since then, the integration of these businesses has been successfully completed at the technological, personnel and client levels. The acquisitions further strengthen VP Bank Group's overall fund management capabilities.

The merger with Centrum Bank in Liechtenstein, which we announced in December 2014, represents another key priority. VP Bank Ltd acquired 100 per cent of the shares in Centrum Bank AG – at that time the fourth-largest financial institution in Liechtenstein – making it a wholly owned subsidiary. Given the respective business models with comparable core competencies, target markets and client structures, the conditions are ideal for us to successfully integrate the bank and generate substantial potential synergies. The acquisition includes client assets totalling CHF 7.1 billion (in early 2015).

In addition to these priorities, we stepped up our market development efforts at all of our sites. New client advisors and managers are supporting our experienced teams. One key task last year involved the process of transforming the banking business to make it fully transparent from a tax perspective. With the introduction of the automatic exchange of information in many OECD countries, all sites will have completed this process by early 2016 at the latest.

Ongoing efficiency gains

VP Bank Group is committed to enhancing productivity, reducing complexity and keeping down costs. The "Apollo" project is another key step in this process. It involves establishing a clear positioning in the private banking and brokerage business, optimising the product and service offers in the client segments and seeking out and maximising efficiency in the client advisory units. More information on these measures is presented in the section "Strategic orientation of VP Bank" on pages 25 f.

Regulatory environment

According to a Reuters study, every internationally active bank must deal with 60 new regulatory requirements per day. Growing regulatory pressures also present a challenge for VP Bank Group in an environment marked by rising costs and shrinking margins.

In May 2014, Liechtenstein signed the Foreign Account Tax Compliance Act (FATCA) agreement with the United States. This agreement removes banking secrecy protection in Liechtenstein for US taxpayers. Pursuant to this agreement, Liechtenstein banks are required to pass information on US client accounts to the tax authorities.

The European Union's updated Markets in Financial Instruments Directive (MiFID II) will be implemented in Liechtenstein as from January 2017. This directive is designed primarily to further strengthen investor protection. MiFID II will result in an overhaul of the investment advisory and asset management process as well as increased record-keeping and disclosure requirements.

In November 2013, Liechtenstein signed the Multilateral Tax Convention, which governs various forms of cooperation in tax matters, notably the sharing of information. Over the course of 2014, further efforts were made to enhance tax transparency at the international level. In the future, the myriad of bilateral and multilateral agreements will be replaced by a common standard for the automatic exchange of information.

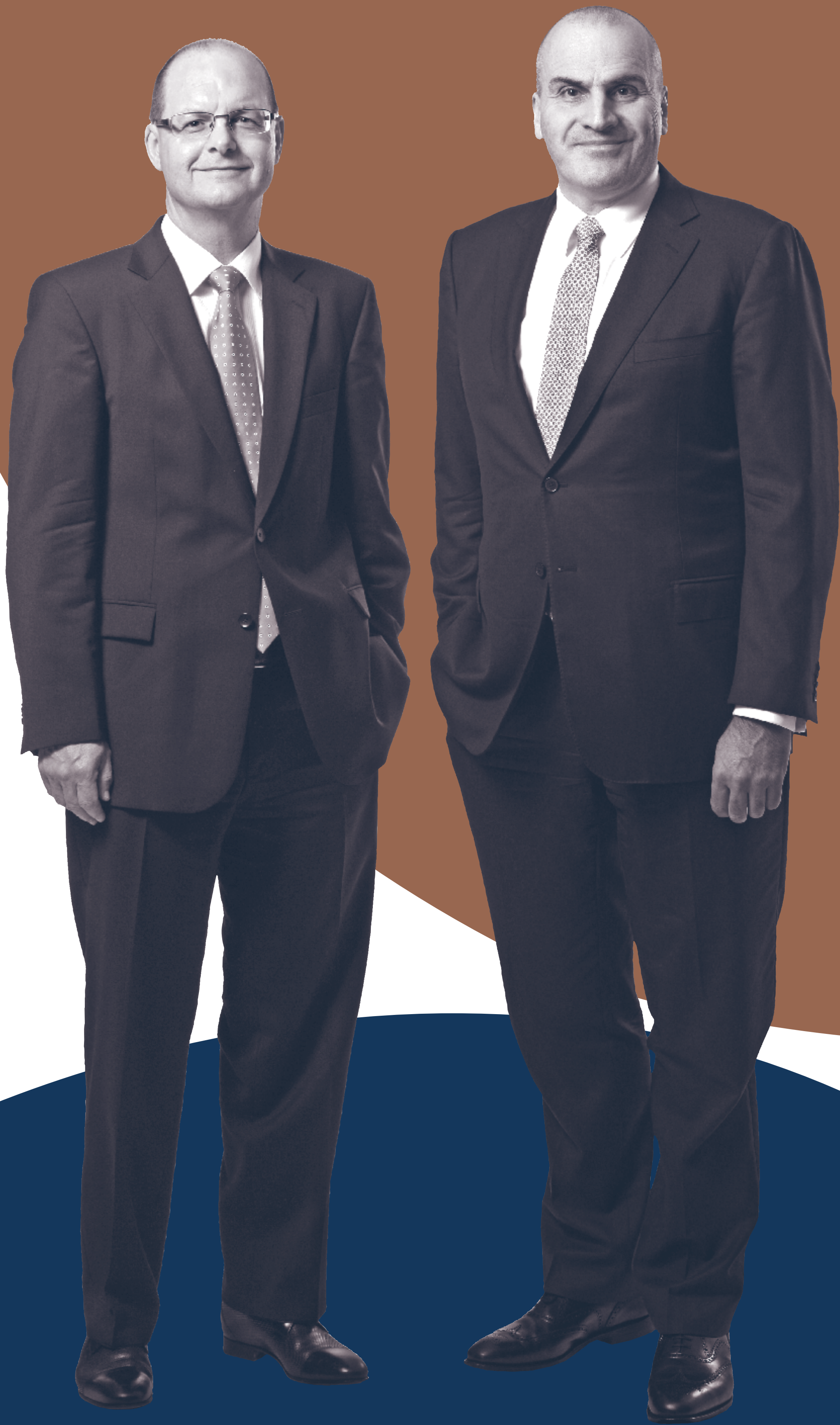
Liechtenstein banks have adopted a common policy of minimum standards as regards due diligence to be performed with respect to client tax compliance. The corresponding principles require the banks to clarify the origin of assets and review their tax compliance using a risk-based approach whenever a new client relationship is established or new assets are received.

In connection with the implementation of the requirements of the Basel Committee on Banking Supervision ("Basel III"), in autumn 2014 the Liechtenstein Parliament introduced a bill to amend the Banking Act, which would, amongst other provisions, strengthen the banks' capital adequacy requirements. The European Union's Capital Requirements Directive (CRD IV) package includes measures to improve and strengthen capital adequacy and liquidity, which has a direct impact on VP Bank.

The European Market Infrastructure Regulation (EMIR) is an EU regulation designed to make over-the-counter derivatives trading more transparent and secure. One key component of this regulation is the clearing requirement applicable to financial market dealers and standardised processing through a central clearing house. We expect that EMIR will be integrated into the Agreement on the European Economic Area in the course of 2015, and that EMIR requirements will then apply in Liechtenstein as well.

As a precautionary measure, VP Bank (Switzerland) Ltd decided in late 2013 to participate in Category 2 of the US programme to settle the tax dispute with Swiss banks. Fortunately, comprehensive internal investigations and external assessments have shown that the conditions for continued participation in the US programme no longer exist. VP Bank (Switzerland) Ltd therefore withdrew from the US programme in mid-2014.

Further information on the regulatory environment is presented in the section "Legislation and supervisory authorities in Liechtenstein" on pages 51 f.



Fredy Vogt
Chairman of the Board of Directors

Alfred W. Moeckli
Chief Executive Officer

Capital increase planned

Following the merger between Centrum Bank AG and VP Bank Ltd in 2015, the Marxer Foundation for Bank Values, which prior to 7 January 2015 was the sole shareholder of Centrum Bank, will receive an equity interest in VP Bank valued at CHF 60 million. A total of 700,653 bearer shares with a nominal value of CHF 10.00 will be created for this purpose. The issuance price of the shares is CHF 79.37 per bearer share, which corresponds to the trade-weighted average price of the VP Bank bearer shares on SIX Swiss Exchange during the last 60 market days prior to the signing of the transaction agreement. The Board of Directors will hold an extraordinary general meeting of shareholders on 10 April 2015 and propose a capital increase without preferential rights for existing shareholders. VP Bank will commit 55,302 bearer shares from its own treasury shares. Once the capital increase has been completed, the Marxer Foundation for Bank Values will hold 11.4 per cent of VP Bank's capital and 6.3 per cent of its voting rights.

The VP Bank Board of Directors will also propose to the annual general meeting of 24 April 2015 to create the conditions for a share buyback of up to 10 per cent of the share capital.

Review of medium-term goals

Up until 2014, VP Bank's medium-term goals were as follows: a minimum 16 per cent tier 1 ratio; a 65 per cent cost/income ratio and net new money inflows averaging 5 per cent per year. A review of these goals showed the need to make adjustments.

At end-2014, the statutory core capital requirement was 8 per cent; VP Bank adopted a tier 1 ratio of at least twice that level. As VP Bank has been classified as systemically important, however, the aforementioned capital adequacy requirement under Basel III (CRD IV) will increase to 13 per cent as from February 2015. The previous medium-term goal (tier 1 ratio of at least 16 per cent) therefore no longer provides any added value for investors and clients. On the other hand, raising the current target would significantly constrict VP Bank's financial room for manoeuvre, notably in terms of acquisitions.

In light of the regulatory requirements, the Board of Directors has decided to review the medium-term goals. The results of this review will be announced in late August in connection with the disclosure of the 2015 semi-annual results.

Personnel changes

Since 1 January 2014, the Executive Board of the Head Office in Vaduz has also functioned as the Group Executive Management. It comprises the Chief Executive Officer, the Head of Client Business and the Chief Financial Officer & Head of Banking Services. With this lean management structure, responsibilities and processes as well as the implementation of measures will be simplified and response times will be shortened.

At the 51st annual general meeting of VP Bank on 25 April 2014, new members were elected to the Board of Directors. Dr Beat Graf and Michael Riesen were appointed to new three-year terms. Following the exit of Walo Frischknecht from the Board of Directors, Michael Riesen has also been appointed Chairman of the Audit & Risk Management Committee.

The Board of Directors will propose to the annual general meeting on 24 April 2015 that Dr Florian Marxer, formerly the Chairman of the Board of Centrum Bank Vaduz and of the Board of Trustees of the Marxer Foundation for Bank Values, be appointed as a new member of the Board.

Outlook

At the start of 2015, it is already evident that currency markets continue to be affected by the decisions of central banks. In mid-January 2015, the Swiss National Bank (SNB) abandoned the exchange rate floor of CHF 1.20 per euro while at the same time lowering its interest rate. The Swiss franc began to appreciate almost immediately; interest rates are currently at record lows and in some cases even in negative territory.

The SNB's decision also has direct consequences for the future business performance of VP Bank. Since a significant portion of our assets are invested in euros and US dollars, their translation into Swiss francs will mean a reduction in both assets under management and returns on the investments. Lower interest rates add further pressure. As soon as these events occurred, Group Executive Management quickly took measures to increase income and lower costs by adjusting fees as well as the liquidity investment policy and interest rates on client deposits and client loans. These measures, together with the significant impact on the economy and financial markets, will all affect VP Bank's business activities.

The regulatory framework and tax compliance issues will remain a key concern for us in 2015. The growing regulatory burden leads to increased costs and shrinking margins. We are working hard to counter these trends through our efficiency programmes. Through the efforts of our talented staff, active coordination with the respective financial market participants and the ongoing sharing of know-how, we have created the right conditions.

To that end, we will strive to exploit additional Group-wide synergies in 2015. In this regard, we are paying close attention to combining and coordinating VP Bank Group's fund expertise more closely.

The integration of Centrum Bank into VP Bank Group is another focal point for 2015. The legal aspects of the merger will be completed during the first half of the year, with consolidated reporting scheduled to begin as from 30 June 2015. The integration is expected to be fully completed by the end of this year. The merger further strengthens our Liechtenstein office by enhancing its value and the position of VP Bank in its home market. As the country's third-largest bank, we benefit from synergies and can further expand our client basis.

We continue to see tremendous potential for acquisitions and earnings gains in our Asian and Eastern European growth markets.

We feel that the fund business will remain an attractive growth segment. In October 2014, we initiated a project designed to facilitate the streamlining of business processes at our Luxembourg site and bring them up to VP Bank Group's standards. In the future, we will remain a leading player in the fund management business by pooling and further coordinating our fund expertise.

Words of gratitude

The demanding and eventful year of 2014 is now behind us. We would like to take this opportunity to express special thanks to our employees for their energetic support and their valuable commitment going forward. We would also like to thank our clients and shareholders for the trust they have placed in VP Bank.

Fredy Vogt
Chairman of the Board of Directors

Alfred W. Moeckli
Chief Executive Officer

VP Bank Group

VP Bank 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, Hong Kong and Russia.

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 anchor 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 750 employees administers clients assets totalling CHF 38.6 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.

To this very day, each and every employee of VP Bank Group lays claim to the ethos of quality. A number of international awards for the quality of the Bank's client advice and ancillary services, as well as for 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 VP 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 Bank's 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 manager selection, 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 750 employees, VP Bank Group is 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 benefit the client.

Important developments in 2014

January | February | March | April | May | June

"Apollo"

At the Key Management Meeting in January 2014, the qualitative and quantitative targets are determined and the green light is given for the start of the "Apollo" project. The goals of the project: solidifying a clearly defined position in the private banking and intermediaries business, optimising the product and service offers in the client segments and tapping efficiency potential.

VP Bank (Luxembourg) SA

New Chief Executive Officer

After 20 years of activity on behalf of the firm, Yves de Vos leaves VP Bank (Luxembourg) SA. Thomas Steiger is named successor to Mr de Vos as Chief Executive Officer, effective as of 1 February 2014.

2013 annual results

CHF 38.7 million net income

VP Bank Group reports 2013 consolidated net income amounted to CHF 38.7 million. Revenues continued to rise and costs were reduced yet again. In the 2013 financial year, VP Bank Group recorded a net inflow of CHF 965 million in new client money.

"Safely ahead."

The new marketing slogan of VP Bank is "Safely ahead." and derives from the Bank's brand promise. It serves to emphasise that VP Bank, as a flexible and rapidly responding private bank, offers its clients the highest degree of security. The slogan is presented to the public simultaneously with the launch of a new advertising campaign.

Annual general meeting of shareholders

All proposals approved

All proposals put forth by the Board of Directors are approved at the 51st annual general meeting of VP Bank in Vaduz. Dr Beat Graf and Michael Riesen are elected as new Board members. The proposals for changing the company name to "VP Bank Ltd" as well as for distributing a significantly higher dividend are also approved.

Investors' Day at VP Bank

VP Bank invites interested shareholders, investors and analysts to an Investors' Day in Liechtenstein.

Social media

VP Bank broadens its social media presence and now interacts with the public via XING, LinkedIn, Twitter, Wikipedia and YouTube.

US programme

In late 2013, VP Bank (Switzerland) Ltd decided as a precautionary measure to participate in Category 2 of the US programme aimed at settling the tax dispute between Swiss banks and the United States. Exhaustive internal clarifications and third-party expert opinions revealed that there was no rationale for further participation in the US programme. As a result, VP Bank (Switzerland) Ltd withdraws from the US programme and reverses the previously established provision with effect as of 30 June 2014.

Distinguished

2013 annual report of VP Bank shows quality

The 2013 annual report of VP Bank Group ranks amongst the 12 best corporate annual reports published in Switzerland and Liechtenstein. It also wins two Gold prizes and three further awards in international competitions.

Investment fund business

of VP Bank Group: New head

After 15 years of service to the company, Rolf Diderrich decides to leave VPB Finance S.A. for effect as of 31 December 2014. Eduard von Kymmel takes over responsibility for all of VP Bank Group's fund-related businesses in Luxembourg and Liechtenstein as of 1 January 2015.

Centrum Bank

and VP Bank to merge

Continuing its strategy of growth through acquisitions, VP Bank Group is to take over Centrum Bank of Vaduz, Liechtenstein, in a merger. VP Bank takes over all Centrum Bank shares in January 2015 and executes the merger in the ensuing months. The Marxer Foundation for Bank Values, currently the sole shareholder of Centrum Bank, is acquiring an interest in VP Bank at the purchase price and is thus becoming an anchor shareholder.

Net income of CHF 11.1 million

For the first half of 2014, VP Bank Group reports consolidated net income of CHF 11.1 million. Versus the comparable prior-year period, increases were recorded in both client assets and adjusted operating earnings.

Moscow

New head of Moscow Representative Office

Jean-Michel Brunie takes over as head of VP Bank's representative office in Moscow.

July | August | September | October | November | December

"A–"

On 30 April 2014, rating agency Standard & Poor's adjusts its outlook for VP Bank Group together with further banks from "Stable" to "Negative" and reconfirms that status on 8 August 2014. However, in its report, S&P highlights the outstanding capital strength, client base and shareholder structure of VP Bank.

"Push" notifications

in e-banking mobile

With its new version of e-banking mobile, VP Bank offers smartphone and tablet users the possibility to stay automatically updated on activities of their choice by means of push notifications. Clients can compose a list of the news categories that interest them most.

"Lichtblick"

Within the scope of VP Bank Foundation's annual "Lichtblick" donation campaign, the foundation contributes generous sums to Liechtenstein institutions involved in social and charitable work.

VP Bank (BVI) Ltd

New CEO

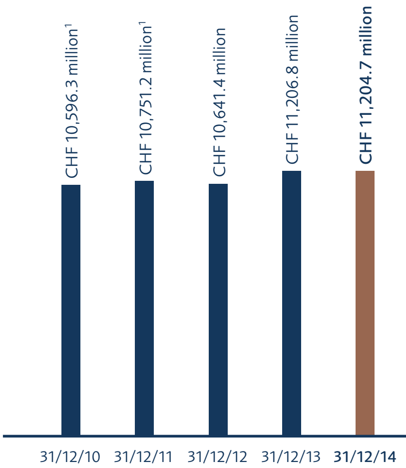
Katharina Vogt-Schädler steps down from the Executive Board of VP Bank (Switzerland) Ltd to take over as Chief Executive Officer of VP Bank (BVI) Ltd.

Good grades from Fuchsbriefe report

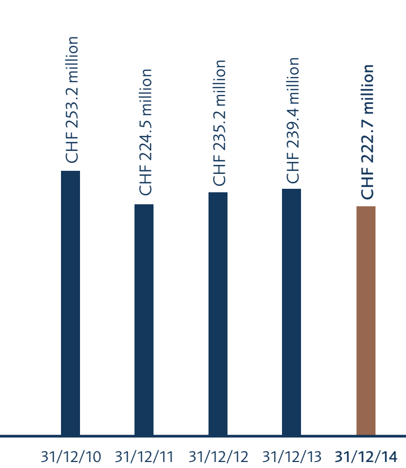
In the annual Fuchsbriefe review of banks in the German-speaking region of Europe, VP Bank is classified as "Recommendable" and ranks amongst the top five in the country-specific list.

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

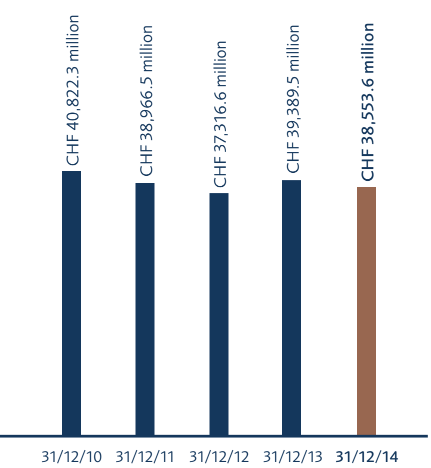
Key figures of VP Bank Group



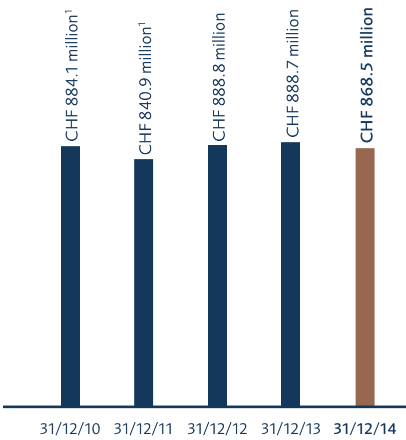
Total assets



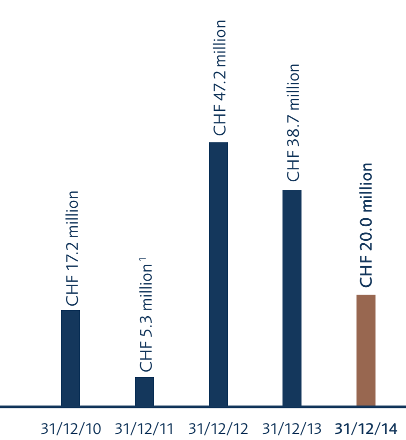
Total net operating income



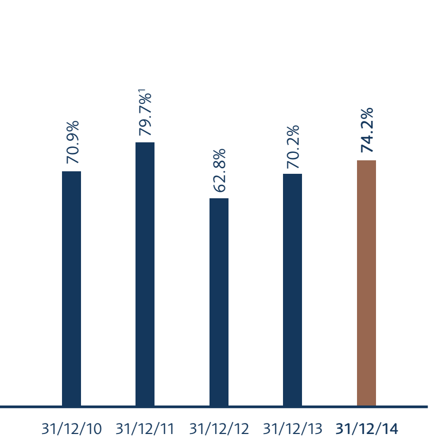
Client assets



Total shareholders' equity



Net income



Cost/income ratio

[1] adjusted (IAS 19R)

Key figures of VP Bank Group

	2014	2013	Variance in %
Key balance sheet data in CHF million[1]			
Total assets	11,204.7	11,206.8	0.0
Due from banks	3,282.2	4,502.0	–27.1
Due from customers	4,263.9	3,926.7	8.6
Due to customers	9,446.0	9,404.7	0.4
Total shareholders' equity	868.5	888.7	–2.3
Equity ratio (in %)	7.8	7.9	–2.3
Tier 1 ratio (in %)[2]	20.5	20.4	0.5
Key income statement data in CHF million[2]			
Total net operating income	222.7	239.4	–7.0
Interest income	65.6	86.9	–24.5
Income from commission business and services	118.4	114.1	3.8
Income from trading activities	25.4	19.5	30.0
Operating expenses	165.3	168.0	–1.6
Net income	20.0	38.7	–48.2
Net income from continued operations	20.0	35.7	–43.9
Client assets in CHF million[2]	**38,553.6**	**39,389.5**	**–2.1**
On-balance-sheet customer deposits (excluding custody assets)	9,515.6	9,395.0	1.3
Fiduciary deposits (excluding custody assets)	404.8	231.7	74.7
Client securities accounts	21,018.7	20,759.3	1.2
Custody assets	7,614.5	9,003.5	–15.4
Net new money	–850.2	965.0	n.a.
Key operating indicators			
Ratio of foreign assets (in %)	38.0	43.6	–13.0
Return on equity (in %)[1,3]	2.3	4.4	–47.6
Cost/income ratio (in %)[4]	74.2	70.2	5.8
Headcount (expressed as full-time equivalents, excluding trainees)[5]	694.9	705.8	–1.5
Total net operating income per employee (in CHF 1,000)	320.4	339.2	–5.5
Total operating expenses per employee (in CHF 1,000)	237.8	238.0	–0.1
Net income per employee (in CHF 1,000)	28.8	50.6	–43.1
Key indicators related to shares of VP Bank in CHF[1]			
Net income per bearer share[6]	3.45	6.58	–47.6
Net income per registered share[6]	0.34	0.66	–47.6
Dividend per bearer share	3.00[7]	3.50	–14.3
Dividend per registered share	0.30[7]	0.35	–14.3
Dividend yield (in %)	3.5	3.6	–1.7
Payout ratio (in %)	87.0	53.2	63.6
Total shareholders' return on bearer shares (in %)	–9.2	53.8	n.a.
Shareholders' equity per bearer share on the balance-sheet date	149.98	153.37	–2.2
Shareholders' equity per registered share on the balance-sheet date	14.68	15.10	–2.8
Quoted price per bearer share	85.00	97.50	–12.8
Quoted price per registered share	8.50	8.50	0.0
Highest quoted price per bearer share	98.95	97.50	1.5
Lowest quoted price per bearer share	74.40	63.50	17.2
Market capitalisation (in CHF million)[8]	503	569	–11.7
Price/earnings ratio per bearer share	24.65	14.81	66.4
Price/earnings ratio per registered share	24.65	12.91	90.9
Rating Standard & Poor's	A–/Negative/A–2	A–/Stable/A–2	

1 The reported key data and operating indicators are computed and reported on the basis of the share of the net profit and shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz.
2 Details in the notes to the consolidated income statement and consolidated balance sheet.
3 Net income / average shareholders' equity less dividend.
4 Total operating expenses / total net operating income.
5 In accordance with legal requirements, trainees are to be included in headcount statistics as 50 per cent of equivalent full-time employees.
6 Based on the weighted average number of shares (bearer) (note 11, page 125).
7 Subject to approval by the annual general meeting.
8 Including registered shares.

The organisational structure of VP Bank Group

VP Bank Group is subdivided into three business segments: "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services".

Changes to the organisational structure in the 2014 financial year

New regulations throughout the world of banking, as well as the goal of building an efficient, client- and sales-oriented management structure, were the rationale for downsizing the Executive Management corps at VP Bank Group as of 1 January 2014.

With effect from this date, the structural organisation was streamlined and now comprises three business segments: "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services". Also on 1 January 2014, the members of the Executive Board of the parent bank in Vaduz – namely Chief Executive Officer Alfred W. Moeckli, Head of Client Business Christoph Mauchle, and Chief Financial Officer Siegbert Näscher – were accorded the function of Group Executive Management.

Martin Engler, Head of Private Banking Liechtenstein, Günther Kaufmann, Head of Intermediaries & Transaction Banking, as well as Rolf Jermann, Head of Commercial Banking – each of whom was a member of the parent bank's Executive Board until 31 December 2013 – stepped down from this body as of 1 January 2014 in order to focus their full attention on cultivating their respective areas of responsibility.

Yves de Vos opted to leave VP Bank (Luxembourg) SA, with Thomas Steiger succeeding Mr de Vos on 1 February 2014 as Chief Executive Officer. Marco Predetti also left VP Bank (Luxembourg) SA with effect as of 14 June 2014.

In the course of reshaping the organisation to meet today's changed overall and market-driven conditions, the Group Treasury & Execution division was established. Group Treasury & Execution encompasses the Group Treasury, Money Market & Forex and Securities Trading units. It answers directly to the CFO. On 1 March 2014, Patrick D. Businger took up his post as new head of this division.

As of 1 March 2014, the Executive Board of VP Bank (Switzerland) Ltd was strenghtened through the appointment of Antony Lassanianos. Katharina Vogt-Schädler stepped down from the Executive Board of VP Bank (Switzerland) Ltd on 30 September 2014 in order to take over as CEO of VP Bank (BVI) Ltd on the first day of the following month. Marc Wallach, Executive Board member at VP Bank (Switzerland) Ltd, left VP Bank at the end of June 2014.

On 1 May 2014, the "Logistics & Security" division was split up and apportioned decentrally to the "Group Operations" and "IT Infrastructure Technology" divisions. Lorenz Kindle, former head of the "Logistics & Security" division, decided to leave VP Bank as of 30 November 2014.

On 1 October 2014, the structure of VP Bank's client base was realigned from a market- to a segment-oriented organisation within the scope of the "Apollo" project. In connection with this restructuring, five new client segments were established: Private Banking FL & CH, Private Banking International, Affluent Banking FL & CH, Personal Banking and Institutionals & Entrepreneurs.

Also on 1 October 2014, Alex Boss took over as ad interim Chairman of the Executive Board of IFOS Internationale Fonds Service AG, following the departure of its previous chairman, Sothearith Kol, on 20 September 2014.

Due to its increasing strategic relevance, the "Credit Risk" organisational unit, which is responsible for the avoidance/minimisation of present and future credit risks, began reporting directly to the Chief Executive Officer as of 1 October 2014.

On 13 October 2014, Jean-Michel Brunie took office as head of VP Bank's representative office in Moscow.

Rolf Diderrich decided to leave VPB Finance S.A. on 31 December 2014. Enrico Mela, Joachim Kuske and Jos Wautraets also left VP Bank Group as of mid-June, the end of June and the end of September 2014, respectively.

Changes to the organisational structure subsequent to 31 December 2014

After 21 years as Head of Group Human Resources, Karl Walch went into retirement as of 31 December 2014. On 1 January 2015, Rita Becker took over as Head of Group Human Resources.

Also as of 1 January 2015, Eduard von Kymmel assumed responsibility for the strategic orientation of all of VP Bank Group's investment fund activities in Luxembourg and Liechtenstein. In this function, he chairs the Executive Board of VPB Finance S.A., Luxembourg.

On 1 February 2015, Roberto Vogt was named the third member of the Executive Board at VP Bank (Switzerland) Ltd. As Head of Private Banking Central & Eastern Europe / Russia, he will contribute significantly to the further development of the client base in this important target market for VP Bank.

Organisational chart as of 31/12/2014

Group Executive Management as of 31/12/2014.
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 Group Legal, Compliance & Tax Group Business Development	Tanja Muster Dr Karl Walch Monika Vicandi Alfred W. Moeckli
Chief Financial Officer & Banking Services	Group Finance & Risk Group Operations Group Information Technology Group Treasury & Execution	Dr Hanspeter Kaspar Andreas Zimmerli Dr Andreas Benz Patrick D. Businger
Client Business	Private Banking Intermediaries Commercial Banking Group Investment, Product & Market Management	Martin Engler Günther Kaufmann Rolf Jermann Hendrik Breitenstein

Subsidiaries with bank status

Company	Country	City	Head
VP Bank Ltd	Liechtenstein	Vaduz	Alfred W. Moeckli, Siegbert Näscher, Christoph Mauchle
VP Bank (Switzerland) Ltd	Switzerland	Zurich	Joachim Künzi, Antony Lassanianos
VP Bank (Luxembourg) SA	Luxembourg	Luxembourg	Thomas Steiger, Romain Moebus
VP Bank (BVI) Ltd	British Virgin Islands	Tortola	Katharina Vogt-Schädler, Sjoerd Koster
VP Bank (Singapore) Ltd.	Singapore	Singapore	Rajagopal Govindarajoo

Wealth management companies

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

Fund management companies

Company	Country	City	Head
IFOS Internationale Fonds Service AG	Liechtenstein	Vaduz	Alexander Boss a.i., Reto Grässli, Ralf Konrad
VPB Finance S.A.	Luxembourg	Luxembourg	Rolf Diderrich, Ralf Funk

Representative offices

Company	Country	City	Head
VP Bank (Switzerland) Ltd Moscow Representative Office	Russia	Moscow	Jean-Michel Brunie
VP Bank Ltd Hong Kong Representative Office	China	Hong Kong	Clare Lam

Segments

Structure

VP Bank Group consists of the three organisational units "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services".

As previously, the organisational unit "Client Business" is divided into two business segments "Client Business Liechtenstein" and "Client Business International". Both organisational units "Chief Executive Officer" and "Chief Financial Officer & Banking Services" are regrouped together under the business segment "Corporate Center".

The prior-year comparative figures for segment reporting were restated retroactively. Further information about the segments can be found on pages 115 f.

Client Business Liechtenstein

The business segment "Client Business Liechtenstein" encompasses international private banking and the business with intermediaries located in Liechtenstein, as well as the local universal banking and credit businesses. It includes the units of VP Bank Ltd, Vaduz, which are in direct contact with clients. In addition, Group Investment, Product & Market Management and IFOS Internationale Fonds Service AG are allocated to this business segment.

Segment results

	2014	2013
Total net operating income (in CHF million)	123.7	117.4
Income before income tax (in CHF million)	48.2	47.5
Client assets under management (in CHF billion)	19.5	18.9
Headcount (number of employees)	157	163

Client Business International

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

Segment results

	2014	2013
Total net operating income (in CHF million)	79.8	74.2
Income before income tax (in CHF million)	14.4	5.4
Client assets under management (in CHF billion)	11.4	11.5
Headcount (number of employees)	259	269

Corporate Center

The business segment "Corporate Center" is responsible for banking operations and the processing of business transactions. It encompasses the following areas: Group Operations, Group Information Technology, Group Finance & Risk, Group Treasury & Execution, Group Legal, Compliance & Tax, Group Human Resources Management, Group Communications & Marketing and Group Business Development. In addition, revenues and expenses that have no direct relationship to the operating divisions, as well as consolidation adjustments, are reported under the Corporate Center. The Corporate Center segment's revenue-generating business activities are connected to the Group Treasury function. The results of the Group's own financial investments, the structural contribution and the changes in the value of interest-rate hedges are reported in this segment.

Segment results

	2014	2013
Total net operating income (in CHF million)	19.2	47.8
Income before income tax (in CHF million)	–42.0	–14.8
Client assets under management (in CHF billion)	0.0	0.0
Headcount (number of employees)	339	332

VP Bank shares

Economic environment

Yet again, economists set the bar too high in terms of their expectations for 2014. During the course of the year, even major institutions such as the IMF found it necessary to notch down their global growth estimates. In the US, the cold winter caused first-quarter GDP to skid, whereas the prognoses for the US economy had already been revised sharply downwards at the outset of the year. Nonetheless, the very robust trend that set in as the year progressed ultimately resulted in an estimated GDP growth rate of 2.3 per cent for the entire year.

In the Eurozone, the debt-plagued member states managed to continue on their path towards recovery, but the German economy surprisingly hit a few bumps in the road. The sanctions against Russia had an unexpectedly strong impact on the largest domestic economy in the common currency realm. The aggregate GDP growth rate for the entire Eurozone amounted to a mere 0.8 per cent.

Despite the adverse conditions in the neighbouring currency zone, the Swiss economy proved to be extremely resilient. Growth in private consumption and capital spending failed to maintain the pace set in the previous year, but exports were astonishingly robust. In the end, Switzerland's GDP rose by 1.8 per cent for the year.

On the whole, global trade was once again lethargic, with the export-reliant emerging nations suffering the most. In addition, structural weaknesses burdened GDP growth mainly in the Latin American countries, while the Russian economy took a hard hit from the sanctions imposed by the EU and US. The ruble suffered an unprecedented decline in value. Growth rates in China continued to decelerate: in 2014, the world's second-largest economy grew by "only" 7.4 per cent.

Inflation rates in the industrialised nations eased considerably in response to the massive decline in oil prices, especially in the second half of the year. This in turn enabled the major central banks to maintain their ultra-expansive monetary policies. But that is not to say that the monetary policy positioning on both sides of the Atlantic failed to change: while the US central bank ended its monthly securities purchases in October 2014 thanks to the solid (domestic) economic underpinnings, the ECB announced a large-scale government bond purchase programme in January 2015. Prior to this announcement, the euro had already lost a huge amount of ground against the US dollar. And just a few days before the ECB's decision, the SNB disclosed that it intended to abandon the CHF/EUR "floor" of 1.20. That, in turn, triggered violent fluctuations in the foreign exchange, fixed income and equity markets. The Swiss central bankers had already introduced negative interest on the large deposits it holds on behalf of commercial banks in December 2014; it then increased that charge further in January 2015. A normalisation of monetary policy throughout the European continent thus moved further away.

VP Bank bearer shares versus the SWX Banks Index in 2014

Equity markets

For most equity investors, 2014 was a very successful year. The global stock market, as measured by the MSCI World Index, rose by 5.6 per cent for the year (including dividends). Whilst the trend in the US was driven primarily by higher corporate earnings, Eurozone shares benefited from their comparatively low valuations and the re-emergence of investors' appetite for risk. However, no significant headway was made in terms of European and Swiss corporate profits. With a gain of 9.5 per cent, Switzerland's benchmark SMI index was one of the world's best performers in 2014.

The dollar-based MSCI Emerging Markets Index recorded significant drops both in September and in December. Its annual performance of –2.1 per cent was mainly attributable to a rebound in its underlying currency (USD); however, investors with the Swiss franc as their reference currency enjoyed a 9.3 per cent gain (including dividends) in this index.

Investors especially favoured large-cap companies with a clear focus on growth. At the sector-specific level, the standout performers were in the health care industry as well as the US IT sector. The clear losers were energy and raw materials stocks – both sectors suffered from the dramatic collapse in commodity prices.

The willingness to accept risk remained relatively high throughout the year. Short-term technical price declines were recouped within a matter of weeks. The S&P-based volatility index (VIX) actually fell to its lowest annual level since 2007.

The shares of VP Bank

VP Bank shares have been listed on Switzerland's stock exchange (SIX Swiss Exchange) since 1983. The company's average market capitalisation in 2014 amounted to CHF 503 million, with the share price fluctuating between CHF 74.40 (August) and CHF 98.95 (January). The average price for the year (closing levels) was CHF 84.88. In 2014, VP Bank paid a dividend of CHF 3.50 per bearer share. The resulting dividend yield therefore exceeds that of both the overall Swiss market and the average for the banking industry in general.

VP Bank shares declined in value by roughly 9 per cent (including dividends) for the year, thereby underperforming the overall market as well as the banking index. The price losses were recorded mainly in the first half of the year. As of June, the share price traded in a sideways channel. In response to the announcement of VP Bank's merger with Centrum Bank, the stock moved modestly higher in December.

Investor relations

The goal of VP Bank'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 promptly 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.

These investor relations activities were intensified further in 2014. Numerous analyst and media conferences were important events for fostering greater interaction and discussions with investors and financial intermediaries. In 2014, the first-ever VP Bank Investors' Day was held in Liechtenstein, and further events of that nature are being planned.

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 http://report.vpbank.com, where all up-to-date information on VP Bank can be accessed.

The 2013 annual report of VP Bank was once again the recipient of a number of awards in 2014. In a comparison of annual reports from 226 companies in Switzerland and Liechtenstein, a jury comprised of communication and financial professionals ranked VP Bank Group's report as one of the twelve best as a part of the "Swiss Annual Report Ratings 2014". In connection with the "Galaxy Awards" of the "International Academy of Communications Arts and Sciences", the 2013 annual report was named a "Gold Winner". It also received a "Gold Award" within the scope of the international "Spotlight Awards" ceremony organised by the "League of American Communications Professionals".

Further international acclaim for the annual report was evidenced by a "Silver Award" in the "Vision Awards" as well as by being named a "Bronze Winner" in the global "ARC Awards" annual report competition. The online version of VP Bank Group's annual report was also a winner: it won silver in the "Vision Awards" and bronze in the "Best Annual Reports" category of the "Stevie Awards". These accolades attest to the high quality of VP Bank Group's information policy.

In 2014, Standard & Poor's reconfirmed its "A–" (A–/A–2) rating of VP Bank Group. In terms of the outlook for VP Bank, the rating agency adjusted its view from "Stable" to "Negative" on 30 April 2014 and confirmed this opinion on 8 August 2014. In its report, however, Standard & Poor's makes special note of VP Bank Group's outstanding capitalisation, as well as its stable client base and shareholder structure.

This good "A–" rating confirms the solid and successful business model of VP Bank Group. VP Bank 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 MainFirst Bank AG and Zürcher Kantonalbank.

Agenda	
Publication of 2014 annual results	Tuesday, 3 March 2015
Extraordinary general meeting	Friday, 10 April 2015
Annual general meeting	Friday, 24 April 2015
Dividend payment	Thursday, 30 April 2015
VP Bank Investors' Day	Wednesday, 20 May 2015
Publication of 2015 semi-annual results	Tuesday, 25 August 2015
Publication of 2015 annual results	Tuesday, 8 March 2016

VP Bank share details	
Bearer shares, listed on SIX Swiss Exchange	
Amount listing	5,314,347
Free float	53.12%
Symbol on SIX	VPB
Bloomberg ticker	VPB SW
Reuters ticker	VPB.S
Security number	1073721
ISIN	LI0010737216

Share-related statistics 2014	
High (23/01/2014)	98.95
Low (25/08/2014)	74.40
Year-end close (final settlement value, 30/12/2014)	85.00
Average price	84.88
Market capitalisation in CHF million	503
Consolidated net profit per bearer share	3.45
Price/earnings ratio (PE)	24.65
Dividend per bearer share (proposed)	3.00
Net dividend yield in %	3.5
Standard & Poor's rating	A (A–/Negative/A–2)

Further information on the capital structure and anchor shareholders of VP Bank can be found in the "Corporate governance" section on pages 61 f.

Contact

Tanja Muster · Head of Group Communications & Marketing
T +423 235 66 55 · F +423 235 65 00
www.vpbank.com → Investors & Media

Corporate strategy

Strategic orientation of VP Bank

Segment-oriented business model

The business model of VP Bank is based on two strategic pillars: private banking and the intermediaries business. The home market activities in Liechtenstein are supplemented by retail banking and the commercial business. VP Bank considers it a matter of course and a central task to fulfil all regulatory and crossborder requirements as well as to offer a comprehensive range of services that correspond to the business model of VP Bank Group.

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. The local offices bear responsibility for developing their own markets and receive coordinative assistance from the Group. The defined target markets for Europe comprise Liechtenstein, Switzerland, Germany, Luxembourg, Belgium, Italy and Russia; in Asia, the Group's focus is on Singapore, Hong Kong and the neighbouring countries.

One of VP Bank Group's key efforts in 2014 was to coordinate the Bank's market cultivation activities more efficiently. As a part of this, the segments and markets were clearly demarcated in order to avoid overlaps and the intermingling of direct and intermediary clients.

Medium-term goals

Until the end of 2014, the previously established medium-term goals remained unchanged: a tier 1 ratio of at least 16 per cent, a cost/income ratio of 65 per cent and net new money inflows averaging 5 per cent per year. A review of these goals revealed that they needed to be adjusted.

At the end of 2014, the legally prescribed core capital ratio stood at 8 per cent; the tier 1 ratio at VP Bank was at least twice that amount. As VP Bank is deemed to be system-relevant, the new core capital requirement under the Basel III directive (CRD IV) has been raised to 13 per cent with effect as of February 2015. Therefore, a medium-term goal of at least 16 per cent represents no added value for investors and clients; at the same time, an increase of this current target would severely constrain the Bank's financial room for manoeuvre – for example, in terms of acquisitions.

Especially in light of the new regulatory requirements, the Board of Directors has decided to reassess VP Bank's medium-term goals. The findings of the assessment will be announced in connection with the publication of the 2015 semi-annual results in late August.

Lean organisational structure

The financial reporting of VP Bank Group addresses three distinct segments; the ultimate responsibility for each segment is assigned to a respective member 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". The new structure thus now consists of three – instead of the previous four – organisational units.

With this streamlined set-up, the relevant processes and responsibilities are simplified and better coordinated, while reaction times are optimised. The elimination of existing 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.

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 sales-oriented management structure. A broadly based second-level management team of 19 individuals is available to support the GEM in its activities.

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, thereby preserving the Bank's independence. Cost consciousness remains an important topic. Through revenue and thus 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 contribute to the growth of the Group.

In the financial services industry, a consolidation phase is still underway, and taking advantage of promising, well-suited opportunities remains a central element in VP Bank's quest to achieve its growth objectives. Various projects were therefore examined in 2014; however, these need to fit ideally with the strategy and culture of VP Bank Group. Through the merger with Centrum Bank in Liechtenstein, VP Bank demonstrated yet again its proactive, targeted approach to taking advantage of these attractive market opportunities as a means of generating growth. In consequence, VP Bank has gained a considerably stronger position in the Liechtenstein banking sector, and the capacity of its booking platform can be better utilised through the increased transaction volume. Moreover, this means that another reliable, long-term-oriented Liechtenstein family has become an anchor shareholder of VP Bank. Both banks cultivate the same target markets and client segments. Hence, considerable synergies are to be had, especially in the area of backoffice processing. In future, VP Bank will continue to consider suitable acquisition projects at its booking locations.

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 2014. The acquisition efforts have met with expectations, but the outflows in 2014, 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 this 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) helps to manage operational risks efficiently and is being continuously expanded. Further information in this regard can be found in the "Risk management of VP Bank Group" section of this annual report (see pages 100 f.).

The client groups at VP Bank

In connection with its reorientation towards clearly demarcated segments and markets, VP Bank has developed specific service models for each client group.

In the private banking area, the offer for existing clients is being successively broadened with an optimised range of products and services as well as innovative forms of communication; this, of course, in combination with VP Bank's decades of investment competence.

The intermediaries business offers promising growth opportunities. VP Bank is increasing the number of partnerships it has with this target group and making 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 now being offered to a broader circle of intermediaries. Efficient service models for fiduciaries and external asset managers, the personal nurturing of relationships and the establishment of strategic partnerships are evidence of VP Bank's intensified client orientation, optimal deployment of resources and heightened service quality. Through "Key Account Management", a new and more comprehensive advisory approach, mid- and large-sized fiduciary clients are offered these services in a tailored, suitable manner.

VP Bank's markets

Liechtenstein is home to VP Bank Group's main offices. Founded in 1956, the Bank offers – in Vaduz as well as at all other locations of VP Bank Group – a wide range of services to private banking and financial intermediary clients. In Liechtenstein and the neighbouring region, this offer is supplemented with retail banking activities, while institutional and regional corporate clients take advantage of VP Bank's investment and working capital finance facilities. All of the services rendered by the central staff offices as well as back-office operations are handled exclusively at the Bank's headquarters in Liechtenstein.

The Asia-Pacific region remains a market where tremendous growth opportunities lie for VP Bank. VP Bank has had local offices in Hong Kong and Singapore since 2006 and 2008, respectively. These branches are devoted to advancing the local Asian business. Here, VP Bank places special emphasis on the organic growth of the intermediaries business. In 2014, additional teams were hired and the redoubled marketing efforts have already resulted in initial successes.

VP Bank also views Central and Eastern Europe as a region where growth can be generated. In 2014, these markets were more aggressively cultivated by the Bank's representative office in Moscow (opened in 2005) as well as by competent specialist teams at the Zurich and Vaduz locations. Since mid-October 2014, a seasoned industry professional has been in charge of the Moscow Representative Office. Here, too, the intensified marketing activities have led to acquisition successes.

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 US. VP Bank has had offices there since 1988 and is the only Liechtenstein-based bank to be present in both the Luxembourg and Liechtenstein fund centres. The Bank has leveraged this strategic advantage through the previously reported asset deal with HSBC Trinkaus & Burkhardt (International) SA, a move aimed at growing the location's private banking business and broadening its competence in the investment fund area. 2014 was marked by the successful integration of the Trinkaus & Burkhardt team. 2015 will see a closer tie established between this Luxembourg subsidiary and the parent bank in Liechtenstein, with the objective of benefiting from synergy effects.

The fund business represents an especially attractive growth segment for VP Bank Group. With the arrival of a new general manager as of 1 January 2015, responsibility for the entire Luxembourg and Liechtenstein fund business will be centrally consolidated. Group-wide leadership of this strategically important business will now be handled out of Luxembourg.

In October 2014, VP Bank Group initiated a project aimed at simplifying the business processes at the Luxembourg location and bringing them in line with the Group standards. The goal of this effort is to optimise the resources and avoid trans-location redundancies.

VP Bank (Switzerland) Ltd also represents a long-term mainstay of the Group. VP Bank has been present in Zurich with a subsidiary ever since 1988. In 2014, a wide array of personnel and organisational measures were taken at the Zurich branch in order to enhance the efficiency of market cultivation activities and further develop the client base. The success of these measures is already becoming evident.

For years, Germany has been a target market for VP Bank. Of primary importance are long-term relationships with clients who attach the greatest value to capital preservation. In Switzerland, VP Bank takes advantage of the possibilities afforded by the "EU passport": after completing a minimum of formalities, the European Union permits the cross-border and simplified distribution of certain financial products throughout the EEA by Swiss-based banks. In 2014, Germany's Federal Financial Supervisory Authority (BaFin) approved a request for exemption by VP Bank (Switzerland) Ltd. This exemption enables VP Bank (Switzerland) Ltd, via referral from the Head Office in Liechtenstein, to actively acquire clients in Germany and subsequently service them on a crossborder basis.

During the course of 2014, the service team for German clients at the Zurich location was expanded significantly. Under its new market head, Zurich will now be in charge of coordinating the Group-wide selling activities in the German market. Among other things, this coordination will involve the development and implementation of the market-specific strategy, a market-consistent array of products and services, as well as the assurance and supervision of compliance with the applicable regulatory requirements in collaboration with all responsible organisational units of VP Bank Group.

In late 2013, VP Bank (Switzerland) Ltd decided as a precautionary measure to participate in Category 2 of the US programme aimed at settling the tax dispute between Swiss banks and the United States. Exhaustive internal clarifications and third-party expert opinions subsequently revealed that there was no rationale for further participation in the US programme. In consequence, VP Bank (Switzerland) Ltd withdrew from the US programme in mid-2014.

VP Bank has been present with a subsidiary company on the British Virgin Islands (BVI) since 1995. VP Bank (BVI) Ltd offers traditional banking services as well as credit and mortgage-based financing. 2014 was marked by VP Bank Group's complete takeover of VP Bank (BVI) Ltd from Allgemeines Treuunternehmen (ATU) and the cession of other jointly held financial participations to ATU as a means of structural rationalisation. In the autumn of 2014, a new Executive Board was installed and, in February 2015, VP Bank (BVI) Ltd celebrated its 20th anniversary and relocation to a new office building.

Group efficiency

The financial services industry has been confronted for years with the problem of higher cost structures and narrower margins. Increasing regulatory requirements have also resulted in additional costs. VP Bank is therefore highly cost-conscious.

Over the past three years, the process of identifying potential areas for cost savings was successfully conducted. The measures associated with various projects were largely implemented. The related findings have flowed into what is now a disciplined, ongoing cost-management process.

In addition to these measures, VP Bank initiated the "Apollo" project in 2014. Apart from the previously discussed clear positioning in private banking and the intermediaries business, the project is focused on identifying and exploiting potential areas for savings throughout the Group as well as optimising the product and service range. During the past year, employees of VP Bank Group worked at full speed on the various subprojects, all of the necessary internal switches were set, and the project itself has been successfully completed to the greatest extent. As of 2015, the changes will also become noticeable for the Group's external stakeholders.

Introducing Vaduz.


U
Z
IK

> “Our vision: we are the most recommended private bank, because we generate enthusiasm through unique client experiences.”
>
> Alfred W. Moeckli
> CEO of VP Bank Group

VP Bank (Vaduz) Ltd ranks amongst the largest banks in Liechtenstein. Founded in Vaduz in 1956, VP Bank has grown steadily from a friendly local bank to become a globally active enterprise. In 1983, VP Bank became the first Liechtenstein company to be listed on the stock exchange. We are an independent banking group with outstanding financial strength and top marks for the quality of our advisory services.

The Liechtenstein financial centre enjoys strong international networks and stands for both innovation and stability. As a member of the European Economic Area (EEA), Liechtenstein benefits from complete free movement of services in all member states of the European Union (EU) and the EEA. Thanks to the country's traditionally close neighbourly relations and the Customs and Currency Treaty with Switzerland, Liechtenstein also enjoys privileged access to the Swiss economic area.

Key facts as of 31/12/2014

Year founded	1956
Legal status	Bank
Core competencies	Private banking: wealth planning, asset management and investment advice for discerning private clients Partner for financial intermediaries Personal banking Retail banking Banking for credit and business clients
Employees	472
Executive Board	Alfred W. Moeckli, Chief Executive Officer Siegbert Näscher, Chief Financial Officer Christoph Mauchle, Head of Client Business

In recent years, a focal point for the efficiency-enhancement measures has been the area of IT and Group Operations. With the "Avaloq" core banking software system, VP Bank Group has modern, stable and reliable IT infrastructure at all of its booking locations. It covers the entire spectrum of client needs. The task is now to gain the greatest possible efficiency and benefit for the entire Group from these investments and all IT-based services.

At the Luxembourg location, VP Bank initiated a project in October 2014 aimed at aligning the local business processes with the Group's standard as well as avoiding trans-location service redundancies. In this connection, it is necessary to introduce Group-wide standards that meet all regulatory requirements. With a solid, systematised foundation of processes and procedures that take into account country-specific rules and regulations, VP Bank is forming the basis for the full realisation of this project's goals and hence for sustainable growth.

Efficiency is also being driven forward at the top management level: "online boardrooms" have been the order of the day at VP Bank since 2014. A new tool underpins the concept that confidential documents no longer need to be dispatched physically by post or electronically via e-mail, but instead made available to all authorised parties by means of secure Internet access to a centralised virtual room. The official bodies of VP Bank Group (Board of Directors, GEM and various committees) can use iPads to obtain all relevant documents electronically and regardless of the local time. Meetings can therefore be conducted on a paper-free and location-independent basis, while participants have access to the latest versions at all times. The means of document management also contributes to ensuring compliance with requirements relating to internal directives on document administration and compliance.

Partnerships

Via partnerships, VP Bank also strives to exploit intercompany synergies. Especially in the Liechtenstein financial centre, cooperative ventures afford a way of countering increasing costs. They allow for the establishment of alliance-based business models. To that end, 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 therefore an important element of VP Bank Group's business model. VP Bank cooperates with 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 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 continue to examine the viability of partnerships and joint undertakings. As part of the merger with Centrum Bank, the Marxer group will work together with VP Bank as a "preferred partner".

Business Process Management

The centralisation of routine tasks and the automation of certain procedures lead to enhanced quality and facilitate the precise analysis of all of the company's processes.

For that reason, VP Bank is building a Business Process Management (BPM) platform with which processes can be conducted electronically. Many existing processes are paper-based, i.e. forms are filled out and distributed to the various recipients by means of internal post. The BPM platform is a strategic tool for simplifying these Group-wide processes and reducing the manual work.

Processes that are highly standardised and/or require considerable automation are replicated on the BPM platform. The platform is also intended to become a tool for use by client advisors as they attend to their many tasks. At the end of 2014, VP Bank introduced a new, comprehensive software solution that enables seamless integration with the existing Avaloq banking application. It forms the basis for savings and makes it possible for the advisors to conduct uniform processes for each client. This way, best practices can be applied comprehensively to the benefit of the entire VP Bank Group.

Thanks to its automated business processes, VP Bank can enhance its efficiency throughout the entire client life cycle, whilst reliably fulfilling the applicable compliance requirements and achieving the complete digitisation of client records. Clients benefit from the shorter throughput times afforded by these automated processes. The account-opening process is just the first in a series of processes that will become noticeable for clients in 2015. And with this, VP Bank is also setting the stage for the implementation of the OECD directive on the automatic exchange of information (AEI), which Liechtenstein committed to in 2014 and will take effect as of 2016.

Competent advisors and teams

The private banking industry is still in a state of flux. The rendering of financial advice is different today than it was just several years ago. Clients are better informed, more mobile and more demanding. Additional challenges are posed by the stricter regulations and an increasing need for transparency. And due to those client demands, the requirements profile for client advisors has also changed. For excellent, comprehensive client care, a greater level of competence is required. Asset management expertise must be combined with insight into crossborder tax law and international finance.

In this environment, VP Bank is in the process of expanding its client base. More and more, the tax transparency and conformity 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.

As a result of these vast changes, the question is also being asked internally within VP Bank as to which culture is best suited to meeting the new requirements. At a team workshop for first- and second-level managers in late 2014, Group Executive Management introduced guidelines requiring that each manager assume greater self-responsibility and also take decisions on their own. In an effort to foster a results-oriented performance culture, various methodical approaches and work priorities were defined in a presentation entitled "Culture and leadership". In 2015, special attention will be paid to the organisational development and cultural change in Luxembourg as well as to the integration of Centrum Bank.

Marketing excellence

Outstanding advisory services and tailored solutions are of tremendous importance to the marketing effort. As a part of this, issues relating to enhanced efficiency and quality, resources and processes, innovative services and products, as well as the qualifications of personnel are of central importance. In connection with the "Apollo" project, VP Bank initiated measures in 2014 aimed at enhancing the Bank's marketing excellence. Client discussions are now adapted to the given client segment and structured uniformly, while the overall contact frequency has also been increased.

For the newly defined segments and the associated client needs, VP Bank has developed specific client-care concepts which address, for example, the following topics:

- Segment-specific positioning
- A customised client-care model
- The palette of services

In pursuit of marketing excellence, VP Bank managers will in future invest more time in the coaching of their staff. Related workshops were held in 2014. Apart from fostering a shared understanding of leadership, the sessions defined and adopted binding management processes and instruments (acquisition/sales planning, sales meetings, etc.).

VP Bank considers this to be a suitable means of differentiating itself from other banks, and it intends to develop the marketing excellence concept further in a targeted manner.

Services and products

VP Bank's traditional range of offers is regularly examined for its suitability for the current environment and is supplemented, where required, with need-oriented services and products. In connection with the "Apollo" project, the service range was adapted to reflect the new segments and changing client requirements.

Since mid-2014, VP Bank has made available a free Wi-Fi network at its facilities in Liechtenstein and in Zurich that clients may use for business purposes.

Also in 2014, the ATMs in Liechtenstein were replaced by the latest generation of cash machines. Clients of VP Bank benefit from the enhanced user-friendliness afforded by a touch screen, a sense of security thanks to surveillance cameras and new functionalities for account deposits and withdrawals.

The product offer for existing clients is being broadened through the gradual introduction of innovative forms of communication. For instance, VP Bank has long had a state-of-the-art e-banking platform. A new version of "e-banking mobile" was already implemented back in 2013: it turns a smartphone into a mobile bank and enables the environmentally friendly transmission and receipt of e-Post. Clients have the possibility with a smartphone to query their account and safekeeping balances as well as to administer orders for securities and payment transactions. In addition, payment slips can be scanned in using the smartphone's inbuilt camera.

In the autumn of 2014, VP Bank successfully introduced a new means of client interaction: the "e-banking mobile push function". Clients can be notified when a message from their client advisor or the VP Bank hotline awaits them, when payment or securities orders require their authorisation or when a new e-Post confirmation has been received. Further enhancements are planned.

These new technologies have been warmly received by clients. The use of e-banking mobile increased in 2014 by 56 per cent compared to the previous year.

In December 2014, VP Bank modernised its www.vpbank.com website, bringing it in line with the latest technological standards. Thanks to "responsive design", the portal accommodates the characteristics of the specific user device on which it is displayed. While the basic design remains the same, the image adapts automatically to the size of the user's display. Thus the site can be navigated just as easily with a smartphone as it can with a large computer monitor.

VP Bank's new advertising campaign, which was launched in 2014, highlights the diversity of the Bank's wide array of products and services.

Outlook

The effects of VP Bank's realigned focus on target markets and client segments in today's tax-transparent environment, as well as the identification of trends, challenges and opportunities, marked the lift-off of the previously mentioned "Apollo" project, which was successfully completed at the end of 2014. This visionary project will continue to shape the development of VP Bank far beyond 2014.

For 2015, VP Bank has defined four key areas of action:
- The integration of Centrum Bank into VP Bank
- VP Bank (Luxembourg) SA – simplification and alignment of the business processes; optimisation of resources and avoidance of redundancies; and centralisation of undifferentiating back-office services at the Vaduz location
- The bundling and uniform coordination of VP Bank Group's investment fund expertise
- The continuation and broadening of the scope of the measures adopted in connection with the "Apollo" project and aimed at the exploitation of potential sources of savings and synergies throughout VP Bank Group

Yet again in 2015, VP Bank will resolutely pursue its growth strategy and expects a further increase in the significance of digitisation and regulatory measures in the financial industry.

Corporate communications at VP Bank

Our mission

To position VP Bank Group in keeping with its corporate identity; to enhance its image and safeguard its reputation both internally and externally.

In the asset management business, products and services are frequently commodity-like in nature. Nonetheless, financial institutions can differentiate themselves through the service and perceptible client benefits they offer as well as the impression they make in the public eye. VP Bank strives to achieve precisely that – and in doing so, creates unique experiences for the most demanding of clients.

VP Bank Group's approach to corporate communications stirs emotions, provides orientation and fosters long-term relationships. This way, a sense of what the company is all about becomes ingrained in the mind of the recipient.

Uniform appearance

Corporate communications encompasses all means and methods applied by VP Bank Group in getting its message through, both internally and to the general public.

The primary objective of corporate communications at VP Bank Group is to convey to stakeholders a uniform impression of the Bank per se as well as its values and standards. Professional corporate communication enables information regarding the company to be absorbed rapidly and attributed to VP Bank.

The "Group Communications & Marketing" unit at VP Bank is in charge of handling all of the Group's corporate communications in accordance with a holistic concept. Group Communications & Marketing reports directly to the CEO and is subdivided into the "Communications" and "Marketing" departments. It is also the professional contact partner for all questions pertaining to corporate communication.

Contribution to the company's success

Through targeted measures, the communications team at VP Bank Group contributes to:

- The positioning of VP Bank in keeping with its identity (vision, mission, values) and thereby the enhancement of the brand value
- The achievement of strategic goals by orienting all communication activities and instruments towards the realisation of those goals
- Ensuring that Group communications are open, comprehensive and transparent
- The uniform perception of the company by insiders as well as outsiders through the active accompaniment, harmonisation and supervision of the information flow between VP Bank Group and its dialogue groups
- Ensuring the long-term commitment of all employees to VP Bank

Communication tools

A mix of proven communication instruments enables the communication work on behalf of VP Bank Group and its public appearance (brand and image) to be conducted professionally and developed further.

The various communication instruments include:

Media work: the continuous fostering of relationships with relevant journalists and media representatives as well as the placement of opinions, interviews and VP Bank contributions in opinion-shaping publications

Investor relations: a credible, consistent information policy on all corporate data that could be of relevance to the stock price and valuation of the company

Corporate publishing: a regular and comprehensive flow of information by means of corporate publications

Internal communication: the conveyance of information as well as the maintenance of a dialogue between company management and the employees

Client communication: an open, transparent and comprehensible flow of information to clients and client groups of VP Bank

Corporate events: efforts to make the VP Bank brand come alive through targeted events for internal and external stakeholders

Sponsoring: the provision of money or services to strategically defined contract partners as a way of supporting their activities in the realms of sports, culture and entrepreneurship

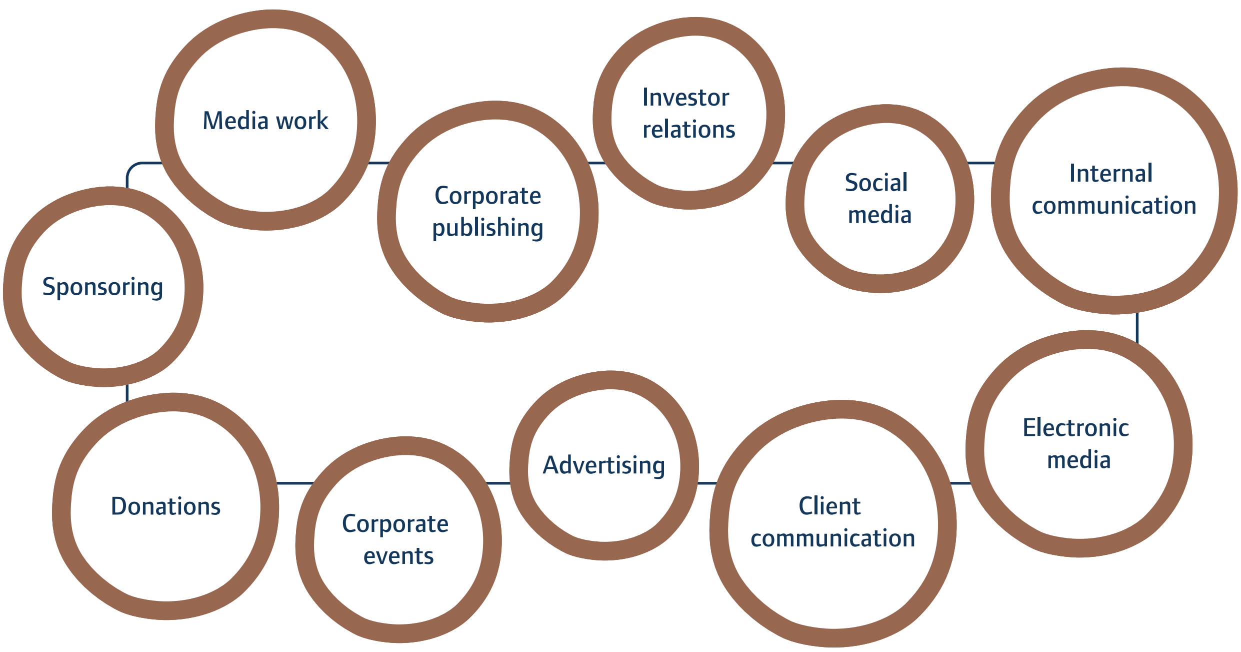
Donations: monetary contributions that demonstrate the company's sense of responsibility towards its home country of Liechtenstein

Advertising: the conveyance of VP Bank Group's key messages, with the objective of providing information to clients, giving them a positive impression of the Bank and motivating them to act

Electronic media: the dissemination of current information by means of the Internet and VP Bank Group's intranet

Social media: the exchange of experiences, opinions and VP Bank-related information via dialogue on XING, LinkedIn, Twitter and Wikipedia

Associated measures, such as predefined positioning messages, corporate wording rules and an official in-house glossary, promote the consistent formulation, style and tone of the "VP Bank language". This way – and in keeping with its vision – Group Communications & Marketing engenders trust, credibility and partnership in all of its communication activities.



Sustainability at VP Bank

Sustainability policy

Corporate responsibility is increasingly becoming a focal point for various interest groups. The capital markets are also attaching 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 lives up to 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 deposits as they do to the granting of loans and the 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 these 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 website 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 in this 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

While the dialogue with these stakeholders is planned and conducted systematically, it 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 this, 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 associations, 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 and the Swiss Bankers Association.

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 Group pursues a clearly defined business strategy, the most important element of which is closeness to its clients. Only those who are really in touch with their clients and know their requirements precisely are in a position to respond appropriately to the latest market developments.

In 2014, VP Bank Group again invested considerable sums in enhancing the quality of client advice and intensifying its market cultivation efforts at all locations. In connection with this focus on target markets and client segments, the "Apollo" project – as previously described in the Strategy Report – was launched in 2014, one of the goals of which was to redefine VP Bank's various client groups. Distinct service models were developed for each specific group, which in turn facilitate greater client orientation, the optimal deployment of resources and heightened service quality.

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, loans, funds and foundations. Within the framework of a holistic advisory approach, each team draws upon competencies at the Group level in order to devise individualised solutions that meet all requirements.

VP Bank Group offers customised portfolio management services and investment advice to private individuals and financial intermediaries. Our staunch adherence to the concept of open architecture means that clients benefit from the "Best manager" approach. Included in our investment recommendations are products and services of other leading financial institutions as well as the Bank's own investment solutions. The advisory process encompasses each and every phase of a client's life cycle, a differentiation that makes it possible to provide a precisely tailored range of products and services.

Client satisfaction

VP Bank Group focuses squarely on client satisfaction and service quality. For that reason, the Bank carries out client feedback management activities that include 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.

Within the scope of VP Bank's customer relationship management efforts, the client advisors compile and regularly evaluate client feedback. Each year, the Bank receives and addresses close to 500 comments from its clients. More than two-thirds of those comments are positive in nature and pertain to the issues of investment advice, performance and client events.

Again in 2014, new measures and concepts for operational excellence were adopted, as already discussed in greater detail in the Strategy Report.

Client satisfaction was also confirmed in the public sphere: Germany's business and finance journal "Fuchsbriefe" each year examines the quality of advice provided in the areas of private banking and private wealth management. In 2014, VP Bank was rated "Recommendable" and ranks amongst the top providers in the country-specific list.

Business fields 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 neighbouring region, this range is supplemented with retail banking services that include client-oriented package solutions.

VP Bank also caters to institutional clients and regional companies in need of capital-spending and operating finance in Liechtenstein and Eastern Switzerland. All these clients benefit from user-friendly, innovative solutions in the areas of e-banking and mobile banking. Youth packages for students and trainees round out the range of services on offer.

New challenges

The way of providing advice in the world of private banking is in transition. Where the primary emphasis in the past was on offering traditional investment advice, i.e. expertise on specific asset classes or individual stocks and bonds, increasing focus is today being placed on regulatory issues (MiFID, FATCA, the automatic exchange of tax information, EMIR, 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 these challenges. In addition to comprehensive training sessions for client advisors, the Bank's clients are also being counselled by teams of specialists who contribute, for example, their vast expertise in tax matters to the discussion, thereby demonstrating the overall competence of VP Bank.

Clients have a right to be served by an advisor who has a keen understanding of their requirements and individual circumstances and who can devise solutions that are best suited to the short term as well as the longer run. In 2014, VP Bank paid the utmost attention to that right on the part of intermediaries as well as its private clients. In today's environment, staying focused on specific client groups and markets is of particular importance – and the client reactions prove that VP Bank is on the right path.

Efficiency in the advisory process

One of VP Bank's major objectives in 2014 was to achieve a significant increase in efficiency. Various initiatives were launched in this regard:

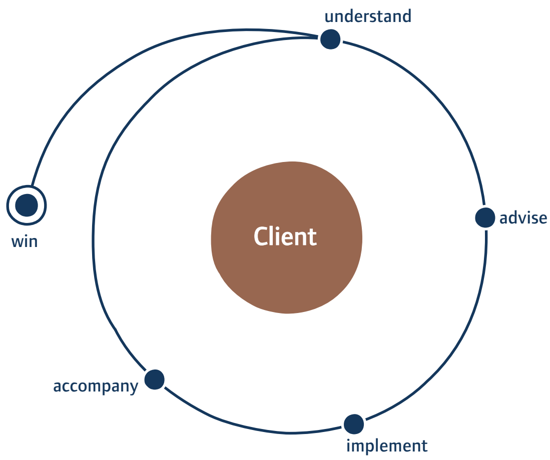
- Electronic communication: ongoing optimisation of the e-channels as well as e-banking and the mobile banking application
- Development of needs-oriented service packages
- Client onboarding: automation of the client life cycle processes for optimising client-data compilation as well as account administration and balancing, with the goal of affording clients and advisors more time to focus on the essential and less on the formalities

In addition, a new advisory tool was evaluated in 2014. It is aimed at helping the client and the advisor to develop and implement the most suitable investment strategy, whilst also ensuring that all regulatory aspects have been taken into account. The use of this tool facilitates an easier and more transparent discussion with the client and enables better portfolio supervision. The tool is utilised during visits to the Bank as well as at the client's preferred meeting location.

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 the acquisition, advising and serving of clients located abroad.

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 Group attaches great value to a team approach in devising solutions. Accordingly, specialists as well as other sources of expertise are included in this process.

4. Implement the client's wishes

If the client agrees with the presented 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 continuously 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 clients.

Investment recommendations

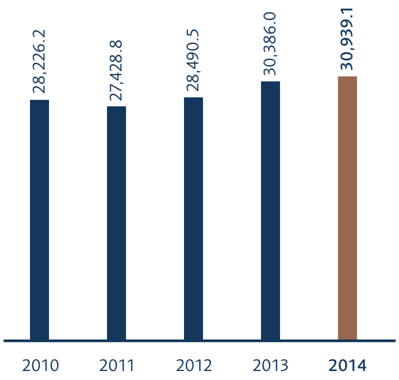
The 2014 investment year followed closely in the footsteps of the previous year. Despite the persistently modest pace of economic growth, increasing geopolitical risks and higher valuations, most investment classes managed to record handsome gains. The lion's share of those gains was attributable less to economic improvements than to the simple expansion of valuations. The broad-based bull markets were all the more remarkable in light of the fact that the US central bank began to normalise its previously expansive monetary policy.

In their annual outlook for 2014, VP Bank's investment experts continued to advise maintaining exposure to equities, a strategy that paid off as many major stock indices rose to new all-time highs. However, the recommended cautious stance on government bonds – in anticipation of rising yields – was wide off the mark: a further decline in yields throughout the world caused even the highest-rated government bonds to record enormous price increases. Less surprising, however, were the continuation of the global bull markets and the further strengthening of the US dollar.

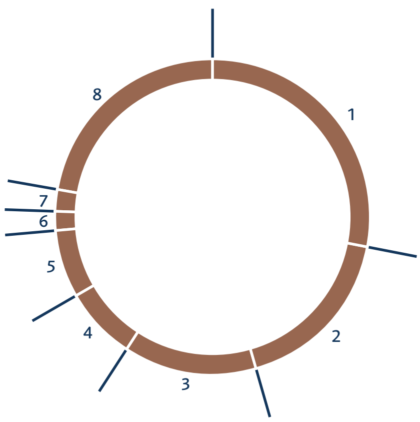
Client assets

As at 31 December 2014, VP Bank held client assets under management totalling CHF 30.9 billion (1.8 per cent more than in the previous year). Assets held in custody accounted for an additional CHF 7.6 billion. Total client assets at the close of the year thus amounted to CHF 38.6 billion. In total, VP Bank Group recorded an outflow of CHF 850 million in client assets (previous year: CHF 965 million inflow).

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



The origin of assets under management in 2014



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 aligned organisation and appropriately fine-tuned processes. The interplay between the business units and various local offices is a crucial element in rendering the Bank's wide array of services. But ultimately, it is our own employees who carry out these functions. With their specialist expertise, commitment and readiness for any necessary adjustments, they are the key to VP Bank Group's success. And this applies to all of the Bank's people, across all hierarchical levels and areas of expertise, 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 excellent interpersonal skills. VP Bank Group is mindful of what a positive office environment means to employees, and offers them the chance to take advantage of numerous 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 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. Provided they are already identifiable, future developments are also taken into account and proactively included in the activities.

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

Following the presentation of a status report in 2014, the Board of Directors confirmed the HR strategy and defined the key areas to be emphasised in future activities. The latter include the fostering of a performance-based corporate culture combined with success-oriented compensation that conforms to regulatory requirements, as well as employee and management development initiatives.

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 situations (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 subprocesses 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 Management by Objectives (MbO) 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 employees in order to establish 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 MbO, 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 team of each Group company bears responsibility for the actual deployment of its employees and for making the necessary resources available. In their staff function, local employees of the HR 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 specific 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 the management of the Group-wide structural organisation is handled for the entire VP Bank Group. This internal specialist know-how is at the disposal of management for deciding on conceptual matters, and thereby flows into the further development of Group-wide HR management.

At the branch offices and subsidiary companies, local management sees to the necessary HR administrative tasks or calls on external partners to do so. Since the beginning of 2014, the central HR unit at the Head Office in Liechtenstein has accompanied the local HR personnel in administrative and professional matters. The Zurich and Luxembourg offices each have one local HR specialist.

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 at the end of 2012 for a four-year term of office. The activities of the ERB are based on the internal workers' participation ordinance, which was enacted by Group 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 competence for any given matter rests with Group Executive Management.

The acquisition of Centrum Bank and its merger with VP Bank was announced in late 2014. Since then, the employee representative bodies of both banks have been actively accompanying the integration process and any related staff reductions.

SAP HCM data platform

Since the introduction of SAP HCM in 2010, VP Bank Group has had 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.

The information available in SAP HCM constitutes the backbone of HR management at VP Bank Group. It reflects the entire Group-wide structural organisation, with budgeted positions 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, the future personnel costs are extrapolated for the current year and the year to come on a quarterly basis.

Since 2014, the central HR unit at the Head Office has been in charge of administering the data. Reports generated by the system are also made available centrally for use by the various locations according to their requirements. Line supervisors throughout VP Bank Group have a number of "manager self-service" functions at their disposal.

Headcount

In keeping with the strategy of VP Bank, various banking-related (back-office) and management tasks we reallocated to the Head Office in Vaduz during the course of 2014. In parallel, various client advisory units underwent a certain degree of consolidation. At the Zurich location, this led to a considerable 15-person reduction in headcount to a current total of 72 (–13.2 in full-time equivalents). Staffing at VP Bank in Luxembourg was also reduced by 4 persons to a new total of 105 employees (–4.28 in full-time equivalents). Headcount at the other locations remained at prior-year levels.

The number of client advisors fell: the reported total of 133 individuals (previous year: 151) is equivalent to 18 per cent of VP Bank Group's entire workforce (previous year: 20 per cent). In Liechtenstein, the number of client advisors declined by 6 persons to 72; in Switzerland, by 7 to 21; and in Luxembourg, by 7 to 20.

As at 31 December 2014, VP Bank Group employed 755 individuals, 9 fewer than in the previous year. Adjusted to reflect full-time equivalents, this corresponds to 10.9 fewer than in 2013, namely 694.9 (see table on page 42). The proportion of part-time employees (155 individuals; previous year: 152) increased slightly to 21 per cent of the entire workforce.

The average years of service at VP Bank Group rose further from 9.1 to 9.8 years at the end of 2014. This figure for VP Bank in Vaduz increased from 10.9 to 11.4 years.

With a 35 per cent share of the total (previous year: 36 per cent), persons with Swiss citizenship constitute VP Bank Group's largest employee grouping. The proportion attributable to Liechtenstein citizens remained constant at 29 per cent. The third-largest proportion (12 per cent; previous year: 11 per cent) is represented by employees from Germany (see chart on page 41).

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 determination of the need for skills that are intended to enhance a given team. This process, which has been applied for many years now, takes into account not only the professional capabilities of candidates, but also their personality, the latter by means of psychological analysis.

Excluding internships, apprenticeships and temporary employees, 75 individuals joined the company Group-wide in 2014 (previous year: 106). Only a few of these (7 persons) left the company during their first year of service. This particular figure has continually improved over recent years and is indeed also an indicator of the improvements that have been made to the recruitment process. Of the 44 entrants in Liechtenstein and Switzerland, 61 per cent (previous year: 51 per cent) of them have graduated from an institution of higher education (degree or specialist diploma), and most of them also have a number of years of professional experience.

Each time an individual leaves, the function that he or she performed is reassessed. In 2014, it was frequently the case that no replacement was recruited. On the other hand, a new hiring requirement arose due to the shift of certain tasks to the parent company as well as to project-related activities (e.g. the implementation of regulatory provisions). On the whole, the parent company headcount thus remained essentially unchanged, whilst that of the entire Group declined by a total of 9 persons.

Despite all efforts to identify and offer redundant employees a new internal post, dismissals are occasionally necessary. At VP Bank Group, it has been a long-standing practice that employees who lose their job through no fault of their own are provided with additional assistance. Aside from the legally or contractually specified benefits, this support includes, in particular, an extended termination period as well as a contribution towards the person's future employability (e.g. for "outplacement" accompaniment). At VP Bank Group, 10 individuals received this assistance in 2014.

A total of 105 persons left VP Bank Group in 2014 (previous year: 116). This corresponds to a fluctuation rate of 13.8 per cent, the lowest figure since 2010.

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 life or family surroundings.

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 assist all staff and supervisors in clarifying any personal issues that may arise. In addition to individual discussions with the affected persons, searching for possible solutions and accompanying these individuals in crisis situations, team analyses and coaching are also some of the tools applied in addressing the relevant 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.

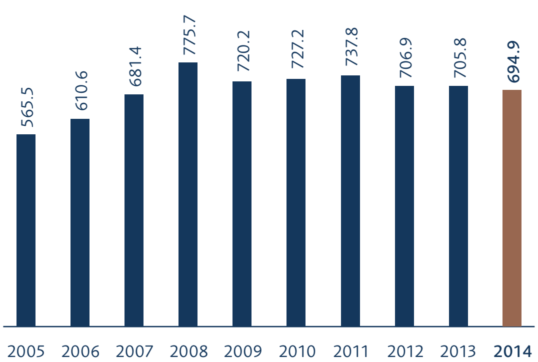
Remuneration is of course also an essential element when it comes to the satisfaction of employees and their loyalty to the company. VP Bank Group subscribes to the principle of paying fair, competitive compensation. The fixed salary is reflective of the given function and the related requirements, whilst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

In 2014, the employee stock ownership plan as well as the compensation plan for the first and second management levels were revised. For 2015, further activities aimed at revamping the remuneration system are planned, especially with regard to the client-focused units. Details on the principles of remuneration are provided in the compensation report on page 77.

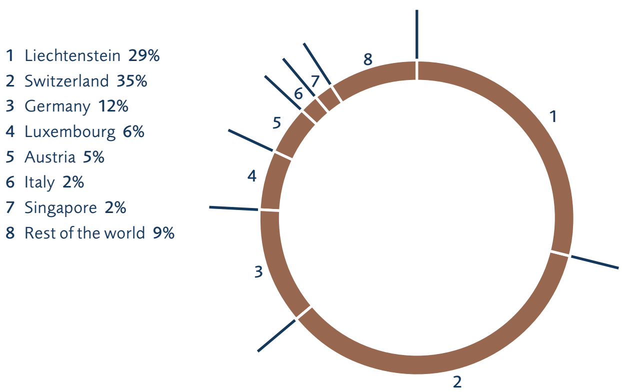
Employee career development

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 organisational chart shows the companies, units, departments and teams where this interplay takes place. Within the organisation, each employee performs a specific function involving designated tasks, competencies and responsibilities. Individual job requirements can be systematically derived from this matrix: which qualifications must the employee hold, and what degree of professional experience is necessary for the function to be performed competently?

Headcount of VP Bank Group
(full-time equivalents)



Nationality of VP Bank Group's employees



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 an important point of reference for employee development measures. A comparison of employees' existing skills with the necessary requirements immediately reveals where there is need for development, both at an individual level and cumulatively across entire business units.

Again in 2014, VP Bank Group invested significant sums in banking-specific continuing education measures, 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 access to a VP Bank e-Learning tool which offers a wide array of courses. In addition to individual, Internet-based study modules, this internal training regime also involves classroom-based courses as well as printed study materials. Tests can be taken individually via the e-Learning application. At the Bank's offices in Liechtenstein and Switzerland, approximately 400 individuals have successfully completed training courses on the topics of "Legal, compliance, tax and crossborder". Assuming a learning/training duration of 4.5 days per participant, this equates to roughly 7.4 man-years of study. Also available are courses on specific banking know-how (e.g. "Vocation check") with a total of 13 modules or subjects such as "Business continuity management".

In keeping with the HR strategy, in-house management training was strongly emphasised in 2014. The basis for this is formed by the Leadership Portal on VP Bank Group's intranet, which provides concise and easy-to-understand information on all HR-relevant topics. Each supervisor is now required to complete the corresponding "Management Check" in the e-Learning application.

At the Liechtenstein location, 28 people (previous year: 22) earned a diploma for completing a multi-semester, extra-occupational training course, and an additional 21 individuals (previous year: 38) were still participating in a similar course at the end of 2014. Of the external costs for education, close to half (46.9 per cent) of the total amount went towards the advancement of banking know-how and other specific professional skills, while 5.5 per cent (previous year: 9.3 per cent) served to improve selling and financial advisory methods. The proportion attributable to the enhancement of management skills increased to 14.3 per cent (previous year: 2.4 per cent).

Taking advantage of opportunities to assume another function, learning new things and keeping pace with today's interesting challenges: wherever and whenever possible, VP Bank Group offers its employees those opportunities. In 2014, 3 employees (previous year: 7) switched to another Group company. Moreover, at the Head Office alone, 16 persons (previous year: 20) took on a new role and 18 others (previous year: 11) were promoted to a higher-level function.

At the end of 2014, VP Bank Group was training 19 (previous year: 22) young people to become banking professionals and 4 others to become IT specialists. During the course of the year, 8 (previous year: 9) apprentices successfully completed their final exams and all of them were offered a job at VP Bank. The Bank has also 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 in parallel to their work, one of whom subsequently became a permanent employee of the Bank. A new employee has joined the company and is simultaneously studying for a master's degree.

If possible, VP Bank Group offers graduates a professional entry point: the "Career Start Programme" is limited to 18 months and usually involves a variety of roles. At the end of 2014, one person was enrolled in this programme at VP Bank.

Employee statistics of VP Bank Group

as of 31/12/2014	Men	Women	Total
Number of employees	444	311	755
Quota in per cent	58.8	41.2	100.0
Average age	42.1	40.3	41.3
Average years of service	9.8	9.7	9.8

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	2014		2013		Variance with previous year	
	Employees	Full-time equivalents	Employees	Full-time equivalents	Employees	Full-time equivalents
VP Bank Ltd, Vaduz	472	424.9	470	424.5	2	0.4
VP Bank (Switzerland) Ltd	72	67.6	87	80.8	–15	–13.2
VP Bank (Luxembourg) SA	105	100.1	109	104.4	–4	–4.3
VPB Finance S.A.	31	28.2	27	25.6	4	2.6
VP Bank (BVI) Ltd	17	16.9	13	12.9	4	4.0
VP Wealth Management (Hong Kong) Ltd.	6	6	6	6	0	0.0
VP Bank (Singapore) Ltd.	25	25	25	25	0	0.0
Moscow Representative Office	3	3	2	2	1	1.0
IFOS Internationale Fonds Service AG	25	23.2	25	24.6	–1	–1.4
Total	**755**	**694.9**	**764**	**705.8**	**–9**	**–10.9**

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 not only the basic requirements, but also 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, clearly defined requirements for suppliers and uniform supplier evaluations ensure the quality of the procurement process and the relationships with those suppliers.

Centralised purchasing

The Central Purchasing unit at VP Bank supports the specialist departments and project heads in the solicitation and evaluation of offers as well as in the quality assessment of suppliers. It also defines the preferred partners and suppliers of VP Bank Group. When it makes sense to do so, Central Purchasing concludes framework contracts with suppliers. In collaboration with the given specialist department, it defines specific procurement criteria for selected products that may also involve sustainability aspects.

The ecological principle of "Avoid, reduce, recycle" is observed in VP Bank Group'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). These conventions establish minimum standards for the observance of human rights, equal opportunity (nationality, gender), working conditions (health and safety at work, wages), child labour, environmental pollution, etc.

Supplier selection

The main criteria in VP Bank Group's selection process are price, performance, specification-consistent product quality, creditworthiness, conformity with the law and adherence to environmental and social standards. In this regard, VP Bank Group attaches great value to regional procurement: in cases of equivalent offers (price, quality), preference is given to local suppliers and manufacturers.

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

Supplier relations

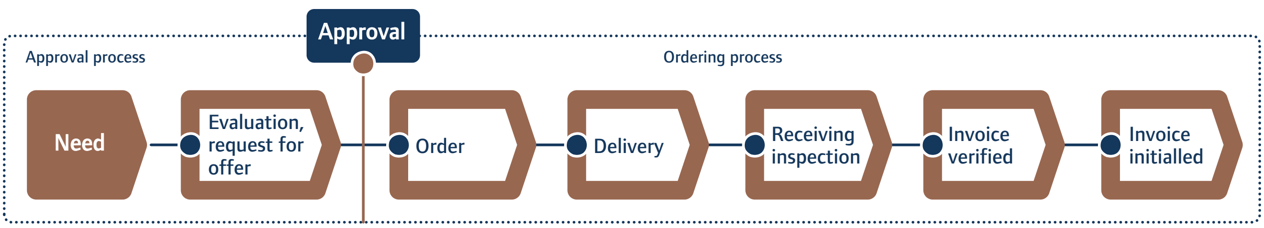
To optimise its supply chain, VP Bank Group maintains a constant dialogue with its suppliers. For larger orders, specification sheets are drawn up and discussed with the suppliers.

Suppliers that have not won the bid for large-scale orders are informed of this either in writing or by telephone. In both instances, the reasons for the negative decision are explained openly.

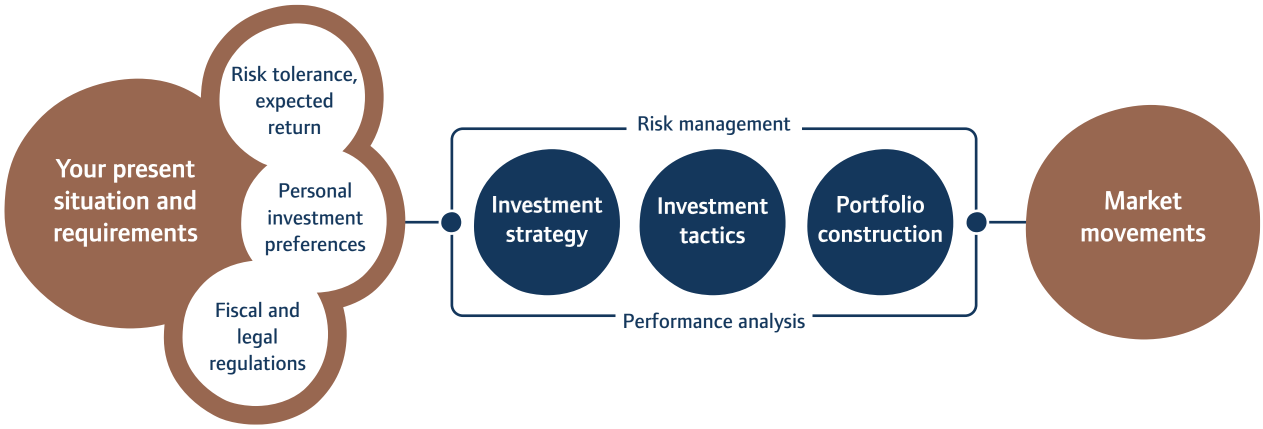
The suppliers are periodically assessed according to the following criteria: price/performance, quality, reliability, social and environmental compatibility and the observance of delivery dates. Upon request, the results of the assessment are discussed verbally with the supplier.

In order to preserve objectivity and avoid conflicts of interest, employees of VP Bank Group may not accept any monetary rewards, gifts imposing an obligation or other forms of remuneration from suppliers and service providers in connection with their professional activities. This applies from an amount of CHF 200 per supplier per year.

Approval and procurement process at VP Bank



VP Bank's investment process



VP Bank is committed to an active investment approach. This approach is based on a transparent and institutionalised investment process, for which the decision-making process is systematic, well-documented and based on clearly defined responsibilities.

The structure of the VP Bank investment process

The investment process covers all activities involving the construction, management and risk control of financial assets in a client portfolio. In this regard, portfolio composition plays a central role.

Experience shows that more than 90 per cent of investment performance is determined by the asset structure. When implementing the allocation, the selection of the actual instruments plays only a very minor role in a diversified portfolio.

The portfolio is constructed by selecting either individual instruments (bottom-up) or markets (top-down).

VP Bank's investment process is largely based on a top-down approach. VP Bank therefore initially determines the desired portfolio orientation. The actual products are then selected.

The investment process consists of three steps:

1. **Strategy:** The starting point is the definition of the long-term, strategic investment allocation. This allocation is determined on the basis of the client's risk tolerance and expected return and is specific to each investor. The strategy is reviewed annually.
2. **Tactics:** In the second step, VP Bank adjusts the long-term strategic weightings based on the respective current market assessments. While the market analysis represents an ongoing activity, adjustments to the tactical allocation are made on a monthly basis.
3. **Implementation:** The third step involves the actual portfolio construction, i.e. the specific selection of financial instruments. Based on the tactical market assessment, VP Bank selects the instruments that enable the optimal and consistent implementation of the market assessment.

As part of the investment process, the VP Bank Investment Research team is responsible for developing and formulating the market assessments.

The Investment Tactics Committee is responsible for the tactical positioning. The formulated market opinion serves as the basis for the individual investment solutions; in this regard, the individually defined portfolio risks are factored into the respective investment mandates.

VP Bank oversees the entire investment process through an Investment Controlling unit that is independent of management. Risk analysis is therefore performed prior to the investment decision. VP Bank's Investment Controlling unit subsequently controls all results using performance analysis.

Introducing Zurich.


ich

“We offer our clients convincing solutions with a personal touch.”

Joachim Künzi
CEO VP Bank (Switzerland) Ltd

VP Bank (Switzerland) Ltd is a wholly owned subsidiary of VP Bank Group and a Swiss private bank with an international focus. Since 1988, we have provided our clients with a broad range of top-notch services covering all aspects of asset management as well as the know-how of highly qualified, multilingual personnel.

The Swiss financial centre stands for long tradition and extensive expertise in asset management, investment advisory services, solidity, privacy and international business. Moreover, Switzerland has a comprehensive regulatory architecture, recognised and exemplary controls and an effective supervisory framework. This ensures that all international quality and security standards are met.

Key facts as of 31/12/2014

Year founded	1988
Legal status	Subsidiary with bank status
Core competencies	Asset management and investment advisory services to private and institutional investors Consulting services to external asset managers Credit business
Employees	72
Executive Board	Joachim Künzi Chairman of the Executive Board Antony Lassanianos Member of the Executive Board

The selection process

Based on the strategic and tactical guidelines, the portfolio construction aims to select appropriate investment instruments in order to reproduce the weighting targets for the respective investment classes.

VP Bank Group follows two principles in this regard:

- **Market efficiency:** In markets where little added value can be achieved through active securities selection, the Group uses cost-effective, passive investment opportunities such as Exchange Traded Funds (ETFs). The choice of provider also plays an important role in this regard. VP Bank focuses on relative performance that closely tracks the respective benchmark, low administrative costs and ample fund liquidity.
- **Best manager selection:** In markets where active managers can generate added value and it is also possible to identify such providers, VP Bank looks to select such a fund manager. As part of its management and consistent with the top-down approach, VP Bank applies an allocation based on a broad number of asset classes. For the implementation, the selection of a corresponding specialist for a given asset class is essential.

VP Bank applies clear and comprehensible selection criteria and avoids conflicts of interest. It offers its clients access to the best managers and most promising product solutions. For the selection, qualitative criteria based on manager interviews are used along with quantitative criteria backed by professional and proven analytical tools.

- The process starts with professional **peer group management** in order to ensure that funds are only compared if they pursue comparable strategies and styles.
- **Preselection** by quantitative screening subsequently takes place by means of an analytical tool known as Fund Radar. Various relevant factors pertaining to risk and return are analysed and evaluated here.
- VP Bank then conducts a **detailed analysis** for every fund using the Fund View analysis tool in preparation for fund manager interviews.
- VP Bank utilises questionnaires (so-called RFPs) for ongoing **manager interviews** and documents the results systematically.
- Fund Navigator is a **qualitative assessment tool** which enables VP Bank to systematically compare qualitative data.
- The **final rating** is the result of analysing all (measurable) quantitative and (assessable) qualitative data.

Added value for the investor

As part of its management and consistent with the top-down approach, VP Bank applies an allocation based on a broad number of asset classes. For the implementation, the selection of a corresponding specialist for a given asset class is essential. Only in this manner can VP Bank ensure an optimal combination of the Bank's top-down competencies and the manager's bottom-up capabilities on behalf of the client.

VP Bank Group's structured, integrated and investor-oriented investment process along with the consistent focus on best manager selection ensure that the client's investment requirements play a central role and that the Bank acts as a reliable partner even during crisis periods.

VP Bank’s business ecology

Paper and water consumption

As a general rule, VP Bank 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 led to a considerable reduction in the use of paper for forms and vouchers. For example, the number of printed forms has declined steadily from 655,000 in 2005 to 335,700 in 2014. The increase over 2013 was due to a change from semi-annual to quarterly account balancing. The number of envelopes was lowered from 1,500,000 in 2004 to 740,572 in the past financial year.

Paper consumption has steadily decreased from 68.03 tonnes in 2004 to 40.47 tonnes in 2013 and now stands at its second-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 quintupled over the same time frame in sharp contrast to the consumption of paper.

VP Bank 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 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 more than 77 per cent over the past seven years; while a total of 7,000 copies of those publications were printed as late as 2007, this number had declined to a mere 1,600 in 2013. The new, user-friendly online version of the annual report will presumably reduce the print run even further.

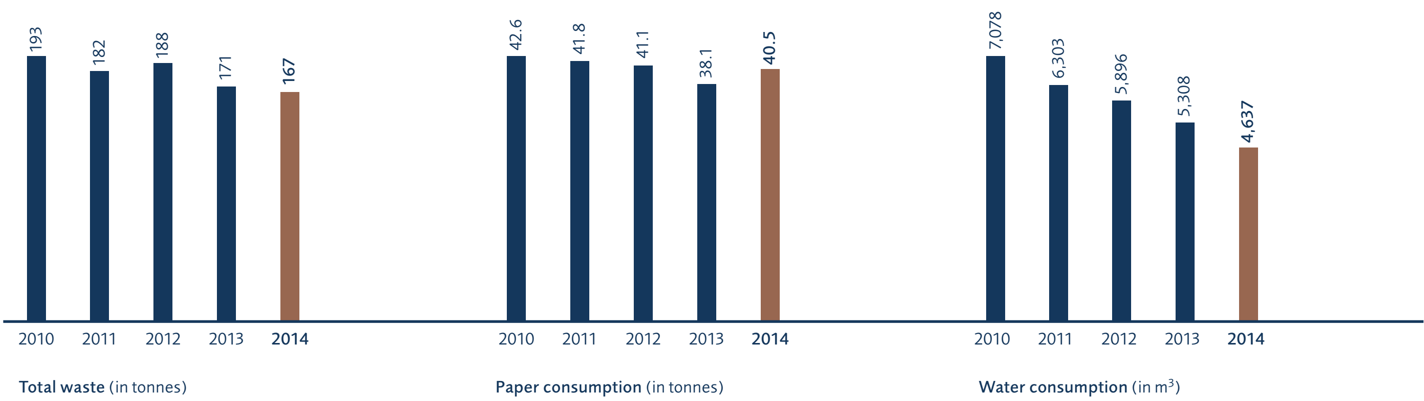
For the Vaduz and Zurich locations, the number of e-mail documents has increased continuously: in 2007, the total was approximately 130,250; by 2011, it had risen to more than 696,270; in 2013, it reached 1,204,603; and in 2014, the total stood at 1,506,270. Compared to the 2013 figures (+28 per cent year-on-year), the latest annual number of e-mails reflects an additional 25 per cent increase. Since 2012, the Luxembourg location has been included in these statistics. It should also be noted that the electronic communications of VP Bank Group include the footnote "Please consider the environment before printing this e-mail".

Water consumption once again declined, this time by more than 13 per cent versus the previous year and now lies below all readings recorded since 2004. This reduction was equally attributable to all facilities of VP Bank in the Principality of Liechtenstein. Water consumption per employee has dropped from 16.3 m^3 in 2005 to 9.8 m^3 in 2014.

Energy

Through numerous initiatives, VP Bank Group is focusing on the prudent consumption of energy. These measures range 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 and the use of motion-activated lighting.

At the Liechtenstein facilities, most of the lighting is regulated by a light control system with motion detectors. This technology can reduce power consumption by 20 to 40 per cent compared to manually activated lighting. In the procurement of new means of lighting, preference is given to today's highly efficient LED systems. In 2014, LED lamps were purchased instead of the once-customary neon tubes (which will be replaced during the course of 2015). The energy savings



afforded by the use of LED lamps rather than traditional lighting sources amounts to roughly 75 per cent.

Total power consumption at the Bank's Liechtenstein facilities has been on the decline for six years, and in 2014, levels once again stood below those last seen in 2004. This is thanks to efficiency-enhancing measures, including 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 and a second system commenced operation in 2014. The purchase of cutting-edge servers has 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 VP 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 three years it has decreased, mainly due to unfavourable weather conditions. The plan is to reverse this recent trend by installing a more efficient system.

VP Bank has realised massive savings on heating costs. Heating oil consumption in 2014 declined by roughly 33 per cent versus the previous year. The amount of natural gas consumption also fell sharply. The major contributor to these decreases – apart from the mild weather – was the optimised heat recovery system at the Giessen building in Vaduz, which went into operation back in March 2013. Moreover, the old oil heating system was permanently decommissioned in September 2014. As of 2015, heating will be provided solely via natural gas and heat recovery from the cooling units.

VP Bank focuses on energy efficiency. A functional specification document was therefore created for the procurement of new cooling units, which stipulates that new equipment is 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.

Modern ventilation systems featuring heat recovery make use of the ambient heat loss in offices and work areas. These installations were one of the reasons why the Bank's annual natural gas consumption – after a 66 per cent drop in 2013 – fell yet again by more than 35 per cent. For 2015, there are plans to replace the ventilation control centre at the main office for reasons of efficiency and hygiene.

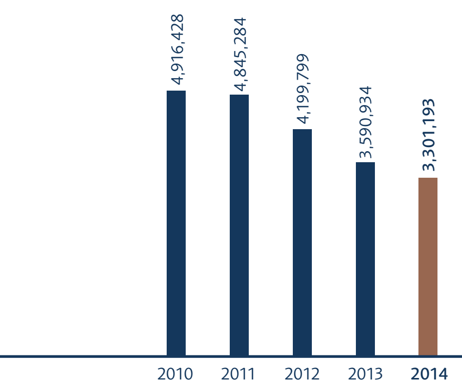
Overall concept

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 and the results are considered in the measures for fine-tuning the Bank's overall energy supply.

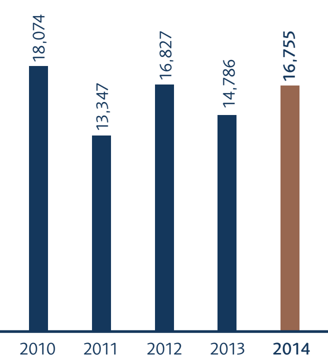
In addition, the energy supply project foresees the continued use of cutting-edge technologies that enable heating on the basis of heat recovery. In 2014, a renovation of the main office in Vaduz was initiated. It involved the installation of a new central cooling aggregate with heat recovery capabilities (completed last March) and a new heating system (completed last October).

The central cooling aggregate affords both operational safety and energy efficiency. Each of the two units is equipped with an electronic control system that steers two distinct cooling circulations. With the help of this control mechanism, the equipment can adapt its functions much more precisely than ever before to the climate conditions in individual areas. Warmth is generated as a by-product, which can then be recycled for heating purposes.

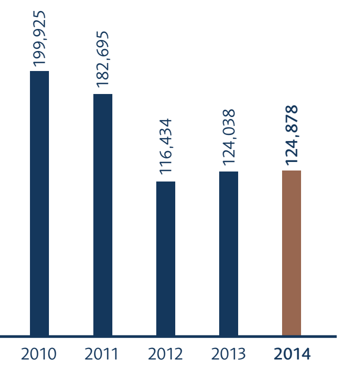
Now that this system has been put into service, the lion's share of the overall concept has been realised. The next step is to plan the use of groundwater in Vaduz. Through the implementation of this measure, the existing subterranean water can be used for cooling purposes in summer and heating in winter. Initial discussions with the Liechtenstein Office of Environmental Protection (OEP) have already been held and two pilot holes drilled. The OEP has examined the viability of the plan – the formal approval and realisation can be expected in 2016.



Power consumption (in kWh)



Mobility Cars (in km)



Number of kilometres compensated for employees (in km)

A separate, more detailed energy report for the Liechtenstein facilities will be drawn up. The report can be accessed on the website of VP Bank.

Photocopiers

Based on a new service contract, the previously existing photocopiers at the offices in Liechtenstein were replaced with new devices during the course of 2013 and 2014. The new copiers are made from recyclable components and use environmentally friendly polymerised toner, which, in its production, generates 40 per cent fewer CO_2 emissions than conventional toners. Another major advantage is their low 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 to sleep mode more rapidly and requires considerably less energy than previous models. This in turn helps VP Bank 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.

The targeted savings were achieved in 2014: they amount to roughly CHF 100,000 per year. The useful life of this new generation of equipment has been set at 5 years.

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 other residual paper. Glass, cardboard, polystyrene, PET bottles and organic waste each have their own receptacles. The total amount of waste generated in 2014 (167 tonnes) was the lowest since 2004. The per-employee figure of 0.355 tonnes was also the lowest amount in ten years.

The residual paper discarded by VP Bank 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 at the Liechtenstein location. The briquettes are collected by a local recycler and taken to an incinerator.

Environmental management

Responsibility for the Bank's environmental sustainability is borne by the IT Infrastructure Technology unit. VP Bank is a member of the Swiss Network for Sustainability and Management.

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

VP Bank 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, 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

Seven years ago, VP Bank introduced a mobility concept at the Head Office in Vaduz. It features financial incentives for using public transport as well as a graduated fee structure for employee parking spaces. The concept is self-financing: rental proceeds from the car park are used for bonus payments to employees who forgo the use of personal cars and therefore do not occupy parking spaces.

This concept also motivates employees to form carpools. In addition, VP Bank Group offers the 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 2014, it was 67 per cent lower than the total before the introduction of the Mobility Car concept in 2007. The use of a videoconferencing system has helped to 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 transport tickets. 77 employees benefited from this in 2014.

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

The social engagement of VP Bank

Commitment to society and culture

At home in Liechtenstein as well as selectively at all of its global locations, VP Bank upholds its responsibility towards society through charitable donations. These contributions are directly related to the local marketing strategy, client acquisition and servicing efforts as well as brand management. Since 2014, VP Bank has focused on the annually alternating donation categories of recreational sports and broad-impact cultural institutions. In addition, employees of VP Bank Group who are active in a public organisation receive a patronage allowance. For a number of years now, a wide array of projects and initiatives have benefited from this commitment.

At VP Bank Group, sponsoring is used as a supportive marketing and communication measure that plays an important role by enhancing the brand recognition and image of the company. The sponsoring projects must be linked to the strategic goals of VP Bank Group in some way. Due to the 2014 realignment of the company's positioning in its core markets, all sponsoring activities we reassessed. VP Bank Group now concentrates on sponsoring commitments in the areas of sport (golf, tennis, mountaineering), culture (artworks and design, culinary art) and entrepreneurship, each of which is unique in its own way. The Bank lends a hand to its commercial partners (individuals, groups, organisers of special events, etc.) by donating money and/or services. Since 2007, VP Bank has been supporting Stephanie Vogt, a professional tennis player. Watch a video at http://report.vpbank.com/en/engagement.

VP Bank Art Foundation

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

Hans Brunhart is Chairman of the Board of Trustees. The other members are Fredy Vogt, Chairman of the Board of VP Bank Group, and Dr Uwe Wieczorek, curator of the Hilti Art Foundation. Eva Frommelt is curator of the Foundation itself.

In its acquisition activities, the VP Bank Art Foundation has become increasingly focused on artists who have not yet gained full recognition in the art world. In 2014, the collection was broadened through the purchase of four notable works. In an effort to fine-tune the character of the collection, works that no longer fit that profile are taken out of the collection and sold or given as gifts to institutions that can better integrate them into their own collections.

Through loans to renowned international exhibition houses, the VP Bank Art Foundation gained recognition of its own in 2014.

VP Bank Foundation

The VP Bank Foundation was initiated in 2006 and established in 2007 to mark the 50th anniversary of VP Bank. In keeping with its Articles of Association, the Foundation supports projects, individuals and institutions that have gained an outstanding profile in the areas of ecology, art, education, science or culture. Charitable activities in the interest of the broad general are also supported. Moreover, this patronage is intended to be connected in some way with Liechtenstein as well as the corporate values of VP Bank. 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 Foundation donated around CHF 300,000 to worthy causes.

Through a recent contribution, the VP Bank Foundation has supported 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 long-standing annual contribution to the Bildungs- und Seminarhaus Gutenberg education and seminar centre in Liechtenstein.

In connection with the Foundation's support of scientific research at the University of Liechtenstein, the Board of Trustees joined the government in approving a grant for the research project entitled "Characteristics and sources of productivity growth in Liechtenstein": this in the belief that economic analyses bring to light long-term trends and represent core elements of the Principality's political strategies.

In the area of ecology, the Foundation lent support yet again in 2014 to the "pro natura – pro ski" foundation, which was initiated by VP Bank 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.

In 2014, the Foundation's widely noted activities took the shape of a jointly conducted symposium entitled "BERG-

UMWELT" in Alpbach (Austria), where numerous scientists and practitioners from the Alpine nations were in attendance.

Ever since its establishment, the VP Bank Foundation has attached the utmost importance to continuity in its support of the environment, education and science, and will also pursue this policy in the years to come.

As to the Foundation's cultural patronage, contributions to exhibitions by the Liechtenstein National Museum and the "Werdenberger Namenbuch" are just two examples.

In connection with the annual "Lichtblick" campaign, 34 social institutions in Liechtenstein received grants from the Foundation: it disbursed a total of almost CHF 77,000 to this initiative and other projects of social institutions and associations in Liechtenstein and the surrounding region.

With the objective of providing greater support to young people, the Foundation sponsors various projects in the area of youth theatre and music as well as offers for preschool children.

The decision was taken to fund a multi-year sponsorship of the Liechtenstein Academic Society's publishing activities. These scientific papers on themes of relevance to the Principality are frequently associated with forums and research projects of the Liechtenstein Institute and represent a source of knowledge for political and social purposes.

Again this past year, a portion of the Foundation's capital was invested in the EMF Microfinance Fund AGmvK as well as in VP Bank Balanced (CHF) Strategy Fund class C units. 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 Foundation is a member of the Association of Liechtenstein Non-profit Foundations e.V. and the SwissFoundations association of charitable institutions. The Board of Trustees is involved in the management and development of the Liechtenstein association and benefits from the valuable exchange of ideas and experiences in both federations.

Responsibility as an employer

VP Bank Group demonstrates its responsibility as an employer by providing modern, pleasant working conditions. Motivation and good health have just as much influence on the working environment as the personal performance of each and every employee, and these factors also influence the success of the entire company. Through attractive career opportunities and a wide array of continuing education possibilities, VP Bank wishes to attract and retain the best talents.

Motivated, well-educated employees exude the kind of competence, service orientation and candidness that clients appreciate. One of the prerequisites for this is a working environment in which all the employees feel comfortable and are simultaneously encouraged to accomplish their very best. VP Bank offers them not only leeway to develop and realise their own ideas, but also an agreeable work-life balance.

Special emphasis is placed on the training of young people: VP Bank wants to ease their entry into business life and offer them attractive prospects for the future. The demands on young professionals are increasing constantly. For this reason, VP Bank continuously adapts its training approaches in order to enable it to develop the next up-and-coming generations of talented individuals in a flexible and practice-oriented manner. Apart from the classic bank apprenticeship, VP Bank also makes it possible for students to have a part-time job at the Bank during their studies, or otherwise be granted an entry-level job once they have earned their master's degree.

VP Bank is seeking certification from the Swiss Bankers Association in order to enhance the quality and standing of its vocational training. In connection with this, the training concept was adapted in 2014 and now has an increased focus on practical networking. In doing so, VP Bank has evidenced its responsibility as a training organisation.

On 13 November 2014, the National Future Day was held in Switzerland and Liechtenstein. A large number of companies took the opportunity to open their doors to pupils from years five to seven and allow them to discover the world of business first hand. National Future Day therefore broadens the career horizons and future prospects of young girls and boys.

VP Bank in Vaduz also participated in the latest National Future Day. Thirteen young people aged between 10 and 13 took advantage of the opportunity to spend a day with a "mentor" and gain a sense of what professional life is all about. They received lots of information about VP Bank and showed great interest in the various types of job that actually exist at a bank.

Ever since 1974, the VP Bank Sports Club has been organising numerous activities in Liechtenstein that are either free or available at sharply reduced prices. The VP Bank in-house intranet provides a vast array of information on themes such as "Fit at work", "Health promotion through movement" and "Healthy nutrition". Additional features include stress-checks as well as tips on accident prevention and ergonomics in a desktop world. Employees are granted discounts on massages, fitness centres, kinesiological treatments and glasses for use at work. In addition, VP Bank in Liechtenstein offers the use of the "well.system", which enables individualised management of an individual's personal health-related behaviour.

Legislation and supervisory authorities in Liechtenstein

VP Bank Ltd, Vaduz, is constituted as a joint-stock company under Liechtenstein law. It is the parent company of VP Bank Group. The competent supervisory body in its country of domicile is the Liechtenstein Financial Market Authority (FMA). As the bearer shares of the parent company are listed on SIX Swiss Exchange, VP Bank is also subject to the regulations 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 local 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 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. The Banking Act lays down the framework for the supervisory activities of the FMA. The latter – together with the external banking-law auditors, who must possess a licence from the FMA and are subject to its supervision – constitutes the main pillar of the Liechtenstein system of supervision.

Under the Banking Act, banks and securities firms in Liechtenstein can offer a comprehensive array of financial services. The Law 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 article on money-laundering contained in Art. 165 of the Liechtenstein Penal Code – constitute the relevant legal foundation for the entire financial services sector in Liechtenstein. These have been revised on repeated occasions and correspond to international demands and standards.

Within the scope of its business activities and the financial services offered by it, VP Bank must, in particular, observe the following 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 section discusses a number of developments relevant for financial market regulation and applicable legal principles which have been revised or put into effect during the past financial year or are likely to be of relevance in the future.

International Taxation Agreements

With its announcement of 12 March 2009, Liechtenstein undertook to implement the global standards on transparency and the exchange of information in matters of taxation in accordance with the OECD standard. Since then, Liechtenstein has concluded numerous international taxation treaties, including both double-taxation agreements (DTAs) as well as Tax Information Exchange Agreements (TIEA) pursuant to the OECD model.

Liechtenstein is seeking, in particular, to revise the partial agreement between the Principality of Liechtenstein and the Swiss Confederation on various tax issues dating back to 17 December 1996 and to agree upon a DTA which conforms to the OECD model. The related negotiations between Liechtenstein and Switzerland were completed in February 2015 and the DTA is expected to enter into force by 1 January 2017.

Furthermore, the agreement with Austria signed on 29 January 2013 on cooperation in the area of taxation as well as the protocol on the amendment of the existing DTA entered into force on 1 January 2014. On the basis of the taxation agreement, all assets held by persons resident in Austria were subject to an additional tax assessment on the basis of an anonymous one-off payment or disclosure of the banking relationship as of 31 May 2014 or 30 June 2014. Since 1 January 2014, the current taxation of income from capital in the accounts / security deposit accounts involved has been levied using a lump-sum tax rate of 25 per cent or on the basis of voluntary disclosure.

Automatic Exchange of Information

With the government declaration of 14 November 2013 and drawing on the previous financial centre strategy, Liechtenstein again reaffirmed its commitment to the applicable OECD standards. Liechtenstein thus signed the Multilateral Convention of Mutual Administrative Assistance in Tax Matters on 21 November 2013, which regulates the various forms of cooperation in the field of taxation (in particular, the exchange of information). In addition, the efforts in the area of tax transparency on an international level were accelerated during 2014. A multitude of bilateral and multilateral agreements are due to be replaced in future by a uniform standard for the automatic exchange of information. The framework conditions for this global solution were laid down in mid-2014 by the Organisation for Economic Co-Operation and Development (OECD) in its set of regulations establishing uniform reporting standards.

The standard has two component parts: The first part consists of a so-called Competent Authority Agreement (CAA), a model agreement forming the basis for the exchange of information and which contains the scope of information, the mode of transmission and the rules of cooperation. The second part of the standard contains a Common Reporting Standard (CRS) including a commentary regarding application. This latter lays down the reporting and procedural rules, details as to the identification of clients, the financial information to be reported and the financial intermediaries involved. Details of the new standard are still open. Both within the EU as well as other countries, including Liechtenstein, which have undertaken as "early adopters" to implement the OECD directives in the quickest possible manner (joint statements of 19 March 2014 and 1 August 2014), the new standard will apply from 2016 onwards. On 29 October 2014, Liechtenstein agreed to this together with 50 other countries within the framework of the first multilateral agreement on the automatic exchange of information. In accordance with this agreement, financial information for the tax year beginning on 1 January 2016 shall be relevant and the first effective exchange of data will ensue in 2017.

Various other countries, including Switzerland and Singapore, have announced that the implementation of the OECD standard in their countries will be delayed by one year (until 2018). Overall, it must be assumed that the automatic exchange of data will be implemented internationally by 2018 at the latest. The standard will obligate banks, in a manner to that required by FATCA, to undertake a comprehensive review of and to take measures to identify existing client relationships and reporting duties with all partner countries participating in the exchange of information.

Directive of the Bankers Association on Tax Compliance

With the directive of 1 September 2013, Liechtenstein banks have agreed on uniform minimum standards to be applied in relation to the due diligence requirements concerning tax compliance. The related principles continue to apply and obligate banks to clarify the origin of assets and to review compliance with tax laws using a risk-based approach prior to the commencement of business relationships and the acceptance of new assets.

The directive also includes restrictions in the case of cash transactions. As cash transactions are potentially suitable for promoting tax evasion, tax fraud and other tax offenses, the provisions regarding cash withdrawals will be tightened across the board. Cash withdrawals exceeding CHF 100,000 will thus only be permitted in cases in which, inter alia, it is plausible that this will not facilitate the committal or continuation of a tax offense. Banks are also obligated to ensure particular control mechanisms for such cash withdrawals in their internal business rules.

Revision of Tax Act

The Tax Act, which entered into force on 1 January 2011, was partially revised during 2014. In addition to various specifications made, new rules were introduced, in particular as regards the taxation of persons with restricted tax liability as well as the deductibility of capital contributions made to occupational pension schemes.

In addition, the changes now provide for an additional lump-sum deduction of 6 per cent of total assets in calculating modified equity (excluding amounts already deducted such as own shares, shareholdings). Finally, the revised Tax Act contains statutory regulations for legal entities regarding the taxation of realised gains of accumulating investment funds which are treated as having been distributed and paid out annually. They are thereby treated the same as direct investments. Accordingly, the return arising from equity paper remains tax-exempt; investment income and gains on the sale of other capital investments are taxable. Details, in particular regarding the application of substantive tax exemptions in the case of mixed funds, are set out in a bulletin issued by the Liechtenstein Tax Administration. In addition, rules were issued for write-downs or valuation allowances on shareholdings in domestic and foreign legal entities, the offsetting of losses from a foreign branch as well as, pursuant to Art. 9 para. 3 of the Tax Act, an option for taxing the tax advantages received with the wealth tax on a substitution basis in the case of an irrevocable foundation, special dedications of assets or foundation-like establishments.

The new legal rules are to be applied retroactively to the tax assessment for the 2014 tax year.

In addition, in its Report and Petition No. 89/2013 of 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 introductory debate in the Liechtenstein Parliament ("Landtag"), concerns were expressed in some cases regarding 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. In accordance with this, those individuals who report a punishable offence committed by themselves pursuant to the provisions of the Tax Act for the first time after 1 January 2011, provided this is not because they are in imminent danger of being discovered, shall only have to pay the supplementary tax together with interest on arrears for the preceding five years. Neither fines nor surcharges as provided for under Art. 142 of the Tax Act 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. On request, the supplementary tax to be levied will be calculated by applying a lump-sum tax rate to all undeclared assets as of 1 January 2013. This lump-sum tax rate is 2.5 per cent plus the additional municipal tax rate. In the event that a taxpayer makes a further voluntary disclosure, a fine equal to one-fifth of the tax evaded will be levied. These amendments were adopted by the Landtag on 13 March 2014. They take effect retroactively as of 1 January 2014.

Tax offenses as Predicate Offence to Money Laundering / 4th Money Laundering Directive

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 also provide, amongst other changes, for an extension of the list of predicate offences to include severe tax offences.

This means that banks, insurance companies and other financial intermediaries must in future inform the national money laundering reporting office – in Liechtenstein, the Financial Intelligence Unit (FIU) – in the case of suspicion. The latter in turn is obligated, if need be, to forward the information to foreign reporting offices.

After the publication of the new recommendations of the FATF, the European Commission announced that the EU legal framework will be updated and the necessary amendments will be made without delay.

A draft of the 4th EU Money Laundering Directive has been available since February 2013. In February 2014, the competent specialist committees of the European Parliament gave their consent to the draft guidelines submitted by the EU Commission and in the second half of 2014 deliberations were held with the EU Commission and the Council of Ministers. The implementation of the 4th EU Money Laundering Directive is not expected before 2016. In Liechtenstein, the government, the Financial Market Authority, the Bankers Association and the FIU are following developments very closely and reviewing whether and in which form there might ensue a need for action for the Liechtenstein financial market. With the decision of the government of Liechtenstein of 30 September 2014, a working group has been commissioned to submit a consultative document by 1 December 2014 to implement the new standards relating to tax offenses as a predicate offense to money laundering. In particular, this shall incorporate the following changes:

- Wider-ranging directives for the application of the risk-based approach
- Broadening of the provisions concerning politically exposed individuals (so-called PEPs) which in future will also extend to domestic PEPs as well as individuals who hold an important office in an international organisation.

Revision of Tax Administrative Assistance Act and Tax Administrative Assistance Act with the United States of America

In its Peer Review report of September 2011 as well as in the Supplementary Report of October 2012, the Global Forum on Transparency and Exchange of Information for Tax Purposes recommended to Liechtenstein that it provides for exceptions in certain cases as regards the prior notification of the persons involved in mutual assistance procedures (so-called secret proceedings). In the Report and Petition No. 54/2014 of 6 May 2014, the related proposals for the amendment of the Tax Administrative Assistance Act (TAAA) and Tax Administrative Assistance Act with the United States of America (TAAA-USA) were presented.

The Liechtenstein TAAA and TAAA-USA guarantee the comprehensive involvement of the persons concerned in the proceedings. As under the current Liechtenstein proceedings for mutual administrative assistance in tax matters, the inspection of files must be granted no later than the moment that the Tax Administration's final decree is contested – it is currently not possible to transmit tax information to foreign taxation authorities in exceptional cases without the prior notification of the persons concerned. With the proposed amendments, an exception to the prior notification of these individuals is provided for. This is restricted to those requests for mutual administrative assistance in which the notification of the persons concerned would clearly thwart the success of the foreign investigatory proceedings.

The fulfilment of the preconditions is to be justified by the foreign authority on a case-by-case basis. Should the Tax Administration come to the conclusion that these are met, it shall forward the request without delay to the competent single judge of the Administrative Court and apply for authorisation of the enforcement of the request for administrative assistance while maintaining a ban on information.

Even within the framework of exceptional proceedings, the international principle shall continue to prevail, according to which the competent foreign authorities must first and foremost exhaust all appropriate means available in their territory to procure the information prior to embarking on a request for mutual administrative assistance (so-called principle of subsidiarity). Furthermore, details as regards the release of information by the information holder, the rights of the persons concerned and the lifting of the ban on information are also regulated.

The amendment above to the TAAA and the TAAA-USA was discussed on 5 June 2014 in the Landtag at first reading.

US Tax Legislation / Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act (FATCA) issued by the USA contractually obligates foreign financial institutions (FFIs) to identify those clients of theirs who are liable to unrestricted tax in the US and disclose the assets and income of the clients to the US tax authorities (Internal Revenue Service, IRS).

The disclosure and reporting obligations resulting from this Act are primarily assured through bilateral agreements between the US and the respective target state, which, at the same time, represent, together with related national legislation, the legal basis for the aforementioned obligations. The Liechtenstein FATCA Act was published on 22 January 2015. At present, two different models are employed worldwide which are designated as intergovernmental agreements (IGA). Both models differ principally in that under Model 1, the FFIs discharge their reporting obligations to the respective national tax authority, which then passes on the data to the IRS, whereas under Model 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. Through FATCA, the US is attempting to introduce a seamless system for the global exchange of information on individuals who are liable to unrestricted tax in the US (US persons), while at the same time attaining a high degree of tax transparency. To ensure this, FATCA 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 the FATCA legislation. In order to attain the status of a so-called Participating FFI (PFFI or Reporting Model 1/2 FFI) 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 in business transactions as a FATCA participant, thereby avoiding, in particular, the requirement to withhold 30 per cent withholding tax on all incoming US payment flows.

The GIIN is further required in order to meet the reporting obligations (FATCA reporting) and to complete and submit the necessary US reporting forms (e.g. forms 8966/1042/1042-S) in an orderly manner. FATCA reporting is performed annually. It will commence with the 2014 calendar year as the reporting period, meaning that the first FATCA reports will be made in 2015 for the 2014 reporting year.

A Participating/Reporting FFI shall review and, as part of this review, identify and document all accounts held, directly or indirectly, by US persons.

Where individuals are the account holder, a distinction is to be made between three client categories:

- US reportable 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) or can qualify as US persons on the basis of data available to the financial institutions or of unrefuted US indices (e.g. place of birth in the US).
- Non-US accounts: These are client relationships with persons who, on the basis of the review, are not designated as US persons as these are not liable to unrestricted taxation in the US.
- Recalcitrant accounts: These refer to relationships with clients who are classified as US reportable accounts on the basis of the available facts or indices but for which the account holder/contracting party has not submitted the required documents. As, on the basis of the Liechtenstein FATCA, all financial institutions are exempted from the respective secrecy obligations in relation to FATCA reporting, no recalcitrant accounts are maintained in Liechtenstein.

In addition, in the case of account holders which are companies and legal entities, VP Bank will have their FATCA status confirmed by the account holders. In this client category, VP Bank Ltd must only report in accordance with FATCA in those cases where the company or legal entity is identified as being a so-called "passive NFFE with US controlling persons".

In the case of all other FATCA statuses, the reporting and ongoing identification and document duties in connection with the beneficiaries/members/partners remain with the respective company or legal entities themselves.

VP Bank and all Group companies are registered with the IRS and possess a corresponding GIIN.

As of 22 December 2014, 45 countries had concluded a Model 1 IGA with the US and seven countries a Model 2 IGA.

A further 53 countries have reached an advanced stage in negotiations with the US regarding a Model 1 IGA and seven countries a similar stage regarding a Model 2 IGA.

Markets in Financial Instruments Directive (MiFID II)

MiFID II shall be applicable in Liechtenstein from 3 January 2017 onwards. The motivation to revise MiFID is the experience gained in the financial crisis of 2007/2008. The revised version of the MiFID Directive 2014/65/EU as well as the directly applicable Ordinance No. 600/2014 (MiFIR) are designed to render financial markets more efficient, more resilient and more transparent, reinforce investor protection, enhance the supervision of less well regulated markets and tackle the problem of excessive price volatility on commodity markets. MiFID II now encompasses the whole chain of added value from the distribution of to trading in financial instruments. The European Securities and Markets Authority (ESMA) has been given the authority to issue implementing ordinances for MiFID II to which great importance is attached but which most probably will only become available in the second half of 2015.

MiFID II introduces the following central changes, the implementation of which will set new strategic directions as a consequence:

- **Dependent/independent investment advisory services:** Banks must decide whether they wish to appear as dependent or independent investment advisors on the market. As independent investment advisors, banks may no longer accept retrocessions or similar benefits from third parties. In elaborating investment recommendations, independent investment advisors must take into consideration a sufficient number of financial instruments offered on the market (diversified in terms of product type and issuer). In this respect and more particularly, they may not only restrict themselves to financial instruments of issuers or product providers which are closely related to the advisory bank (e.g. through distribution contracts).
- **Suitability report:** More stringent documentation and disclosure duties shall apply to both dependent and independent investment advisors. In particular, client must be informed as to the extent to which the advice was aligned with their preferences, objectives and other attributes.
- **Portfolio management:** In portfolio management, the acceptance of retrocessions or similar benefits from third parties is forbidden across the board. In periodic suitability reports, the client must be informed as to the extent the investment guidelines have been complied with and if not, of the reasons why not.
- **Product governance:** Banks must ensure actual product governance. They must identify the risks associated with the financial instruments offered, determine the client base whose requirements correspond to the financial instrument and ensure that the latter is only distributed to the defined target groups. The analysis of the financial instruments must be repeated periodically.
- **Diversity:** Management and supervisory bodies of financial institutions must take into account the principle of diversity, i.e. that the respective bodies should be composed of a diversified number of individuals according to age, sex, education, profession and origin.
- **Duty to maintain records:** Additional recording duties are established for telephone conversations or other forms of electronic communication which deal with the area of investment advisory services and the issuance of orders in connection with financial instruments. Private means of communication (e.g. private mobile phones) in principle may not be used for contact with the clients.
- **Rules pertaining to third countries:** There is a uniform regime for the services of eligible counterparties and professional clients (e.g. insurance companies, investment-fund companies) regarding the cross-border activity of financial institutions from third countries (countries outside the EU/EEA, e.g. Switzerland). In these cases, only registration with the ESMA is required which, however, depends on whether the rules applicable to the financial institution in the respective third country were recognised by a decision of the EU Commission as being equivalent.

After registration is completed, financial institutions will be able to service clients EU-wide from the third country concerned. The national regulations currently in force may still be applied during a transitional period of three years from the date of the decision on equivalence. In the case of contacting private clients on a cross-border basis, there is only a partially uniform regime available. Each EU/EEA member state continues to be free to prevent the serving of private clients in a cross-border relationship and to prescribe the mandatory establishment of a branch. If this should be the case, however, the same requirements for the establishment of a branch shall apply EU/EEA-wide. The provision of banking services on a cross-border basis continues to be possible upon the sole initiative of the client (passive freedom to provide services).

As already mentioned, the implementation of MiFID II will require strategic decisions to be taken by financial institutions, in particular as regards the manner in which investment advisory services are organised. In addition, there will be the additional challenge in that the implementing regulations of ESMA are sure to have a significant influence on the enforcement of MiFID II and the related freedom of action of financial institutions to organise their activities, on the one hand, and on the other, the fact they will most probably not be available prior to the second half of 2015.

Crossborder Transactions

The legal and reputational risks inherent in cross-border financial services have increased noticeably in recent years. From a supervisory-law perspective, it is expected in this respect that banks identify and, where possible, minimise these risks, particularly in their target markets. Serving this purpose are mandatory rules of conduct specific to each country for employees as well as suitable business processes with which compliance with the applicable foreign supervisory law can be ensured. All booking centres of VP Bank Group fulfil these requirements and ensure adequate training as well as appropriate control mechanisms for employees entrusted with cross-border business.

Implementation of the CRD IV Package

The EU issued the so-called CRD IV package as a reaction to the 2008 financial market crisis; this comprises the Capital Requirements Regulation (CRR IV) in addition to the Capital Requirements Directive (CRD IV). These European guidelines were implemented through a revision to the Banking Act and various other normative texts and adopted in the legislation of Liechtenstein. In particular, the system of investor compensation was also expanded.

Included therein are provisions on improving and tightening capital-adequacy and liquidity requirements (equity buffer) and thus the banks' internal policies on managing equity resources, on risk management, on corporate governance (stricter requirements for supervisory and management bodies), on the EU-wide harmonisation of the sanctions framework and cooperation between supervisory authorities. In addition to banks, securities firms, asset managers, management companies and AIFM are now obligated to join a system of investor protection and supervisory cooperation. The Liechtenstein Bankers Association has resolved in this regard to open its investor protection system to other financial intermediaries.

Brief overview over Investment Fund Legislation

As regards securities-based investment funds, the Liechtenstein Landtag had already issued the Act on Certain Undertakings for Collective Investments in Transferable Securities (UCITSA) on 28 June 2011 in implementing the so-called UCITS IV Directive of the EU.

In contrast, two laws exist currently as regards non-securities-based investment funds:

- The Act on Alternative Investment Fund Managers (AIFMA) which entered into force on 22 July 2013 and was issued to implement the AIFM Directive of the EU.
- The previously existing Act on Investment Undertakings for Other Assets or Real Estate (IUA).

The AIFMA and the IUA will remain in effect in parallel for the time being as the AIFM Directive of the EU has yet to be adopted under EEA law and accordingly, Liechtenstein has not yet received the EU passport for alternative investment funds (AIF).

Outstanding EU Passport for Alternative Investment Funds (AIF)

The reason for the absence of the EU passport for alternative investments in accordance with the AIFM Directive is that various EU Acts, including the AIFM Directive, have not yet been adopted under EEA law because of concerns about unconstitutionality raised by Iceland and Norway in relation to the new European Financial Supervisory Authorities. On the occasion of a meeting of the EFTA finance ministers with the Council of Europe on 14 October 2014, however, it was made known that the EU and EEA/EFTA countries were able to find a solution for the adoption in the EEA Agreement of the legislation concerning the new European Financial Supervisory Authorities, thereby including, inter alia, the adoption of the AIFM Directive.

The technical EEA procedural steps necessary for adoption will, however, still require some time. Currently, it is estimated that the adoption of the AIFM Directive under EEA law, with the ensuing receipt of the EU passport for AIF, will take place during 2015.

Creation of a Liechtenstein Act on Special Investment Funds

Following the aforementioned adoption of the AIFM Directive under EEA law, the majority of Liechtenstein legislation pertaining to investment funds (UCITS, i.e. securities and alternative investment funds) is bound by European directives (UCITS and AIFM Directive). Accordingly, there remains little room for purely national legislation for investment funds.

In autumn 2013, the Steering Committee of the Liechtenstein investment fund marketplace commissioned a project group comprising experts from Liechtenstein financial centre associations to undertake a detailed review aimed at speeding up the creation of a special law on investment funds. The project team is currently working on the elaboration of a proposal for such a purely national law on investment funds for single investor, family and interest group funds.

Amendment of UCITSA

The adoption of the so-called UCITS IV Directive in the Liechtenstein UCITSA led to a state of over-regulation, which in practice proved to be very unfavourable and a competitive disadvantage for the Liechtenstein marketplace for investment funds.

Very expensive provisions exist for the merger of UCITS investment funds and costs are incurred which cannot be charged to the funds. The previous Art. 49 of the Liechtenstein UCITSA also prescribed the applicability of these onerous merger provisions of the UCITS Directive for other "structural measures" (such as change of management company or depositary), although this is not foreseen in the UCITS Directive itself. Accordingly, the other structural changes should be viewed, as in other European countries, as a modification of the constituent documents (Art. 11 UCITSA), for which a simpler procedure applies.

On 27 January 2015, the government of Liechtenstein issued a Report and Petition on this matter which is designed to eliminate the aforementioned excessive regulation (consultation period ending on 16 January 2015).

EBA and ESMA guidelines

The relevant EU ordinances which form the basis for regulating the powers of authority of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) regarding the issuance of guidelines has still not been adopted in the legislation of the EEA. The background to this delay relates to the enforcement of liability, from a supervisory law perspective, of these authorities on the individual financial institutions in EEA/EFTA countries which goes hand in hand with the creation of the European System of Financial Supervision (ESFS) but which poses issues of unconstitutionality in the case of Norway and Iceland. The implementation of these ordinances in the EEA/EFTA zone is accorded the highest priority.

As a transitional measure, the Liechtenstein legislator has subjected the FMA Act to a partial revision: since 1 January 2014, the FMA has had the option to apply the guidelines of the aforementioned authorities insofar as no justified grounds exist to depart from these.

In this respect and within the scope of the review for their adoption, numerous guidelines were submitted by the FMA via the LBA during the year to Liechtenstein banks requesting their opinion. The guidelines requiring assessment deal, inter alia, with the following subjects:

- Handling of complaints for securities trading and banking
- Survey of remuneration figures for the preparation of benchmarking data regarding the remuneration policy of financial institutions by the EBA
- Transfer of significant credit risks in connection with securitisation transactions
- Drawing up of restructuring plans
- Handling of recapitalisations financed by public institutions

These and other guidelines published by the EBA and ESMA in 2014 focused on the areas of financial statement reporting and risk management.

Directive on the Recovery and Resolution of Credit Institutions / Financial Stability Act

The EU issued the Directive on the recovery and resolution of credit institutions (RL 2014/59/EU) in order to take preventive steps in future to deal with a crisis as well as overcoming the insolvency situation of a bank. This Directive, which will in all probability be adopted in the EEA Agreement during the course of 2015, must first be implemented under national law, the Financial Stability Act, before it can become applicable in Liechtenstein.

Moneyval Assessment

Moneyval, the Committee of Experts of the Council of Europe on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, visited Liechtenstein in 2013 within the scope of its fourth evaluation round and conducted an assessment of the financial centre as well as of the legal bases and implementation of the standards aimed at combating money laundering and the financing of terrorism. Moneyval periodically assesses compliance with all relevant standards aimed at combating money laundering and the financing of terrorism by member states and aims to guarantee that member states have effective systems in place for preventing these offences.

The resulting report of the fourth evaluation round was published on 3 July 2014 and contained a positive assessment for Liechtenstein. In particular, Liechtenstein has made significant progress since the last assessment in 2007. It was noted that its legal bases meet the global standard in the field of combating money laundering and the financing of terrorism. It was also noted, however, that further action was required particularly regarding the effectiveness of criminal prosecution and preventive measures, the right to information on the part of the authorities as well as in the transparency of companies and corporate entities. A progress report to Moneyval will need to be prepared by April 2016 as part of the implementation of the recommendations which Liechtenstein has approached in a consistent manner.

The report can be viewed on the website of the Committee of the Experts of the Council of Europe (http://vpbank.org/JXrjr).

Revision of FIUA

On 9 December 2014, the government of Liechtenstein issued a consultative report concerning an amendment to the Act on the Financial Intelligence Unit ("FIUA") as well as other laws.

Following the modifications made to the standards of the Financial Action Task Force (FATF) in 2003 and 2013 regulating the combating of money laundering and the financing of terrorism as well as after the Moneyval country assessments of 2008 and 2014 which were based thereon, it was the view of the Liechtenstein government that the FIUA dating from 2002 required a fundamental overhaul.

The most significant modifications concern the following points:

- The creation of a clear legal basis for the FIU's right to information as well as a clarification that this right may not be opposed by professional or official secrecy instituted under special laws
- The creation of sanction norms in cases in which the right to information is denied
- The replacement of the rigidly formulated freezing of assets as prescribed currently under Art. 18 para. 2 of the Due Diligence Act (maximum five working days) in favour of a more flexible regime
- The extension of the ban on information until the time of filing a suspicious activity report and request for information by the FIU
- The creation of the bases for the appropriate deletion of amassed data relating to individuals
- The improved protection of entities subject to due diligence obligations which reports to the FIU, while the report itself in future is no longer to be forwarded to the prosecuting authorities

In the same vein, the government of Liechtenstein proposes to amend the Due Diligence Act, the Act on Market Abuse, the Banking Act as well as further legislation in order to make the changes regarding the tasks of the FIU rendered necessary as a result of the complete overhaul of the FIUA. The consultation period ended on 18 February 2015.

Amendment to the Penal Law on Corruption

On 16 September 2014, the government of Liechtenstein issued a consultative report concerning a revision to the Penal Code, the Code on Criminal Procedures, the Tax Law and other laws understood under the term "Revision of the Penal Law on Corruption".

With this proposal, the Liechtenstein penal law on corruption is designed to be aligned with international standards (United Nations Convention on Corruption, UNCAC).

An essential element of these two enactments of public international law is the sanctioning of active and passive bribery in the private sector.

With the introduction of the new provisions on active and passive corruption in business relationships (Art. 309 of the Penal Code), the overhaul of the existing criminal corruption offences (Arts. 304 to 308 of the Penal Code) as well as the new legal definition of the office holder (Art. 74 para. 1 point 4a lit. a to c of the Penal Code), these international implementation obligations are now complied with.

A further focus of the proposals is the revision of the system of decrees relating to property rights which had given rise to criticism in the recent past in the Moneyval/IMF assessment of Liechtenstein. In addition to the introduction of a provision on confiscation in Art. 19a of the Penal Code, the discontinuation of the prescriptions concerning asset recovery and the introduction of new provisions on forfeiture as well a reform of the existing prescriptions on forfeiture (Arts. 20 et seq. of the Penal Code) are the most significant amendments of note.

The original consultation period (until 16 December 2014) was extended to 4 May 2015 upon application by two associations.

Revision of the Act on Market Abuse

In November 2014, the Landtag adopted an amendment to the Act on Market Abuse. Issuers will in principle be subject to a publication requirement relating to insider information concerning them directly. In addition, they or agents acting on their behalf are obligated to maintain a list of insiders. This is to contain details of individuals who regularly, on a case-by-case basis, have access to insider information, directly or indirectly, relating to issuers. The list is to be kept up to date and be submitted, upon demand, to the FMA. The new provisions apply to all financial intermediaries under its supervision as well as non-financial intermediaries whose financial instruments have been admitted or have filed an application for admission to a regulated market within the EEA.

Act concerning the supervision of persons pursuant to Art. 180a Persons and Companies Act (PCA)

As of 1 January 2014, the FMA assumed new supervisory tasks and, in this respect, intensified supervision of trustees and trust companies by now also subjecting to supervision persons exercising an activity pursuant to Art. 180a of the PCA. The new supervision regime enhances the protection of clients and reinforces the international recognition of the Liechtenstein financial centre.

Introduction of the Protected Cell Company (PCC)

In November 2014, the Landtag adopted the new provisions concerning the so-called "protected cell company", which took effect on 1 January 2015 (Art. 243 to 243g of the PCA). This term does not refer to a new legal form but all legal entities under the PCA required to be entered into the public register, or which have registered voluntarily, may be established as a protected cell company or adopt this status subsequently as a result of conversion.

Protected cell companies are required to comprise two organisational parts: a core and one or more segments which are segregated from each other. The particular attribute of the protected cell company is that the assets of the individual segments are segregated from each other and from the assets of the core. However, only the protected cell company itself acquires legal personality, not the individual segments.

Protected cell companies may only be segmented when they exclusively pursue one or more of the following objects:

- Philanthropic or charitable purposes within the meaning of Art. 107 para. 4a of the PCA
- The acquisition and exploitation of investments in other companies (subsidiaries)
- The exploitation of intellectual property rights
- The establishment of deposit guarantee and investor protection systems in compliance with applicable EEA legal prescriptions

The company or name of the protected cell company must be followed by a corresponding addendum (Protected Cell Company or PCC; Segmentierte Verbandsperson or SV in German). The protected cell company shall inform in writing all third parties with whom it has legal relationships about its status as a protected company and shall designate the segment, or if applicable, the core with whose assets it bears liability for the legal relationship concerned. Bankruptcy proceedings can be initiated by the protected cell company itself as well as in respect of each of the individual segment assets.

European Market Infrastructure Regulation – EMIR

In September 2009, the G20 countries agreed that all standardised OTC derivatives contracts are to be processed via a central counterparty and OTC derivatives contracts are to be recorded in a transaction register.

The EU Commission gave recognition to this matter by issuing Ordinance (EU) No. 648/2012 of 4 July 2012 pertaining to OTC derivatives, central counterparties and a transaction register ("European Market Infrastructure Regulation – EMIR"). The EMIR obligations on the agreement of risk mitigation techniques and the reporting of OTC derivative contracts to a transaction register are already in force in the EU. Depending on the categorisation of market participants, a step-by-step introduction of OTC derivative contracts which must be processed over central counterparties will start in 2015.

It is thus estimated that EMIR will in all probability be adopted in the EEA Agreement during the course of 2015, after which the EMIR obligations will also apply in Liechtenstein.

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
Liechtenstein National Administration	www.llv.li
Landtag 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 Commerce and Industry	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

Corporate governance and compensation report

Corporate governance 2014

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 allocates, in a balanced manner, the roles, competencies and areas of responsibility of the company's management 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, as even the best internal structures cannot foster trust unless they are communicated to the outside world.

VP Bank Group offers its stakeholders an insight into its decision-making and control processes. For a number of years, it has therefore voluntarily disclosed information on the Group's strategic orientation and its relationships with its stakeholders.

This report describes the basic principles underlying the corporate governance of VP Bank Ltd, Vaduz, as required by the revised "Directive on Information Relating to Corporate Governance" (DCG) of SIX Swiss Exchange dated 1 September 2014 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 set out in Section 5.2 (see page 73) as well as in the notes to the annual financial statements (see pages 164 f.).

Unless otherwise indicated, all corporate governance disclosures herein are valid as at 31 December 2014.

1. Group structure and shareholder base

1.1 Group structure

1.1.1 Description of the Group's operating structure

VP Bank Ltd, Vaduz, 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 18 shows the Group's operating structure and reflects the organisation of VP Bank Group on a segment-by-segment basis.

The subsidiary companies and material shareholdings included in the scope of consolidation are listed in the financial report (see page 141), together with their names, registered offices, share capital and percentage of share capital held.

The Executive Board of the parent bank is designated as "Group Executive Management (GEM)". It bears responsibility for the operative management of the parent bank as well as assuming the function as Group Executive Management for VP Bank Group[1]. In principle, the members of the Executive Board 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 Executive Board acts as Board Chairman of the given subsidiary company.

[1] The term "Executive Board" is used in principle in this chapter.

1.1.2 Listed companies included in the scope of consolidation

The bearer shares of VP Bank, Vaduz, are listed on 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	85.00	452[1]
Total (market capitalisation of the bearer shares plus market value of the registered shares)				**503**

[1] Stock market capitalisation of listed bearer shares as of 31 December 2014

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

1.2 Significant shareholders (anchor shareholders)

As of 31 December 2014, the following shareholders declared that they own more than 10 per cent of the share capital of VP Bank or exercise more than 5 per cent of the voting rights.

Shareholders	Registered shares	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	540,709	1,199,079	10.6%	10.3%
Ethenea Independent Investors S.A., Luxembourg	0	855,395	855,395	7.6%	14.5%

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 shareholder agreements.

1.3 Cross-shareholdings

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

2. Capital structure

2.1 Share capital

The share capital of VP Bank 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 10.00 each (see financial report, page 134).

	Number	Balance as at 31/12/2014 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 Conditional and authorised share capital

VP Bank has neither authorised nor conditional capital.

2.3 Changes in share capital

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

in CHF 1,000	31/12/2014	31/12/2013	31/12/2012
Share capital	59,148	59,148	59,148
Legal reserves	239,800	239,800	239,800
Other reserves	344,446	344,089	343,791
Provisions for general banking risks	63,150	63,150	63,150
Retained earnings	55,957	55,893	29,479
Total	**762,501**	**762,080**	**735,368**

2.4 Shares and participation certificates

The bearer shares of VP Bank 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, irrespective of the par value of the share.

VP Bank has not issued any participation certificates.

2.5 Profit-sharing certificates

VP Bank has not issued any 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[2]. 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 has issued neither convertible bonds nor warrants/options based on its shares.

3. Board of Directors

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

Liechtenstein 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 consists exclusively of non-executive members (i.e. members not actively involved in management).

3.1 Members of the Board of Directors

The Board of Directors of VP Bank consists of seven members. With the exception of the Chairman, no other member has served as a member of Group Executive Management, the Executive Board of VP Bank or the management of any Group company during the past three financial years.

[2] The Articles of incorporation can be accessed online at: www.vpbank.com (→ Investors & Media → Publications → Regulations)

As a bank, VP Bank 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.

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	2017
Dr Beat Graf	1964	Board Member	2014	2017
Lic. oec. Markus Thomas Hilti	1951	Board Member [2]	1992	2016
Michael Riesen	1962	Board Member [3]	2014	2017
Dr iur. Daniel H. Sigg	1956	Board Member [4]	2008	2017

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

- **Educational background:** Commercial apprenticeship (1978); Swiss Certified Expert in Accounting and Controlling (1984); Swiss Certified Public Accountant (1988).
- **Professional background:** 1979, assistant in the credit department of Liechtensteinische Landesbank, Vaduz; 1979–1980, assistant in the bookkeeping department of Trevisor Treuhand- und Kontrollstellen AG, Vaduz; 1980–1983, assistant (later Department Head) in the trustee operations department of Confida Treuhand- und Revisions AG, Vaduz; 1983–1984, auditor at Neutra Treuhand AG, St. Gallen; 1984–1985, Managing Director at Revikon Revision und Beratungs AG, Vaduz; 1983–1987, lead auditor at Areva Allgemeine Revisions- und Treuhand AG, Vaduz; 1987–2012, VP Bank Ltd, Vaduz; 1987–1990 as Deputy Head of Internal Audit; 1990 as Head of the Controlling Department; 1994–1996 as Department Head of Corporate Planning and Accounting; 1996–2012 as a Member of Management (responsible for finance, corporate clients and intermediaries, trading, real estate and security), 2003–2012 as CFO. In addition, he held the office of CEO ad interim from 25 August 2009 to 31 March 2010.
- **Other activities and vested interests:** Chairman of the Board of Trustees of Privatbank-Personalstiftung, member of the Board of Trustees of the VP Bank Foundation and of the VP Bank Art Foundation; member of the Board of Directors of Helios Aviation AG, Triesen; member of the Executive Board of the Liechtenstein Chamber of Commerce and Industry (LIHK).

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

- **Educational background:** Dr iur. University of Basle (1977); admission to the bar (1979).
- **Professional background:** 1977, joined Allgemeines Treuunternehmen (ATU), Vaduz, Chairman of the Council of Trustees; 1979–2004, owner of the Law Office Meier, Vaduz; 2004–2008, partner of Chancellery Meier Attorneys-at-Law, Vaduz; since 2008, partner at Law Office Meier & Kieber Attorneys-at-Law AG, Vaduz.
- **Other activities and vested interests:** Chairman of the Liechtenstein Institute; Chairman of the Council of Trustees of Stiftung Fürstlicher Kommerzienrat Guido Feger, Vaduz (section 1.2).

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

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

- **Educational background:** Doctorate in Economics – University of Zurich (2001).
- **Professional background:** 1995–1996, President of the Organizing Committee of AIESEC Zurich; 1995–1998, activities in private banking / financial control with Citibank Switzerland, Zurich; 1998–2006, Research Assistant and, from 2001 onwards, Senior Assistant and Senior Researcher at the Swiss Banking Institute of Zurich University; 2001–2005, Project Associate at NCCR FINRISK (National Center of Competence in Research in Finance, project: Financial Valuation and Risk Management); 2003–2004, research activity with Prof. Ingo Walter at the Stern School of Business, New York/USA; 2005–2006, Project Associate at the Swiss Financial Center Watch as well as Finance Group (with Prof. Thorsten Hens) at the University of Zurich; 2006, appointment to professorship in Business Studies at the Johannes Kepler University Linz, since 2006 as Professor for Asset Management, since 2007 as a member of the Research Institute for Banking and Finance, 2011–2013, Dean of the Social and Economic Sciences Faculty; since 2010, Adjunct Professor at the Swiss Finance Institute in Zurich.
- **Other activities and vested interests:** Deputy Chairman of the Board of Directors of Geneva Group International, Zurich; member of the investment committee of various Austrian investment funds; owner of Cocca Asset Management KG, Weisskirchen an der Traun/Austria.

Dr Beat Graf (born 25 April 1964; Swiss citizen)

- **Educational background:** Doctorate in Law from the University of Fribourg (1996); Master of Advanced Studies in Risk Management from the Lucerne University of Applied Sciences and Arts (2007);
- **Professional background:** 1991–1999, Swiss Bank Corporation (UBS), St. Gallen, 1991–1993 as part of the corporate client advisor traineeship programme, 1993–1998 as an assistant in the Legal department, 1998–1999 as Deputy Head of Legal Services Eastern Switzerland; 1999–2004, founding partner and Managing Director of LM Legal Management AG, St. Gallen; since 2004, Allgemeines Treuunternehmen (ATU), Vaduz; 2004–2007, Head of Compliance; 2007–2012 as a member of management and Head of Compliance; since 2012 as a member of management and responsible for the coordination of all ATU-subsidiaries, compliance and marketing.
- **Other activities and vested interests:** member of the Board of Directors of Löwen Apotheke Wil AG.

Lic. oec. Markus Thomas Hilti (born 3 January 1951; Liechtenstein citizen) is a member of the Committee of the Board of Directors of VP Bank.

- **Educational background:** lic. oec. HSG University of St. Gallen (1976).
- **Professional background:** 1977–1980, auditor at Coopers & Lybrand, White Plains N.Y.; 1981–1990, Hilti Western Hemisphere, Tulsa/USA; 1981–1987 performing various activities in the field of finances, product management and sales; 1987–1990 as a member of management and responsible for product management, procurement, development and quality control as well as the management of the Tulsa/USA factory.
- **Other activities and vested interests:** protector of the Martin Hilti-Familientreuhänderschaft, Schaan, as well as the Council of Trustees of U.M.M. Hilti-Stiftung, Schaan (section 1.2).

Michael Riesen (born 24 June 1962; Swiss citizen) is Chairman of the Audit & Risk Management Committee.

- **Educational background:** degree in Business Administration HKG (1985), Certified Trustee with Federal Diploma (1988), Swiss Certified Public Accountant (1992).
- **Professional background:** 1978–1981, Energy- and Transport Operations Thun, 1978–1980 completing a commercial apprenticeship, 1980–1981 as a member of the project team for the conversion to natural gas; 1981–1984, assistant in the municipal office of the commune of Steffisburg; 1985–1987, internal auditor with Swiss Federal Railways in the Organisation & Audit department, Berne; 1987–2013, various audit and advisory activities (from 1998 as partner) with Ernst & Young Ltd, Zurich; 2000–2003 as Head Professional Practice Banking Audit of Ernst & Young Ltd; 2005–2006 as Head Assurance Financial Services as well as a member of management of Ernst & Young Ltd; 2006–2008 as Country Managing Partner Assurance Financial Services as well as a member of the Board of Management of Ernst & Young Ltd; 2008–2010

as Managing Partner Financial Services and a member of the Board of Management of Ernst & Young Ltd; 2008–2012 as Managing Partner Quality & Risk Management as well as a member of the Management Committee of Ernst & Young EMEIA Sub-Area Financial Services; 2010–2012 as a sponsoring partner of the global programme "Assessment of Service Quality (ASQ)" of Ernst & Young EMEIA Sub-Area Financial Services; since 2014, independent management consultant.
- **Other activities and vested interests:** member of the Board of Directors of VPB Finanz Holding AG, member of Swiss Auditing Chamber.

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

- **Educational background:** Doctorate in Law from the University of Zurich (1984).
- **Professional background:** 1984–1985, financial analyst at Credit Suisse Zurich and New York; 1985–1987, activities in the area of fixed income at Credit Suisse First Boston Inc., New York; 1987–1990, Vice President and Head of International Securities Trading and Sales at Swiss American Securities Inc., New York; 1990–1997, member of senior management and CFO of BEA Associates, New York; 1997–1999, Global Head of Institutional Asset Management at UBS, Zurich and New York; 2000–2005, Chairman of Times Square Capital Management Inc., New York; since 2006, consultant in the field of financial services at DHS International Advisors LLC, New York.
- **Other activities and vested interests:** member of the Board of Directors of Bellevue Group AG, Zurich; member of the Board of Directors of Auerbach Grayson & Co., New York; President of Asset Management BAB, N.V., Curaçao.

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 provided under section 3.1.

3.3 Cross-involvement

There are no interlocking directorships between the Board members of VP Bank 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 under section 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 working methods of the Board of Directors are set out in the Articles of incorporation (Arts. 17 to 19) and in the Organisation and Business Rules (OBR Sections 2 to 4)[3].

In collaboration with the Executive Board, the Board of Directors annually reviews the Group's strategy in keeping with the provisions of the Articles of 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 the Executive Board (parent bank and at Group level), on strategically important projects, on individual company 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 – directly supervises and controls the Executive Board and Group Executive Management on behalf of the Board of Directors. 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] The Organisation and Business Rules, which are of relevance for the corporate governance report, can be accessed online at: www.vpbank.com (→ Investors & Media → Publications → Regulations)

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 the Organisation and Business Rules (OBR Section 3). In addition, the function of the Audit & Risk Management Committee is regulated in detail in a specific set of rules.

Minutes are kept on the matters dealt with by both committees at their respective meetings and are forwarded for 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

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

- Assisting the Chairman of the Board of Directors in the fulfilment of his management and coordination duties as well as for assisting the entire Board of Directors on 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 as to the compensation to be paid to the members of the Executive Board
- Dealing with fundamental issues concerning human resources policy (e.g. salary and bonus systems, management development, succession planning and staff welfare benefits) for the attention of the Board of Directors
- 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 Michael Riesen (Chairman), Fredy Vogt and Dr Daniel 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 of the OBR, the Audit & Risk Management Committee is responsible in particular for:

- Critically assessing financial reporting (individual company and consolidated financial statements, cash flow statements, interim financial statements, etc.) as well as discussion thereof with the CFO, the Head of Group Internal Audit and representatives of the Group's banking-law auditing firm
- Deciding whether the individual company and consolidated financial statements can be recommended to the Board of Directors for submission to the annual general meeting of shareholders
- Assessing the functional capability of the internal control system, including risk and cash management
- Evaluating the measures taken to ensure compliance with and the enforcement of legal and internal regulations
- Assessing 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 banking-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
- Submitting proposals to the Board of Directors for the appointment of the Head of Group Internal Audit

3.5.3 Working methods of the Board of Directors and its committees

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

- A Board-internal part
- A consultative part during which members of Group Executive Management and the Executive Board are also in attendance to present their proposals and exchange information
- 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 banking-law auditors, as well as internal or external specialists and advisors).

During 2014, the Board of Directors held eight ordinary and five extraordinary meetings. In addition, the Board of Directors and Executive Board jointly conducted a full-day strategy workshop. All Board meetings were held with a full complement of its members.

The Nomination & Compensation Committee usually meets six to ten times annually. When required, the CEO participates in the Nomination & Compensation Committee meetings in an advisory capacity.

In 2014, the Nomination & Compensation Committee met on a total of six occasions. All Nomination & Compensation Committee meetings were held with a full complement of its members.

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 the Executive Board 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 seven ordinary meetings and two extraordinary meetings. Except for one meeting, the Audit & Risk Management Committee meetings were held with a full complement of its members.

Name	Board of Directors	Nomination & Compensation Committee	Audit & Risk Management Committee
Number of meetings	13	6	9
Fredy Vogt	13	6	8
Dr iur. Guido Meier	13	6	
Prof. Dr Teodoro D. Cocca	13	6	
Walo Frischknecht[1]	3		1
Dr Beat Graf[2]	10		
Lic. oec. Markus Thomas Hilti	13	6	
Michael Riesen[2]	10		8
Dr iur. Daniel H. Sigg	13		9

[1] Retired from the Board of Directors as of 25 April 2014
[2] Member of the Board of Directors from 25 April 2014

Chairman Emeritus

Fürstlicher Kommerzienrat Dr Heinz Batliner, Vaduz, has been Chairman Emeritus of VP Bank since 1996. The Board of Directors bestowed this honorary title upon him for his services to VP Bank. From 1961 to 1984, 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 the overall management, supervision and control of the Executive Board. It bears ultimate responsibility for the strategic direction of VP Bank Group.

The powers and duties of the Board of Directors are laid down in detail in Art. 17 of the Articles of incorporation as well as in Section 2.2 to 2.4 of the OBR. The tasks and competencies of the two Board committees are described in Section 3 of the OBR.

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

The segregation of functions between the Board of Directors and the Executive Board / Group Executive Management can also be seen in the organisational chart ("Structure of VP Bank Group" on page 18).

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

The Board of Directors and its committees have at their disposal various information and control instruments for managing and supervising the activities of the Executive Board. These instruments include 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 individual company accounts). The latter also include quantitative and qualitative information as well as budget variances, 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 as a whole. These reports enable the Board of Directors at all times to gain a picture of significant developments and the risk situation. Those reports that lie within the scope of the 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.

On the basis of the reports of the Executive Board, the Board of Directors reviews the implementation of business strategies and strategy controlling twice a year.

A further important instrument in assisting the Board of Directors in fulfilling its supervisory and control function is Internal Audit[4], which conducts its activities in compliance with the internationally recognised standards of the Institute for Internal Auditing Switzerland 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 of Directors receives all minutes of the Executive Board meetings. In addition, he exchanges information with the CEO on a weekly basis as well as with the other Executive Board members.

4. Executive Board and Group Executive Management

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

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

The 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 the Executive Board and Group Executive Management

As of 31 December 2014, the Executive Board and Group Executive Management were 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
Siegbert Näscher	1965	Chief Financial Officer Member of Group Executive Management	2010	2012
Christoph Mauchle	1961	Head of Client Business Member of Group Executive Management	2013	2013

Alfred W. Moeckli (born 2 July 1960; Swiss citizen) is Chief Executive Officer (CEO) of VP Bank Group (segment reporting, page 115).

- **Educational background:** banker with Federal Certificate of Competence 1980); Master of Business Administration, Northwestern University, Evanston, IL, USA (1993).
- **Professional background:** 1977–1981, assistant in the Private Banking department of Credit Suisse, Zurich; 1981–1982, stock exchange trader/broker at Carr, Sebag & Co. Geneva and London; 1982–1984, senior sales employee at Yamaichi (Switzerland) Ltd., Zurich and Geneva; 1984–1987, Head of Trading at Banque Gutzwiller, Kurz, Bungener S.A. Geneva; 1993–1999, Head of Capital Markets at Citibank (Switzerland) Zurich and Geneva; 1999–2002, Chief Executive Officer of Swissquote Bank, Gland and Scherzenbach; 2003–2008, founder and Chief Executive Officer of INIVEST AG, Zug; 2004–2010, founder, Chief Executive Officer and Chairman of the Board of Directors of Tradejet Ltd., Zurich; 2008–2013, bank zweiplus ag, Zurich, 2008–2010 as a member of the Board of Directors; 2010–2013 as Chief Executive Officer; 2008–2010, Deputy Chief Executive Officer and Chief Operating Officer of Falcon Private Bank Ltd., Zurich; since 2013, Chief Executive Officer of VP Bank Group.
- **Other activities and vested interests:** Deputy Chairman of the Board of the Liechtenstein Bankers Association.

Siegbert Näscher (born 25 December 1965; Liechtenstein citizen) is Chief Financial Officer (CFO) of VP Bank Group und Deputy Chief Executive Officer (segment reporting, page 115).

- **Educational background:** Federal Certified Accounting and Controlling Expert (1993); Swiss Certified Public Accountant (1996); Executive Programme of the Swiss Banking School (2002–2003).
- **Professional background:** 1982–1987, Accounting Bank in Liechtenstein AG, Vaduz; 1987–1991, bookkeeping and audit at Revitrust Treuhand AG, Schaan; 1991–1992, Assistant Head of Finance and Accounting at Schild Mode AG, Lucerne; 1992–1994, Controller at Maschinenfabrik Rieter AG, Winterthur; 1994–1998, Head of Finance and Controlling at Schoeller Textil AG, Sevelen; 1998–2010, Head of Group Finance & Risk at Liechtensteinische Landesbank AG, Vaduz; since 1 September 2010 with VP Bank Ltd, Vaduz; 2010–2012 as Head of Group Finance & Risk; 2012 as Chief Financial Officer and Head of Corporate Center; 2012–2013 as Chief Executive Officer (CEO) ad interim; since 2013 as Chief Financial Officer and Deputy Chief Executive Officer.
- **Other activities and vested interests:** Chairman of the Board of Trustees of the Treuhand-Personalstiftung, Vaduz; member of the Board of Trustees of the Privatbank-Personalstiftung, Vaduz; member of the Foundation Council (Deputy Chairman) of the Deposit Insurance and Investor Protection Foundation of the Liechtenstein Bankers Association; member of Specialist Group on Finances and Taxation of the Liechtenstein Chamber of Industry and Trade; member of the Swiss Auditing Chamber; member of the Swiss Association of Certified Experts in Financial Reporting and Controlling, veb.ch; Swiss Finance Institute alumni association.

Christoph Mauchle (born 5 May 1961; Swiss citizen) is a member of Group Executive Management and Head of Client Business (segment reporting, page 115).

- **Educational background:** MA Economics, HWV St. Gallen (1986); INSEAD Management Programme Business Administration/Mgt., INSEAD France (1988); Certified Financial Planner CFP (1999); Advanced Management Program, Kellogg School of Management, Northwestern University, Evanston, Illinois (2007).
- **Professional background:** 1980–1983, Private Banking Assistant at, Swiss Bank Corporation/UBS, St. Gallen; 1986–1989, Research Analyst & Account Manager Institutional Sales at Brown Brothers Harriman & Co., New York; 1989–1992, Chief of Staff Private Banking at Bank Vontobel, Zurich; 1992–2013, Credit Suisse, Switzerland; 1992–1995 as Sector Head Individual Clients Zurich; 1995–1997 as Sector Head Private Banking St. Gallen; 1997–1998 as Head Competence Centre Eastern Switzerland; 1998–2001 as Head External Asset Managers; 2001–2008 as Head Private Banking and Region Zurich; 2008–2012 as Head of Private Banking Germany, Austria and Luxembourg); since 1 October 2013 with VP Bank Vaduz as a member of Group Executive Management and Head of Client Business.
- **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 provided under section 4.1.

4.3 Management contracts

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

5. Compensation, shareholdings and loans

5.1 Content and method of determining compensation and share-ownership programmes

The Compensation Policy Rules as well as the Risk Policy Framework Rules of VP Bank 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 section 3.5.2 on page 68) makes proposals to the Board of Directors regarding the principles for compensation as well as the level of compensation paid to the members of the Board of Directors and the Executive Board. The Board of Directors approves these principles and determines the amount of total compensation payable to itself and the members of the Executive Board in keeping with the applicable rules.

5.1.1 Board of Directors

The Board of Directors receives compensation for the duties and responsibilities conferred on them by law and pursuant to Art. 20 of the Articles of 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 bearer shares, the number of which is determined by the current market price at the time of receipt.

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

5.1.2 Executive Board

On 27 March 2014, the Board of Directors adopted a new compensation model for senior and second-level management throughout VP Bank Group. The new model supports the previous value-oriented approach. The overarching goal of the model is to base management remuneration on strategy implementation and long-term corporate success. In accordance with this model, compensation paid to management consists of four components:

1. A fixed base salary that is contractually agreed between the Nomination & Compensation Committee and the individual members. In addition to the base salary, VP Bank pays proportionate contributions to the management insurance scheme and the pension fund.
2. A Performance Share Plan (PSP), a long-term variable management participation (in the form of bearer shares of VP Bank Ltd). This is based on the risk-adjusted profit (operating annual result adjusted for non-recurring items, less capital costs), weighted over three years as well as the long-term commitment of management to a variable compensation component in the form of equity shares. At the end of the plan period and depending upon performance, 0 to 200 per cent of the allocated vested benefits are transferred in the form of shares. This vesting multiple results from the weighting of an average return on equity (RoE) and the average cost/income ratio (CIR). Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences or in extraordinary situations. The PSP makes up approximately half of the total variable performance-related remuneration.
3. A Restricted Share Plan (RSP) based upon a risk-adjusted profit weighted over three years and settled in equal annual instalments in the form of equity shares over a three-year plan period. Until the time of transfer of ownership, the Board of Directors reserves the right to reduce or suspend the allocated vested benefits in the case of defined occurrences or in extraordinary situations. The RSP makes up approximately a quarter of the total variable performance-related remuneration.
4. A cash compensation which also depends on the risk-adjusted profit weighted over three years. The share of this performance-related participation amounts to approximately one quarter of the total variable performance-related remuneration.

The Board of Directors each year specifies the planning parameters for the performance-related remuneration (PSP, RSP and cash-based compensation) for the following three years. The target share of total compensation varies according to function and market customs. In the 2014–2016 programme, a target bonus of between 109 and 114 per cent of the fixed annual base salary is calculated in the event that the annual and three-year goals are met.

In 2014, 1,092 shares with a market value on the date of allocation of CHF 100,955.40 were transferred to management as part of the 2011–2013 management equity participation plan. The vested benefits from previous management equity participation plans (2012–2014 and 2013–2015) will continue to run unchanged until the end of the plan period.

VP Bank has not concluded any agreements on severance compensation with members of the Executive Board.

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

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

As a SIX Swiss Exchange-listed issuer domiciled outside Switzerland, VP Bank discloses information on compensation, shareholdings and loans within the context of Art. 5.2 of the Appendix to the Corporate Governance Directive dated 1 September 2014, 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 individual company accounts of VP Bank Ltd, Vaduz (see pages 151 f.).

6. Shareholders' participation rights

6.1 Voting right restrictions and proxies

Each registered share and bearer share grants the holder the right to one vote at the annual general meeting of VP Bank, 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 right 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 para. 2) as well as to the provisions governing the restriction on registration of registered shares (Articles of incorporation, Art. 7 para. 2) require the approval of a majority of at least two-thirds of all shares issued by VP Bank (Articles of incorporation, Art. 14 para. 4).

6.3 Convocation of the annual general meeting of shareholders

The annual general meeting is convened in accordance with the statutory provisions and the Articles of incorporation (Art. 11).

6.4 Agenda

The agenda for the annual general meeting is based upon the statutory provisions and those of the Articles of incorporation (Arts. 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 para. 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 receive an invitation to the annual general meeting, including the related agenda, sent to the address known to VP Bank 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 defensive measures

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

8. Auditors

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

Ernst & Young Ltd, Berne, has acted as auditors of VP Bank Ltd since 1956 (in accordance with the PGR[5]) and since 1994 as Group auditors of VP Bank Group. In addition, Ernst & Young Ltd undertakes the mandate as banking-law auditors within the context of the Liechtenstein Banking Act (Arts. 37 ff. of the BankA). The auditor in charge, Bruno Patusi, has been responsible for the VP Bank mandate since 2014 (annual general meeting of 25 April 2014).

8.2 Auditing fees

In 2014, Ernst & Young Ltd charged VP Bank Group fees in the amount of CHF 1.49 million (previous year: CHF 1.68 million) for services rendered in connection with the legally prescribed audits of the annual financial statements of VP Bank and the Group subsidiaries as well as the audit of the consolidated financial statements of VP Bank Group.

8.3 Additional fees

Ernst & Young Ltd also rendered auditing-related services to VP Bank Group in the amount of CHF 0.34 million (previous year: CHF 0.21 million).

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 performance of the audit as well as appropriate coordination of the auditing activities of the external auditors with those of Internal Audit.

All reports by the external auditors are reviewed at meetings of the Audit & Risk Management Committee. In 2014, 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 under the Banking Act, management letters as well as oral and written statements of position on individual aspects and technical issues in connection with financial statement reporting and the audit. In addition, a systematic annual assessment is performed 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.

[5] Persons and Companies Act (German: "Personen- und Gesellschaftsrecht") of the Principality of Liechtenstein.

9. Information policy

All VP Bank publications required by law are issued in a legally binding manner in the official Liechtenstein publication media (Articles of incorporation, Art. 25 section 1).

VP Bank informs shareholders and capital market participants in an open, comprehensive and timely manner. Its information policy is based on the principle of equal treatment of all capital market participants. VP Bank informs shareholders and capital market participants by means of detailed annual and semi-annual reports, which are 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. As a company listed on SIX Swiss Exchange, VP Bank is also subject, in particular, to the obligation to immediately publicise any price-sensitive events (ad hoc publicity obligation).

Agenda

Extraordinary general meeting of shareholders: 10 April 2015
Annual general meeting: 24 April 2015
Publication of 2015 semi-annual results: 25 August 2015
Media and analyst conference, 2015 financial results: 8 March 2016

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

VP Bank Ltd
Tanja Muster · Head of Group Communications & Marketing
Aeulestrasse 6 · 9490 Vaduz
T +423 235 66 55 · F +423 235 65 00
investor.relations@vpbank.com · www.vpbank.com

Introducing Luxembourg.


emourg

"We have an excellent stock of knowledge and resource networks at our fingertips. Our clients can thus rest assured that they will always be provided with first-class advice and service."

Thomas Steiger
CEO VP Bank (Luxembourg) SA

VP Bank (Luxembourg) SA is a wholly owned subsidiary of VP Bank Group and remains the only bank in the Grand Duchy with a Liechtenstein parent company. As a local subsidiary, VPB Finance S.A. is the preferred partner for professional fund solutions.

The Luxembourg financial centre specialises in wealth management and pan-European fund distribution, and is the second-largest fund centre in the world after the US. Luxembourg's many advantages include a multilingual business community, a dense network of finance experts specialising in asset management and fund structures and the rapid implementation of EU directives.

Key facts as of 31/12/2014

Year founded	1988
Legal status	Subsidiary with bank status
Core competencies	Asset management and investment advisory services to private and institutional investors Institutional custodian services Professional and personalised fund solutions from a single source
Employees	105 – VP Bank (Luxembourg) SA 31 – VPB Finance S.A.
Executive Board VP Bank (Luxembourg) SA	Thomas Steiger Chairman of the Executive Board Romain Moebus Member of the Executive Board
Executive Board VPB Finance S.A.	Eduard von Kymmel Chief Executive Officer Ralf Funk Member of the Executive Board

Compensation report

Regulatory framework

This VP Bank compensation report is based on 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 para. 6 thereof: "Banks and securities firms shall introduce a compensation policy and compensation practices and shall 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. VP Bank Group's remuneration policy corresponds to the size of VP Bank and its business model. This includes the offering of banking services for private clients and financial 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 an 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 the 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 system 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 ensures a remuneration which is in line with the market, with performance and with 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

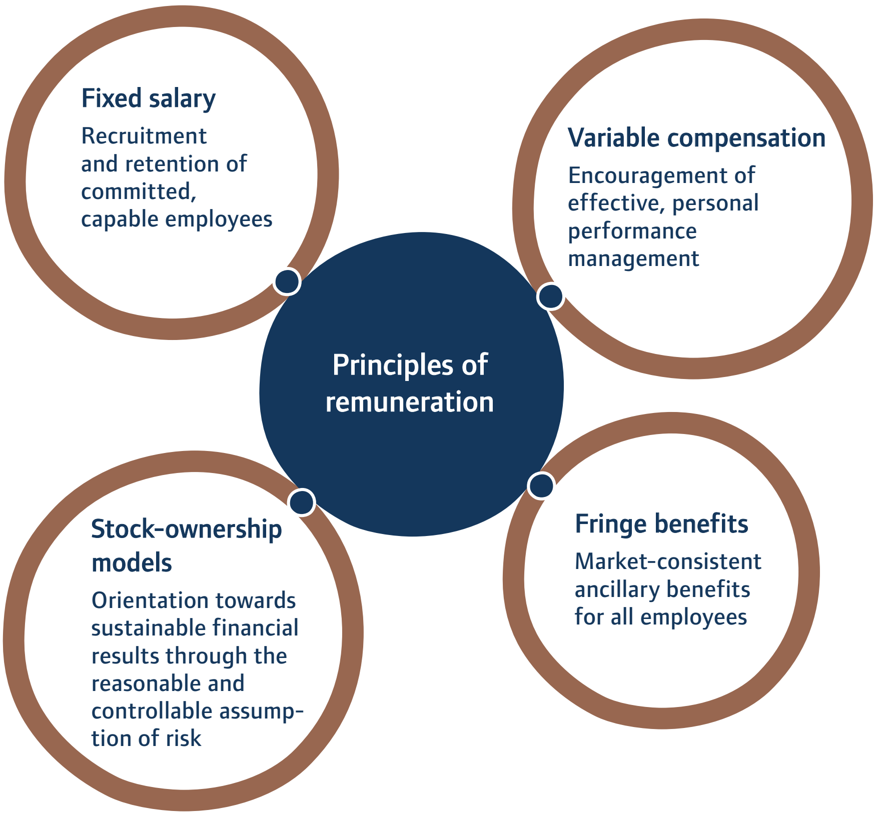
The level of the fixed salary component as a base salary varies in principle according to the function performed and the related requirements. The local labour market is also taken into account. The fixed salary is a contractually agreed salary component which is paid out regularly in cash. The level 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 does not have to be granted. Even after repeated payouts, there shall be no entitlement to a variable salary payment in the following year.

On the one hand, variable compensation is dependent on the success of the Bank or individual companies and, 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 tasks and goals. The extent to which all relevant provisions of the legislator, the Bank and the individual client are observed is taken into account. 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.

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.



Participation models

Each year, equity shares are offered to the employees of VP Bank on preferential terms. The number thereof depends on the level of the fixed salary as of the measurement date of 1 May. The shares may not be disposed of during a sales restriction period of three years.

The Board of Directors modified the participation in VP Bank Ltd by members of the first- and second-levels of management and laid down two new programmes from 2014 onwards. The Performance Share Plan (PSP) is a long-term variable management participation programme in the form of bearer shares of VP Bank Ltd. It is based on the risk-adjusted profit (operating annual result adjusted for non-recurring items, minus capital costs), weighted over three years as well as the long-term commitment of management to a variable compensation component in the form of equity shares. At the end of the plan period and depending upon performance, 0 to 200 per cent of the allocated vested benefits will be transferred in the form of shares. At the beginning of the plan, the Board of Directors lays down the goals, the return on equity (RoE) and the cost/income ratio (CIR) to be achieved.

The Restricted Share Plan (RSP) is based on the risk-adjusted profit weighted over three years and is settled in equal annual instalments in the form of equity shares over the three-year plan period. The RSP programme may also be implemented in justified cases in order to remunerate a deferred variable salary portion or to implement particular retention measures.

A more detailed description of the "Performance Share Plan" and "Restricted Share Plan" management programmes can be found in the chapter on corporate governance under "Compensation, shareholdings and loans" on page 72.

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 in the given location

Individuals and functions subject to particular provisions

Employees who have a particularly large influence on the risk profile of the Bank are designated as "risk takers". VP Bank identifies the members of the Executive Board as decision-makers and substantial "risk takers" as well as selected functions in the second management level. These are, in particular, the heads of the "Group Internal Audit", "Group Legal, Compliance & Tax", "Group Finance & Risk", "Group Treasury & Execution", "Group Information Technology" as well as "Group Human Resources Management". Details of the remuneration of Executive Board members are set out in the section on corporate governance (see page 72).

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

Compliance with remuneration provisions

VP Bank's remuneration practices are in compliance with Annex 4.4 of the Banking Ordinance (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 in advance. Special payments upon commencement of employment may occur in selected individual cases – as a general rule, these relate to compensation for foregone benefits from the previous employer.

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

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

By consenting to the budget, the Board of Directors approves the total fixed remuneration and, at the end of the year, decides on the level of provisions for the variable salary components with regard to the annual results. It lays down the fixed and variable portion of remuneration for the members of 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 on 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 the Executive Board can be found in the financial report, the stand-alone financial statements of VP Bank Ltd, Vaduz, under "Remuneration paid to members of governing bodies" (pages 164 f.). Disclosures regarding personnel expense are set out in the 2014 financial report of VP Bank Group under "6 Personnel expenses" (page 122).

Aggregate compensation paid to all risk takers in 2014 amounted to:

	CHF	Share of total compensation
Fixed base salary	3,633,462.00	52.1%
Short-Term Incentive (STI, cash) for performance year 2013	805,000.00	11.5%
Restricted Share Plan (RSP) entitlement for performance year 2013	668,000.00	9.6%
Performance Share Plan (PSP) entitlement corresponding to performance 2014–2016	1,487,000.00	21.3%
Management pension fund employer contributions	381,269.35	5.5%
Total compensation	**6,974,731.35**	**100.0%**
Vesting 2014, share value PSP 2011–2013	459,568.95	

Financial report 2014 of VP Bank Group

Consolidated annual report of VP Bank Group

Consolidated results

The consolidated financial statements for VP Bank Group from 2014, prepared in accordance with International Financial Reporting Standards (IFRS), disclose a Group net income of CHF 20.0 million. In the prior year, the Group realised a Group net income of CHF 38.7 million.

The continuing decline in Swiss-franc capital-market interest rates gave rise to unrealised revaluation losses on interest rate hedges, thus leading to this decline. If the losses on interest rate hedges are ignored, consolidated net income in 2014 totals CHF 36.0 million (prior year, after adjusting for gains on interest rate hedges: CHF 30.1 million).

VP Bank Group continues to pursue its growth strategy. The acquisition of the private banking activities of HSBC Trinkaus & Burkhardt (International) SA as well as the private-banking-related investment fund business carried out by HSBC Trinkaus Investment Managers SA in Luxembourg were successfully completed in 2014. Adjusted for the effects arising from the interest rate hedges, total operating income and operating revenues could also be increased thanks to this acquisition. Although the process of growth could be further sped up, additional savings could be achieved at the same time thanks to active cost management and costs could be reduced relative to the prior-year level. The merger with Centrum Bank, which was announced on 1 December 2014, has further allowed VP Bank Group to continue its successful strategy of growth by acquisition.

The expectations of economists for 2014 again proved to be too high. During the course of the year, major institutions such as the IMF had to successively reduce their growth forecasts. In the Eurozone, although the debt-plagued countries in the currency area continued on their path of recovery, the German economy developed on an unexpectedly bumpy road – not least because of the sanctions against Russia. When considering the adverse conditions in the neighbouring European currency zone, the economies of Liechtenstein and Switzerland proved to be extremely robust. Inflation rates of the industrial nations receded markedly against the backdrop of massively declining oil prices, primarily in the second half of the year. The central banks of major countries thus needed to maintain their expansive monetary policies. Nevertheless, monetary positioning on both sides of the Atlantic varied considerably. While the US Federal Reserve ended its monthly purchases of securities in October on the back of strong economic growth, the ECB launched into a large-scale programme of government bond purchases in January 2015. These factors also impacted the business activities of VP Bank and are reflected in both revenues and in client-based activities.

The Board of Directors will propose a dividend of CHF 3.00 per bearer share (prior year: CHF 3.50) and CHF 0.30 per registered share (prior year: CHF 0.35) at the annual general meeting to be held on 24 April 2015. The dividend proposal is based upon the dividend policy defined by the Board of Directors. 40 to 60 per cent of the Group net profit generated should be distributed to shareholders so long as the medium-term tier 1 target of 16 per cent is exceeded. The objective is to achieve constant growth in dividends. The dividend proposed by the Board of Directors is based upon the result of CHF 36.0 million after adjusting for the revaluation losses resulting from interest rate hedges.

Medium-term goals

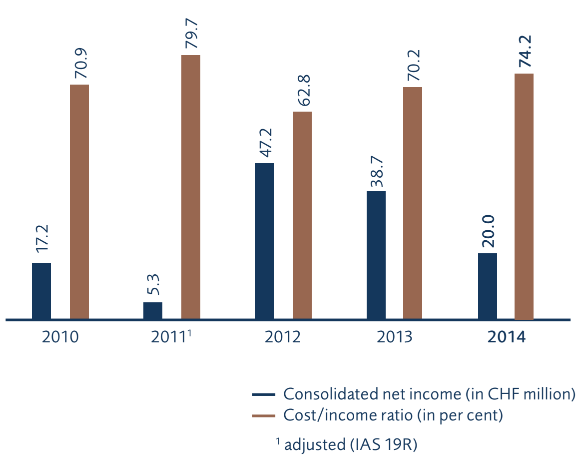
In the medium term, VP Bank Group is striving to achieve the following measures:

- A net new money inflow of an average of 5 per cent per annum
- A cost/income ratio of 65 per cent
- A tier 1 ratio of 16 per cent

In 2014, VP Bank Group recorded a net outflow of client assets of CHF 850 million. In 2013, a net new client money inflow of CHF 965 million had been achieved (including the asset deal with HSBC Trinkaus & Burkhardt (International) SA in Luxembourg).

Despite lower costs, the cost/income ratio increased to 74.2 per cent in 2014 (prior year: 70.2 per cent). The declining total operating income is responsible for this increase, whereby the effect of interest rate hedges (CHF 24.5 million) is not taken into account in this calculation.

Consolidated net income combined with cost/income ratio



In 2014, the tier 1 ratio increased slightly from 20.4 per cent to 20.5 per cent (measurement date: 31 December 2014). In this manner, VP Bank Group possesses a solid capital base when compared with other financial institutions. The medium-term goal of 16 per cent was again far exceeded in 2014.

The regulatory framework Basel III imposes stricter capital-adequacy and liquidity requirements on banking institutions. As VP Bank is classified as a system-relevant bank, the required equity capital in accordance with the aforementioned new capital-adequacy requirements under Basel III (CRD IV) increases to 13 per cent. These changes take effect as of February 2015. Even after the introduction of Basel III, VP Bank Group will continue to have a robust core capital (tier 1 ratio), thus reflecting a high measure of stability and security.

Client assets under management

At the end of 2014, client assets under management of VP Bank Group totalled CHF 30.9 billion. Compared with the prior year's figure of CHF 30.4 billion, this represents an increase of 1.8 per cent. The performance-related increase in client assets amounted to CHF 1.4 billion, resulting from the positive development in markets.

In 2014, VP Bank Group recorded a net outflow of client assets of CHF 850 million (prior year: net inflow of client money of CHF 965 million, including the asset deal with HSBC Trinkaus & Burkhardt (International) SA in Luxembourg). As a result of regulatory changes, particularly taxation-related issues, client assets again came under significant pressure. In the custodian bank and investment fund businesses, the loss of a major client was worthy of note. On the other hand, as a result of successful market development activities, VP Bank Group succeeded in counteracting the net outflow of client money in existing businesses. The inflows generated, however, were not able to offset the outflows in client assets under management. With the merger announced with Centrum Bank, VP Bank Group will add client assets of some CHF 7.1 billion in 2015 (position at beginning of 2015).

Custody assets declined by 15.4 per cent to CHF 7.6 billion (prior year: CHF 9.0 billion). As of 31 December 2014, client assets including custody assets totalled CHF 38.6 billion (prior year: CHF 39.4 billion).

Income statement

Total operating income

Year on year, total operating income declined by 7.0 per cent from CHF 239.4 million to CHF 222.7 million. Adjusted for the effect of interest rate hedges (CHF 24.5 million), total operating income increased by 3.4 per cent.

Interest income, after adjusting for the results of interest rate hedging operations, rose by 4.1 per cent from CHF 78.3 million to CHF 81.5 million. As a result of the further decline in interest rate levels, interest income from banking operations fell during the reporting period. At the same time, interest revenues from client-related business grew slightly. Interest expense declined by CHF 1.5 million. Interest income from financial instruments valued at amortised cost rose by CHF 3.1 million to CHF 15.2 million, principally as a result of a higher level of balance-sheet positions. As VP Bank does not apply hedge accounting in accordance with IFRS, the interest income also includes changes in the value of interest rate hedges. In 2014, there resulted unrealised losses of CHF 16.0 million (prior year: revaluation gains of CHF 8.5 million). From an economic point of view, no revaluation differences result from the underlying positions and hedges.

The increased level of client activity fortunately continued in 2014. As a result, income from commission business and services again rose by 3.8 per cent to CHF 118.4 million (prior year: CHF 114.1 million). Net brokerage income grew by 5.3 per cent to CHF 33.4 million (prior year: CHF 31.8 million). The marked increase in investment fund management fees of CHF 6.7 million to CHF 62.8 million, or 12.0 per cent, arose in connection with investment fund business acquired from HSBC Trinkaus Investment Managers SA in Luxembourg. Commission income from other services grew by CHF 3.6 million to CHF 17.7 million. Other commission and service-related expense increased by CHF 7.6 million to CHF 49.7 million. This increase is principally in connection with investment fund management fees which are passed on.

Income from trading activities in 2014 rose by 30.0 per cent from CHF 19.5 million to CHF 25.4 million. Trading on behalf of clients increased by 19.0 per cent to CHF 29.6 million (prior year: CHF 24.9 million). Year on year, securities trading improved by CHF 1.1 million. In 2014, a negative result of CHF 4.2 million (prior year: CHF –5.4 million) arose from hedging operations in respect of financial investments which is recorded under securities trading. These changes in value arising from hedges are offset by revaluation gains/losses in the hedged underlying positions.

Gains from financial investments of CHF 12.5 million (prior year: CHF 16.3 million) were generated in 2014. The major part thereof resulted from revaluation gains on the one hand, and interest income on the other.

Operating expenses

Year on year, operating expenses fell by 1.6 per cent to CHF 165.3 million.

Personnel expenses fell year on year by CHF 3.5 million, or 2.9 per cent, to CHF 118.5 million. This decline is a result of the slightly lower employee headcount. At the end of 2014, VP Bank Group had 695 (prior year: 706) employees, expressed as full-time equivalents.

General and administrative expenses increased by 1.7 per cent from CHF 46.0 million to CHF 46.8 million in 2014. On the one hand, thanks to strict cost discipline, savings in various expense positions could be achieved, but, on the other, professional fees rose by CHF 1.1 million to CHF 9.1

million. The higher level of expense arose in connection with projects relating to achieving growth targets and, in particular, with the announced merger with Centrum Bank AG.

Depreciation and amortisation was CHF 2.3 million or 8.6 per cent higher than in the prior year and amounted to CHF 29.3 million, whereby this increase relates principally to the scheduled amortisation of intangible assets acquired within the framework of the asset deal with HSBC Trinkaus & Burkhardt (International) SA.

The charge for valuation allowances, provisions and losses totalled CHF 7.4 million (prior year: CHF 6.4 million). The increase relates, in particular, to the higher valuation allowances for credit risks, whereby the higher charges were recorded both for individual as well as lump-sum valuation allowances. On the other hand, valuation allowances no longer required totalling CHF 8.0 million were released to income (prior year: CHF 4.0 million). This also included the provision raised in the prior year in connection with the US programme from which VP Bank (Switzerland) Ltd withdrew following extensive clarifications.

Group net income

Group net income totalled CHF 20.0 million (prior year: CHF 38.7 million). Group net income per bearer share fell from CHF 6.58 to CHF 3.45 in the 2014 reporting period.

Total comprehensive income

Total comprehensive income encompasses all revenues and expenses recorded in the profit and loss account and under equity. VP Bank Group achieved a total comprehensive income of CHF 0.5 million as opposed to CHF 28.7 million in the prior year. This reduction is principally the result of actuarial adjustments in respect of retirement pension funds, which were recorded directly in equity.

Balance sheet

Total assets remained unchanged at CHF 11.2 billion. On the liabilities side, amounts due to clients were also unchanged at CHF 9.6 billion. On the assets side, cash and cash equivalents again increased markedly to CHF 1.9 billion (31 December 2013: CHF 1.4 billion), which signifies a very comfortable level of liquidity for VP Bank. The increase in cash and cash equivalents was made at the expense of amounts due from banks, which declined by a further CHF 1.2 billion to CHF 3.3 billion. At the same time, financial instruments valued at amortised cost rose by CHF 297.9 million (plus 38.4 per cent) from CHF 776.2 million to CHF 1.1 billion in 2014.

VP Bank is maintaining its focus on qualitative growth in client loans as well as a high level of discipline in credit-granting activities. Since the beginning of 2014, loans to clients have risen by CHF 337.3 million to CHF 4.3 billion as of 31 December 2014. This increase relates in roughly equal measure to mortgage loans and credits with other types of collateral. Mortgage loans recorded an increase of 6.1 per cent to CHF 2.9 billion.

Consolidated shareholders' equity of VP Bank Group at the end of 2014 amounted to CHF 868.5 million (end of 2013: CHF 888.7 million). The decrease of CHF 20.3 million is primarily attributable to actuarial adjustments in respect of retirement pension funds. As of 31 December 2014, the tier 1 ratio was 20.5 per cent (prior year: 20.4 per cent).

Outlook

The decision of the SNB in mid-January 2015 to abandon the exchange rate floor of CHF 1.20 per euro will have a lasting impact on the capital market environment. It has not only resulted in shifts on currency markets, but has also seen interest rate levels move lower at their short and long ends. Outside the Swiss currency zone, central banks will also continue to exercise strong influence on markets. Although global monetary policy remains expansive, at a regional level there remain large differences. We consider bonds to be unattractive. Despite higher valuations, equities should profit from the scarcity of investment opportunities.

VP Bank Group expects the uncertainties to persist in the 2015 fiscal year. The abandonment by the SNB in January 2015 of the CHF/EUR exchange rate floor as well as the shift in the three-month LIBOR target range led to major disruptions on markets. This difficult environment poses great challenges to VP Bank Group and impacts the course of business in a significant manner. VP Bank Group is well positioned and counters these demands with concrete measures. Together with its employees and clients, it will continue to pursue the course it has embarked on in a consistent manner towards a successful future.

The process of transformation in the areas of tax transparency as well as the automatic exchange of tax information are developments which will preoccupy VP Bank and the Liechtenstein financial centre in the coming years in no uncertain manner. With the merger of VP Bank and Centrum Bank, VP Bank has shown a firm commitment to the Liechtenstein marketplace. Thanks to its business model with comparable core competencies, target markets and client structures, VP Bank considers Centrum Bank to be an ideal addition for ensuring a successful future for the Group. As a result of the capital increase which is planned to accompany the merger, another reliable and long-term-oriented Liechtenstein family will become an anchor shareholder of VP Bank. In addition, equity will not be significantly impacted as a result of these transactions. The high level of equity resources constitutes a healthy basis for VP Bank Group to be able to assume an active role in the process of bank consolidation.

Consolidated income statement

in CHF 1,000	Note	2014	2013	Variance absolute	Variance in %
Interest income		80,930	103,756	–22,826	–22.0
Interest expense		15,379	16,883	–1,504	–8.9
Total interest income	1	**65,551**	**86,873**	**–21,322**	**–24.5**
Commission income		174,065	160,648	13,417	8.4
Commission expense		55,647	46,537	9,110	19.6
Total income from commission business and services	2	**118,418**	**114,111**	**4,307**	**3.8**
Income from trading activities	3	25,363	19,511	5,852	30.0
Income from financial instruments	4	12,493	16,267	–3,774	–23.2
Other income	5	832	2,633	–1,801	–68.4
Total net operating income		**222,657**	**239,395**	**–16,738**	**–7.0**
Personnel expenses	6	118,499	122,006	–3,507	–2.9
General and administrative expenses	7	46,772	45,970	802	1.7
Operating expenses		**165,271**	**167,976**	**–2,705**	**–1.6**
Gross income		**57,386**	**71,419**	**–14,033**	**–19.6**
Depreciation and amortisation	8	29,348	27,033	2,315	8.6
Valuation allowances, provisions and losses	9	7,416	6,355	1,061	16.7
Earnings before income tax from continued operations		**20,622**	**38,031**	**–17,409**	**–45.8**
Taxes on income	10a	597	2,306	–1,709	–74.1
Group net income from continued operations		**20,025**	**35,725**	**–15,700**	**–43.9**
Discontinued operations					
Net income from discontinued operations	45	0	2,962	–2,962	–100.0
Group net income		**20,025**	**38,687**	**–18,662**	**–48.2**
Attributable to the shareholders of VP Bank Ltd, Vaduz					
Group net income from continued operations		20,025	35,725	–15,700	–43.9
Group net income from discontinued operations		0	2,394	–2,394	–100.0
Net income attributable to the shareholders of VP Bank Ltd, Vaduz		**20,025**	**38,119**	**–18,094**	**–47.5**
Non-controlling interests					
Group net income from continued operations		0	0	0	n.a.
Group net income from discontinued operations		0	568	–568	–100.0
Group net income attributable to non-controlling interests		**0**	**568**	**–568**	**–100.0**
Undiluted consolidated earnings per share of VP Bank Ltd, Vaduz					
Undiluted group net income per bearer share		3.45	6.58		
Undiluted group net income per registered share		0.34	0.66		
Undiluted group net income from continued operations per bearer share		3.45	6.17		
Undiluted group net income from continued operations per registered share		0.34	0.62		
Fully diluted consolidated earnings per share of VP Bank Ltd, Vaduz					
Diluted group net income per bearer share		3.45	6.58		
Diluted group net income per registered share		0.34	0.66		
Diluted group net income from continued operations per bearer share		3.45	6.17		
Diluted group net income from continued operations per registered share		0.34	0.62		

Consolidated statement of comprehensive income

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Net income	20,025	38,687	–18,662	–48.2
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	7,458	–1,901	9,359	n.a.
• Foreign-currency translation difference transferred to the income statement from shareholders' equity	0	1,854	–1,854	n.a.
Total other comprehensive income which will be transferred to the income statement upon realisation	**7,458**	**–47**	**7,505**	**n.a.**
Other comprehensive income which will not be transferred subsequent to the income statement				
• Changes in value of FVTOCI financial instruments	–752	–4,055	3,303	n.a.
• Actuarial gains/losses from defined-benefit pension plans	–26,188	–5,875	–20,313	n.a.
Total other comprehensive income which will not be transferred subsequent to the income statement	**–26,940**	**–9,930**	**–17,010**	**n.a.**
Total comprehensive income in shareholders' equity	**–19,482**	**–9,977**	**–9,505**	**n.a.**
Total comprehensive income in income statement and shareholders' equity	**543**	**28,710**	**–28,167**	**–98.1**
Attributable to non-controlling interests	0	568	–568	–100.0
Attributable to shareholders of VP Bank Ltd, Vaduz	543	28,142	–27,599	–98.1

Consolidated balance sheet

Assets

in CHF 1,000	Note	31/12/2014	31/12/2013	Variance absolute	Variance in %
Cash and cash equivalents	13	1,926,968	1,377,407	549,561	39.9
Receivables arising from money-market papers	14	22,027	23,227	–1,200	–5.2
Due from banks	15/16	3,282,226	4,502,014	–1,219,788	–27.1
Due from customers	15/16	4,263,943	3,926,676	337,267	8.6
Trading portfolios	17	189	2,622	–2,433	–92.8
Derivative financial instruments	18	56,126	35,738	20,388	57.0
Financial instruments at fair value	19	371,241	346,405	24,836	7.2
Financial instruments measured at amortised cost	20	1,074,109	776,223	297,886	38.4
Associated companies	21	65	41	24	58.5
Property and equipment	22	112,617	117,179	–4,562	–3.9
Goodwill and other intangible assets	23	38,407	53,221	–14,814	–27.8
Tax receivables	10c	569	14	555	n.a.
Deferred tax assets	10b	16,236	11,319	4,917	43.4
Accrued receivables and prepaid expenses		24,597	21,086	3,511	16.7
Other assets	24	15,337	13,646	1,691	12.4
Total assets		**11,204,657**	**11,206,818**	**–2,161**	**0.0**

Liabilities and shareholders' equity

in CHF 1,000	Note	31/12/2014	31/12/2013	Variance absolute	Variance in %
Due to banks		304,054	224,174	79,880	35.6
Due to customers – savings and deposits		859,101	880,459	–21,358	–2.4
Due to customers – other liabilities		8,586,926	8,524,194	62,732	0.7
Derivative financial instruments	18	45,917	52,740	–6,823	–12.9
Medium-term notes	25	193,309	243,722	–50,413	–20.7
Debentures issued	26	199,370	198,936	434	0.2
Tax liabilities	10c	2,467	1,780	687	38.6
Deferred tax liabilities	10b	8,755	9,901	–1,146	–11.6
Accrued liabilities and deferred items		22,994	25,975	–2,981	–11.5
Other liabilities	27	104,177	146,236	–42,059	–28.8
Provisions	28	9,130	9,958	–828	–8.3
Total liabilities		**10,336,200**	**10,318,075**	**18,125**	**0.2**
Share capital	30	59,148	59,148	0	0.0
Less: treasury shares	31	–21,017	–25,903	4,886	–18.9
Capital reserves		–17,173	–11,803	–5,370	45.5
Income reserves		875,240	901,748	–26,508	–2.9
Unrealised gains/losses on FVTOCI financial instruments		–9,793	–9,041	–752	8.3
Foreign-currency translation differences		–17,948	–25,406	7,458	–29.4
Shareholders' equity attributable to the shareholders of VP Bank Ltd, Vaduz		**868,457**	**888,743**	**–20,286**	**–2.3**
Minority interests	29/46	0	0	0	n.a.
Total shareholders' equity		**868,457**	**888,743**	**–20,286**	**–2.3**
Total liabilities and shareholders' equity		**11,204,657**	**11,206,818**	**–2,161**	**0.0**

Consolidated changes in shareholders' equity

in CHF 1,000	Share capital	Treasury shares	Capital reserves	Income reserves	Unrealised FVTOCI gains/losses	Actuarial gains/losses from defined-benefit pension plans	Foreign-currency translation differences	Equity of shareholders of VP Bank Ltd, Vaduz	Minority interests	Total shareholders' equity
Total shareholders' equity 01/01/2014	**59,148**	**–25,903**	**–11,803**	**933,176**	**–9,041**	**–31,428**	**–25,406**	**888,743**	**0**	**888,743**
Other comprehensive income, after income tax										
Foreign-currency translation differences							7,458	7,458		7,458
Changes in value transferred to profit reserves								0		0
Changes in value of FVTOCI financial instruments					–752			–752		–752
Actuarial gains/losses from defined-benefit pension plans						–26,188		–26,188		–26,188
Net income				20,025				20,025		20,025
Total reported result 31/12/2014	**0**	**0**	**0**	**20,025**	**–752**	**–26,188**	**7,458**	**543**	**0**	**543**
Dividends 2013				–20,345				–20,345		–20,345
Management equity participation plan (LTI)			–1,274					–1,274		–1,274
Movement in treasury shares [1]		4,886	–4,096					790		790
Total shareholders' equity 31/12/2014	**59,148**	**–21,017**	**–17,173**	**932,856**	**–9,793**	**–57,616**	**–17,948**	**868,457**	**0**	**868,457**
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 [2]				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 [1]		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**

[1] Details on transactions with treasury shares can be found in note 31.
[2] Details on transactions can be found in notes 45 and 46.

Consolidated statement of cash flow

in CHF 1,000	Note	2014	2013
Cash flow from operating activities			
Group net income from continued operations		20,025	35,725
Income from discontinued operations, net of taxes	45	0	2,962
Reconciliation to cash flow from operating activities			
Non-cash-related positions in Group results			
• Depreciation and amortisation	22, 23	29,348	27,033
• Creation/dissolution of retirement pension provisions	41	29,300	8,457
• Creation/dissolution of other provisions	28	1,630	–4,714
• Unrealised gains/losses on financial instruments measured at fair value	4	–2,530	–5,702
• Unrealised gains/losses on financial instruments measured at amortised cost	4	3,205	1,140
• Deferred income taxes	10b	–2,061	568
Net increase/reduction in banking			
• Amounts due from/to banks		1,035,219	87,933
• Trading portfolios incl. replacement values, net		–22,291	–19,506
• Amounts due from/to clients		–366,449	508,472
• Accrued receivables and other assets		–73,119	4,352
• Accruals and other liabilities		–5,190	70,848
Income taxes paid	10a	–703	–1,844
Foreign-currency impact on intragroup payments		14,415	–5,528
Net cash flow from operating activities		**660,799**	**710,196**
Cash flow from investment activities			
Purchase of financial instruments measured at fair value	17, 19	–145,740	–53,394
Proceeds from sale of/maturing financial instruments measured at fair value	4	69,927	137,751
Purchase of financial instruments measurement at amortised cost	20	–351,622	–367,760
Proceeds from sale of/maturing financial instruments measured at amortised cost	4	138,189	87,907
Acquisition of property and equipment and intangible assets	22, 23	–9,564	–19,209
Sale of property and equipment and intangible assets	22, 23	11	0
Acquisition of subsidiary companies	46	–13,436	0
Disposal of subsidiary companies	45, 46	50	800
Net cash flow from investment activities		**–312,185**	**–213,905**
Cash flow from financing activities			
Purchase of treasury shares	31	–7,787	–15,925
Proceeds from sale of treasury shares		3,842	18,037
Dividend distributions	12	–20,345	–14,489
Redemption/issuance of medium-term bonds	25	–50,413	–40,648
Dividend payments to non-controlling interests		0	–1,246
Net cash flow from financing activities		**–74,703**	**–54,271**
Foreign-currency translation impact		9,981	–13,842
Net increase in cash and cash equivalents		**283,892**	**428,177**
Cash and cash equivalents at the beginning of the financial year	36	2,330,575	1,902,397
Cash and cash equivalents at the end of the financial year	36	2,614,467	2,330,575
Net increase in cash and cash equivalents		**283,892**	**428,177**

Consolidated statement of cash flow (continued)

in CHF 1,000		2014	2013
Cash and cash equivalents as of 31/12 are represented by			
Cash	36	1,926,968	1,377,407
Receivables arising from money-market papers	36	22,027	23,227
Due from banks – at-sight balances	36	665,472	929,941
Total cash and cash equivalents		**2,614,467**	**2,330,575**
Consolidated statement of cash flow (summarised)			
Cash and cash equivalents at beginning of accounting period		2,330,575	**1,902,397**
Cash flow from operating activities, net of taxes		660,799	710,196
Cash flow from investing activities		–312,185	–213,905
Cash flow from financing activities		–74,703	–54,271
Foreign-currency translation impact		9,981	–13,842
Cash and cash equivalents at end of accounting period		**2,614,467**	**2,330,575**
Cash flow from operating activities from interest and dividends			
Interest paid		–15,880	–17,225
Interest received		96,315	110,379
Dividends received		2,419	3,553

At-sight balances due from banks bear interest at daily rates or are invested in interest-bearing short-term money-market deposits for between one day and three months, depending upon the liquidity requirements of VP Bank Group. Interest rates are based upon equivalent market rates. Short-term money-market deposits have an original maturity of a maximum of three months. The fair value of cash and cash equivalents amounts to CHF 2,614.5 million (2013: CHF 2,330.6 million).

Principles underlying financial statement reporting and notes

1. Fundamental principles underlying financial statement reporting

VP Bank Ltd, which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. Today, VP Bank Group 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 2014, VP Bank Group had 694.9 full-time-equivalent employees (previous year: 705.8).

The Group's core activities comprise asset management and portfolio advisory services for private and institutional investors as well as lending.

Values disclosed in the financial statements are expressed in thousands of Swiss francs. The 2014 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 preparing the consolidated financial statements. The main accounting policies are described in this section in order to show how their application impacts the reported results and disclosures.

Post-balance-sheet-date events

There were no post-balance-sheet-date events that materially affected the balance sheet and income statement for 2014.

At its 19 February 2015 meeting, the Board of Directors reviewed, approved and authorised the release of the consolidated financial statements. These consolidated financial statements will be submitted for approval at the annual general meeting of 24 April 2015.

VP Bank Group is continuing to pursue a course of further growth through acquisitions. After receiving the required supervisory authority approval from the Liechtenstein Financial Market Authority, VP Bank Ltd, Vaduz, acquired 100 per cent of the shares of Centrum Bank AG, Vaduz, on 7 January 2015. The acquisition price was CHF 60 million. Following this transaction, Centrum Bank AG, Vaduz, will become a wholly owned subsidiary of VP Bank Ltd, Vaduz. The legal merger between VP Bank Ltd and Centrum Bank AG will be completed effective 30 April 2015. The purchase price allocation (under IFRS) in connection with the acquisition of Centrum Bank is currently being prepared. The definitive calculation and disclosure of the required financial information for acquired assets and liabilities along with any goodwill or negative goodwill (bargain purchase) resulting from the merger with Centrum Bank will be presented in the interim financial statements on 30 June 2015. Consolidated reporting will commence on 30 June 2015.

The Marxer Foundation for Bank Values, the former sole owner of Centrum Bank AG, will receive an ownership interest in VP Bank Ltd based on the value of the share purchase price. The Board of Directors of VP Bank Ltd, Vaduz, will therefore convene an extraordinary general meeting of shareholders on 10 April 2015 and request a corresponding capital increase.

The Swiss National Bank's decisions in January 2015 to eliminate the Swiss franc's minimum exchange rate against the euro and to shift the target range of the three-month Libor have had no impact on the 2014 consolidated financial statements. These moves have nevertheless resulted in significant market distortions. This difficult environment will pose a significant challenge for VP Bank Group and affect business trends. VP Bank Group is well positioned and is taking concrete steps to address these challenges.

The implementation of the Basel III regulations takes effect in Liechtenstein on 1 February 2015 and imposes stricter capital and liquidity requirements on credit institutions. As a systemically important bank in Liechtenstein, VP Bank must satisfy additional capital buffer requirements. VP Bank's current tier 1 ratio of 20.5 per cent more than satisfies the 13 per cent level required under the Basel III regulations in Liechtenstein on 1 February 2015 and continues to represent a high level of stability and security.

2. Assumptions and uncertainties in estimates

IFRS contain guidelines which require VP Bank Group's management to make certain assumptions and estimates when preparing 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.

Value-impaired loans

A credit review is undertaken at least once a year for all value-impaired loans. Should changes have occurred as to the amount and timing of anticipated future payment flows in comparison to previous estimates, the allowance for credit risks is adjusted accordingly. The allowance amount is measured essentially by reference to the difference between the carrying amount 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 allowance by CHF 0.6 million (prior year: CHF 1.0 million).

Changes in estimates

No material changes in estimates were made or applied.

3. Summary of significant accounting policies

3.1. Consolidation principles

Fully consolidated companies

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

Changes in the consolidation scope

In 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) Ltd, 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 netted against the carrying amount of the shareholding in the parent company's financial statements as of the date of acquisition or the date of establishment.

Subsequent to initial consolidation, changes occurring through profit or loss and recognised in the consolidated financial statements are allocated to profit 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 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 per cent to 50 per cent of the voting rights.

Under the equity method, the shares of a company are recognised at their acquisition cost at the time of acquisition. Subsequently, the carrying value of the associated company is increased or reduced by the Group's share of the profits or losses and by changes in the shareholders' equity of the associated company not shown through profit or loss.

In applying the equity method, the Group ascertains whether it is necessary to record an additional impairment loss for its investments in associated companies. At each reporting date, the Group ascertains whether indications exist that the investment in the associated company may be value-impaired. If so, the difference between the realisable value of the shares in the associated company and its carrying amount is charged against income.

3.2. 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 the 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 transaction date. Translation differences arising from such transactions and gains and losses arising from currency translation rates at balance-sheet date rates for monetary financial assets and financial liabilities are shown through profit or loss.

Unrealised foreign-currency translation differences in non-monetary financial assets are recognised as changes in 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 into Swiss francs at the year-end exchange rate. Average exchange rates for the reporting period are applied for the translation of items on the income statement, statement of other comprehensive income and cash flow statement. 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 end of the reporting period. 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 recognised directly in shareholders' equity (income reserves).

Foreign-currency translation differences arising in connection with net investments in foreign companies are recognised in 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" includes Switzerland.

Cash and cash equivalents

Cash and cash equivalents encompass cash, receivables arising from money-market paper with an original maturity of no more than 90 days as well as sight balances with banks.

3.3. Financial instruments

General

VP Bank Group classifies financial instruments, which also include traditional financial assets and liabilities as well as equity instruments, 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 classification of financial instruments is made at the time of initial recognition using the criteria set out in IFRS 9. VP Bank Group adopted IFRS 9 (2010) early as of 1 January 2011. In cases where hedge conditions are fulfilled, VP Bank Group will apply hedge accounting in accordance with IFRS 9 (2013) early as of 1 January 2015.

Trading portfolios

Trading portfolios comprise shares, bonds, precious metals and structured products. Financial assets held for trading purposes are measured 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. If no active market exists, the fair value is determined by reference to listed quotes or external pricing models.

Financial instruments measured at amortised cost

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

A financial investment recognised at amortised cost is classified as being 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- or country-specific. Whenever impairment occurs, the carrying amount of the financial investment is reduced to its realisable value and the difference is charged against "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 recognised 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 instruments are recognised in the balance sheet at fair value. Changes in value are shown through profit or loss, except in cases where 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 to banks and customers

Loans to banks and customers are valued at their effective cost, which equates to the fair value at the time the loans are granted. Subsequent valuations correspond to the amortised cost using the effective interest method. Interest on performing loans is recognised on an accrual basis and reported under interest income using the effective interest method.

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 counterparty- or country-specific nature. Interest on value-impaired loans is recorded on an accrual basis. A valuation allowance for credit risk is recorded as a reduction in the carrying amount of a loan in the balance sheet. The allowance is measured essentially by reference to the difference between the carrying amount and the amount likely to 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. General portfolio-based impairment allowances are recorded to cover potential, as yet unidentified credit risks. A credit review is performed at least once a year for all value-impaired receivables. If changes have occurred as regards 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 reversal of valuation allowance 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 classified as value-impaired if it can be shown that they are still covered by existing collateral.

Derivative financial instruments

Derivative financial instruments are measured at fair value and recorded in the balance sheet. Fair value is determined on the basis of listed quotations or option pricing models. Realised and unrealised gains and losses are shown through profit or loss.

Hedge accounting

When hedging conditions are fulfilled, VP Bank Group will apply hedge accounting in accordance with IFRS 9 (2013) as early as of 1 January 2015.

Under the Group's risk management policy, VP Bank uses certain derivatives as part of hedge transactions. From an economic perspective, the opposing valuation effects of the underlying and hedging transactions offset one another. However, because these transactions do not satisfy strict and specific IFRS guidelines, asymmetrical valuation differences between the underlying and hedging transactions arise from an accounting standpoint. Fair value changes for such derivatives are shown through profit or loss for the corresponding periods under trading and interest income.

Hedge accounting was not applied for either the reporting period or the previous year.

Debt securities issued

Medium-term notes are recorded at their issue price and subsequently measured at their amortised cost.

At the time of their initial recording, bonds are recorded at fair value less transaction costs. Fair value corresponds to consideration received. They are subsequently valued at their amortised cost. As such, the effective interest method is employed in order to amortise the difference between the issue price and redemption amount over the life of the debt instrument.

Treasury shares

Shares in VP Bank Ltd, Vaduz, held by VP Bank Group are disclosed as treasury shares under shareholders' equity and deducted at acquisition cost. The difference between the 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.

3.4. Other principles

Provisions

Provisions are only recorded in the balance sheet if VP Bank Group has a third-party liability arising from a previous event, 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, plant and equipment and other assets (including goodwill and other intangible assets) is reviewed at least once a year or at any time the carrying amount may be over-valued as a result of occurrences or changed circumstances. If the carrying amount exceeds the realisable value, an impairment charge is recorded.

Property, plant and equipment

Property, plant and equipment comprises bank premises, other real estate, furnishings and equipment, as well as IT systems. These assets are valued at acquisition cost less depreciation related to operations.

Property, plant and equipment are capitalised, provided their purchase or manufacturing cost can be determined reliably, their value exceeds a minimum limit for capitalisation and the assets represent future economic benefits.

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

Depreciation and amortisation	Estimated useful lives
Bank premises and other real estate	25 years
Land	not depreciated
Fixtures and equipment	5 to 8 years
IT systems	3 to 7 years

The depreciation methods and useful lives are reviewed at the end of each year.

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. The capitalised assets are then depreciated over their useful lives.

Gains on disposal of property, plant and equipment are reported as other income. Losses on disposal lead to additional depreciation of property, plant and equipment.

Goodwill

In the case of a takeover, should the acquisition costs exceed the value of 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 impairment. Goodwill is recorded in the original currency and translated on the balance-sheet date at prevailing year-end rates.

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.

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 their purchase cost at the time of acquisition.

Taxes and deferred taxes

Current income taxes are calculated on the basis of the applicable tax laws 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 tax impact of timing differences between the amounts attributed to the assets and liabilities as reported in the consolidated balance sheet and their values reported for tax 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 will exist, against which these timing differences or tax loss carry-forwards can be offset.

Deferred tax assets and tax liabilities are calculated using the tax rates 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 tax jurisdiction and an enforceable right of offset exists.

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

The tax savings expected from the utilisation of estimated future realisable loss carry-forwards are capitalised. The probability of realising expected tax benefits is taken into account when valuing a capitalised asset for future tax relief. Tax assets arising from future tax relief encompass deferred taxes on timing differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and those used for tax purposes as well as estimated future realisable loss carry-forwards. Deferred tax receivables in one sovereign tax jurisdiction are offset against deferred tax liabilities of the same jurisdiction if the company has a right of offset between actual tax liabilities and tax claims and the taxes are levied by the same tax authorities; amounts are offset insofar as the maturities correspond.

Retirement pension plans

VP Bank Group maintains a number of retirement pension plans for the employees of its domestic and foreign entities, including both defined-benefit and defined-contribution plans.

Accrued benefits from and liabilities to these pension funds are calculated 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. Computational assumptions taken into account by the Group include the expected future rate of salary increases, long-term interest earned on retirement assets, retirement patterns and life expectancy. The valuations are performed 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
- 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 applying the discount rate to the pension liability or plan assets at the beginning of the year. In the process, capital flows of less than one year are recognised 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 adjustments reflecting actual results. Gains and losses on plan assets equate to the income from plan assets less the amounts contained in net interest expense. Revaluation components also encompass movements in unrecognised assets less the effects contained in net interest expense. Revaluation components are recognised in the statement of comprehensive income and cannot be 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 funding deficit or surplus 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 relationships 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. Changes 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.

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

New and revised International Financial Reporting Standards

Since 1 January 2014, the following new or revised standards and interpretations have taken effect:

IFRS 10 – Investment Entities (Amendments)

Following the changes, an "investment entity" is defined as an entity with the following characteristics:
- It obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services.
- It commits to its investor(s) that its business purpose is to invest with the objective of achieving capital growth, generating investment income or both.
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

An entity is required to consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. The amendments provide that an investment entity should have the following typical characteristics:
- More than one investment
- More than one investor
- Investors that are not related to the entity or other members of the group belonging to the entity
- Ownership interests typically exist in the form of equity or similar interests (e.g. partnership interests) to which proportionate shares of the net assets of the investment entity are attributed

IAS 32 – Offsetting of Financial Instruments

The provisions in connection with the offsetting of financial instruments remain fundamentally unchanged by the amendments, which focused much more on clarifying the application guidelines for IAS 32 Financial Instruments: Presentation as regards the terms "currently" and "simultaneously". New disclosure requirements were also introduced to IFRS 7 Financial Instruments: Disclosures, which pertain to master netting and similar agreements.

IFRIC 21 – Levies

IFRIC 21 provides the following guidance on the recognition of a liability to pay levies. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The same recognition principles apply to interim financial reports.

2010–2012 annual improvements

IFRS 2 – Share-Based Payment: definition of "vesting conditions"

Clarifies the definitions of "exercise conditions" and "market condition" and adds definitions for "performance condition" and "service condition" (previously included in the definition of "exercise conditions").

IFRS 8 – Operating Segments: aggregation of operating segments

Requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.

IFRS 8 – Operating Segments: reconciliation of the total of the reportable segments' assets to the entity's assets

Clarifies that an entity shall only be required to reconcile the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IFRS 13 – Fair Value Measurement (amendments to the basis of conclusions only, with consequential amendments to the bases of conclusions of other standards)
Short-term receivables and payables

Clarifies that the issuance of IFRS 13 and amendments to IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 24 – Related Party Disclosures
Key management personnel

Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

2011-2013 annual improvements

IFRS 3 – Business Combinations
Scope of exception for joint ventures

Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 – Fair Value Measurement
Scope of paragraph 52 (portfolio exception)

Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

International Financial Reporting Standards which must be applied by 2015 or later

Numerous new standards, amendments and interpretations of existing standards which are required to be applied for periods starting 1 January 2015 or later were issued. The following new or amended International Financial Reporting Standards or interpretations are currently being reviewed or are immaterial for VP Bank Group. No early application was made by the Group.

IFRS 9 (2014) – Financial Instruments

This standard contains requirements for recognition and measurement, derecognition and general hedge accounting. The IASB issued its final version of the standard on 24 July 2014 after having completed the various phases of its comprehensive financial instruments project. The accounting of financial instruments, previously covered by IAS 39 Financial Instruments: Recognition and Measurement, has now been totally replaced by the accounting provisions of IFRS 9. This latest version of IFRS 9 supersedes all previous versions. The mandatory first-time application is planned for periods beginning on or after 1 January 2018. Early adoption is authorised, subject to local regulations. For a limited period, previous versions of IFRS 9 may be adopted early if this has not already been done, provided the relevant date of initial application is before 1 February 2015.

IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk under IAS 39. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

It is therefore still possible to apply the regulations governing fair value hedges of a portfolio's interest rate exposure or even designate hedging relationships in accordance with the general provisions of IAS 39.

Since 1 January 2011, VP Bank Group has applied IFRS (2010) early. If hedge conditions are satisfied, VP Bank Group will apply hedge accounting under IFRS 9 (2013) early as of 1 January 2015.

IFRS 11 – Joint Arrangements (Amendments to IFRS 11)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs, with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- Measure the most identifiable assets and liabilities at fair value
- Expense acquisition-related costs (other than debt or equity issuance costs)
- Recognise deferred taxes
- Recognise any goodwill or bargain purchase gain
- Perform impairment tests for the cash generating units to which goodwill has been allocated
- Disclose required information relevant for business combinations

The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.

The amendments shall be effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted, but corresponding disclosures are required. The amendments apply prospectively.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and shall apply to an annual reporting period beginning on or after 1 January 2017.

IAS 19R – Employee Benefits (Amendments)

With "Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits)", the IASB has amended the requirements in IAS 19 for contributions from employees or third parties that are linked to service:

If the amount of the contributions is independent of the number of years of service, contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered (note: this is a permitted but not required method).

If the amount of the contributions depends on the number of years of service, those contributions must be attributed to periods of service using the same attribution method as used for the gross benefit in accordance with paragraph 70 of IAS 19.

The amendments are intended to provide relief in that entities are allowed to deduct contributions from service costs in the period in which the service is rendered. This was common practice before the 2011 amendments to IAS 19. In those cases, the impact of retrospective application would be minimal.

The amendments are effective for annual periods beginning on or after 1 July 2014.

5. 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 achieve this goal, VP Bank supports a rigorous dovetailing of profitability and risk within the scope of the management of its own equity resources; it deliberately chooses not to seek short-term interest gains 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 its strong capitalisation, VP Bank can invest in the expansion of its business. In managing its 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 calculated 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 in accordance with the long-term dividend 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 core 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.

As of 31 December 2014, risk-weighted assets totalled CHF 4.2 billion, compared with CHF 4.1 billion the previous year, while core capital was CHF 860.5 million, compared with CHF 840.8 million the previous year. The overall equity ratio contracted from 20.4 per cent as of 31 December 2013 to 20.5 per cent as of 31 December 2014. On both 31 December 2013 and 31 December 2014, VP Bank Group was adequately capitalised in accordance with the respective guidelines of the Financial Market Authority (FMA) of Liechtenstein and the Bank for International Settlements (BIS).

Risk management of VP Bank Group

1. Overview

Effective risk, liquidity 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 liquidity and 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.

Liquidity management

Guaranteeing liquidity within VP Bank Group continues to be accorded the highest priority. Giro clearing facilities were further expanded. In addition, the constitution of a base of first-class investments with high liquidity (so-called high-quality liquid assets) was accelerated in view of Basel III and the requirements associated therewith. Even under Basel III, VP Bank will possess a comfortable basis of liquidity. The required liquidity coverage ratio (LCR) is already met.

Capital management

The reform of the Basel III regulatory framework heightens the capital-adequacy requirements for banks. As a system-relevant bank in Liechtenstein, VP Bank must support its risk-weighted assets with 13 per cent equity as from 1 February 2015 (previously 8 per cent). With a tier 1 ratio of 20.5 per cent, VP Bank possesses a capital base which far exceeds the requirements under Basel III, thus continuing to reflect a high measure of financial stability and security.

Credit risks

The management and monitoring of credit risks continues to assume a central role in view of the significance of credit-granting activities (CHF 4.3 billion as of 31.12.2014). The volume of exposures in the interbank market was reduced by CHF 1.2 billion to CHF 3.3 billion in comparison with the position at the end of 2013. Secured reverse repo positions were entered into in order to limit credit risk. Since the onset of the crisis in financial markets, economic progress has been achieved in certain of the countries impacted by the debt crisis. In these countries, limits which had been completely or partially suspended were in part reactivated.

Market risks

In 2014, the margin of fluctuation in interest rates, currencies and equity shares, in particular in the core markets of VP Bank Group, remained in a relatively narrow range. As a result of the abolition of the minimum parity to the euro and the shift in the target rate for the three-month LIBOR by the SNB in January 2015, major distortions arose on financial markets. VP Bank believes that the uncertainties will persist in 2015.

The events in January 2015 do not impact the 2014 financial statements. Because of its robust liquidity and capital base, the risk tolerance of VP Bank remains intact even after the SNB decision. The monitoring and management of market risks remains a central focus point in 2015.

Operational risks

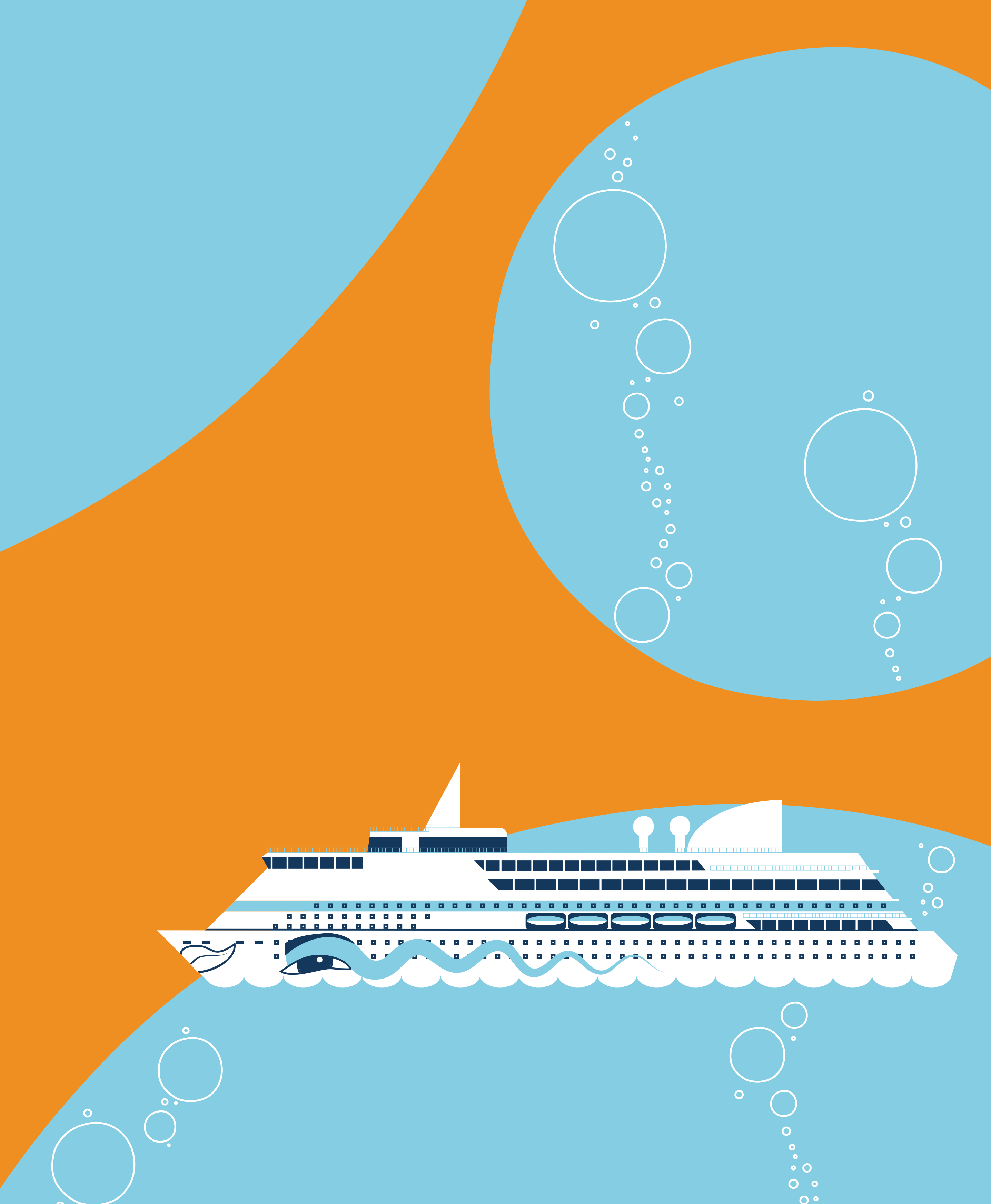
The systematic management of operational risks was further developed at VP Bank in 2014. The centre of the efforts in this respect was the performance of risk assessments in the parent bank and in Group subsidiaries as well as the further consolidation and optimisation of the existing internal control system (ICS).

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 base.



Introducing Tortola.


Tor


ola

"In the British Virgin Islands, you must be able to brave the storms. To be successful, you need strong partners. We are prepared to face any and all challenges on behalf of our clients."

Katharina Vogt-Schädler
CEO VP Bank (BVI) Ltd

VP Bank (BVI) Ltd holds a full banking licence in the British Virgin Islands and offers the full range of private banking services to high-net-worth individuals, intermediaries and asset managers worldwide. In addition to our broad range of innovative services, our long-standing clients especially appreciate the solution-oriented approach we take to advising them.

The British Virgin Islands are recognised as one of the world's premier financial services centres. The jurisdiction has a long tradition of meeting and, in many cases, exceeding best-practice standards. The British Virgin Islands also has a comprehensive banking and financial market regulatory framework, exemplary control mechanisms and an effective supervisory system that fulfils all internationally required quality and security standards.

Key facts as of 31/12/2014

Year founded	1995
Legal status	Subsidiary with bank status
Core competencies	Asset management Advice for private and institutional investors Secured lending business
Employees	17
Executive Board	Katharina Vogt-Schädler Chairman of the Executive Board Sjoerd Koster Member of the Executive Board

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.

Conscientious attitude to risks

Strategic and operational decisions are taken on the basis of risk/return calculations and aligned with the interests of the stakeholders. While 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 unbalanced relationship of risk to return 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).

While 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.

Unlike 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 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).

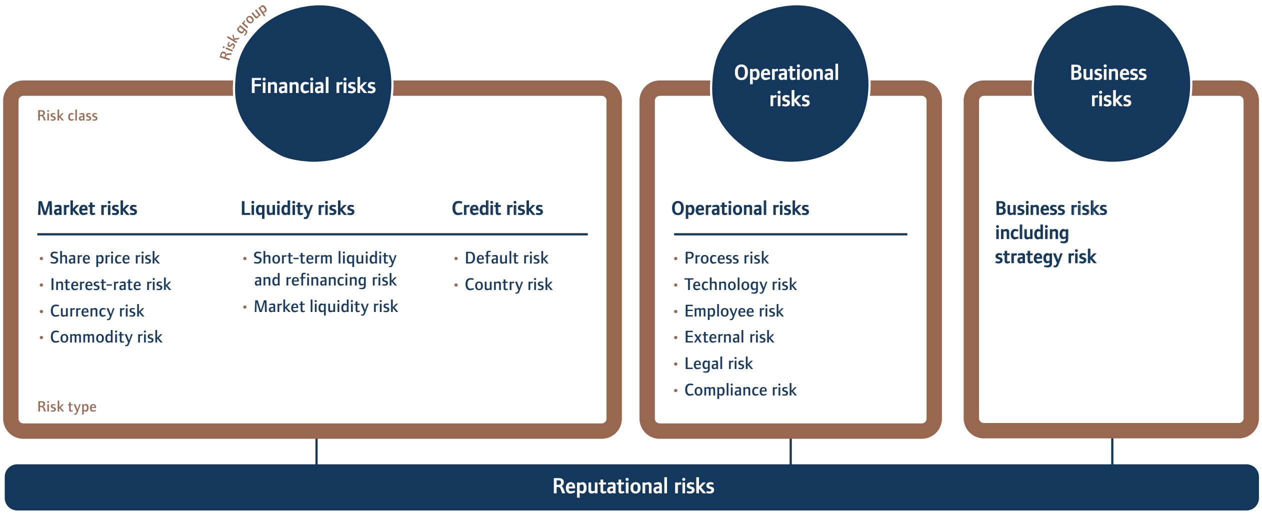
Market risks express the danger that possible economic losses in value in the banking and trading books will arise from adverse changes in market prices (interest rates, currency rates, equity share prices and commodity quotations) or other price-influencing parameters such as volatility.

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 and in the desired amount and on acceptable conditions.

Credit risks comprise both counterparty and country risk. 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 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 diagram provides an overview of the organisation of risk, liquidity 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, liquidity and capital and 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, liquidity 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, liquidity, 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 are 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 Treasury 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, while complying with legal and regulatory prescriptions. Part of its core tasks is balance-sheet structure management, 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.

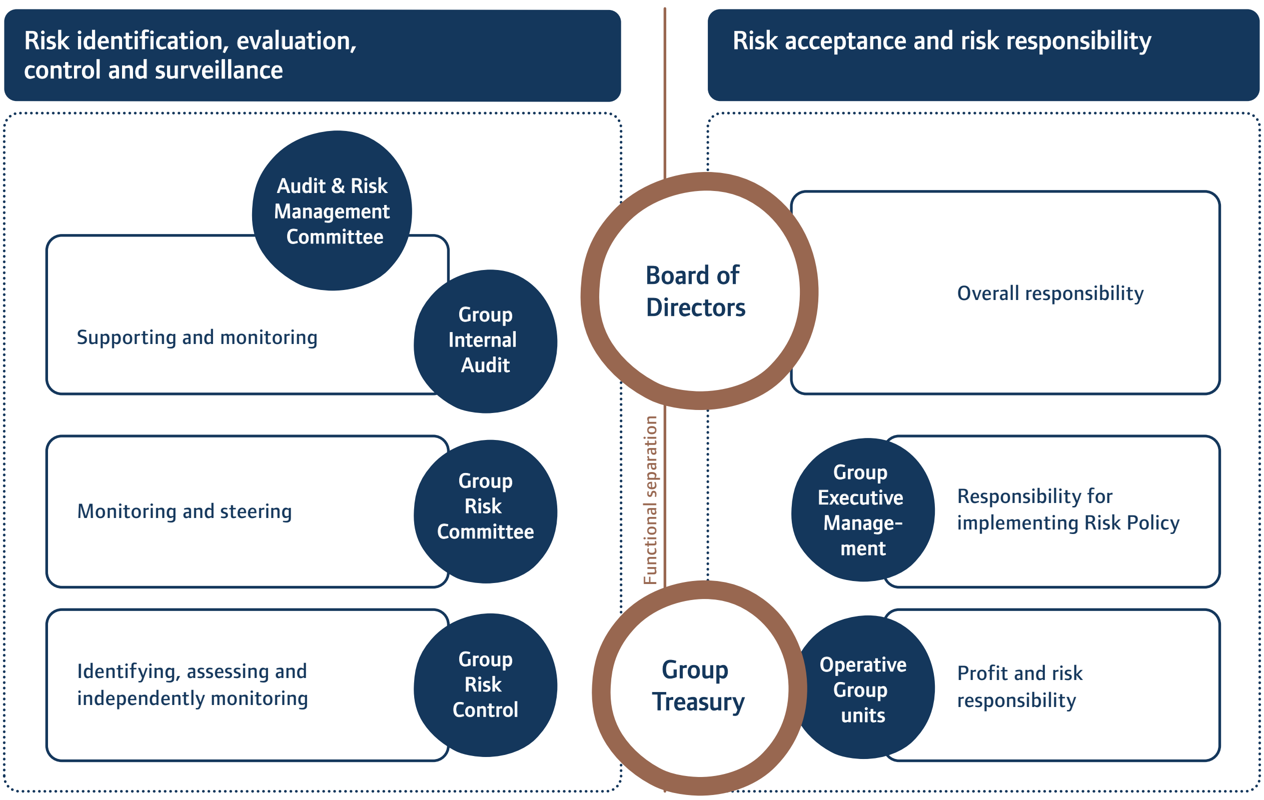
All risk-taking functions and organisational units belong to the operating units.

Process 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 even in the event of adverse market developments and extreme events. It is briefly described as follows:
The **risk strategy** and **risk appetite** (risk capital), which are derived from the global and individual limits, are 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. In order to ensure that VP Bank always has enough equity to cover all significant risks, a rolling three-year capital plan is prepared, which takes into account varying stress levels.

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 capital required is used up, measured by reference to the freely available equity less the risk buffer as laid down by the Board of Directors. In computing the economic capital required, 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 employs a wide range 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 and process guidelines. On an operating level, risk diversification is ensured by managing the financial risk within the target measures and limits set, as well as 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 results from 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 on the risk situation of VP Bank are made in this chapter and in the commentary on the consolidated financial statements.

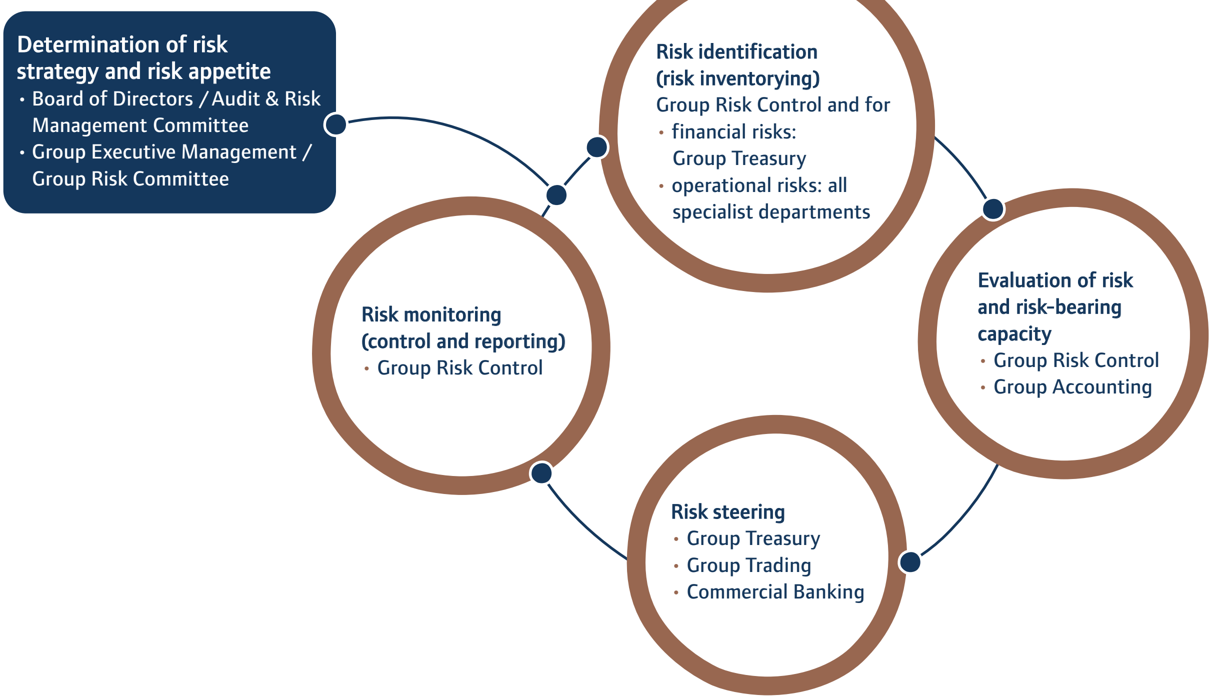
For each risk category, Basel II, which is in force until the balance-sheet date, provides for various approaches for the computation of required equity. VP Bank applies the standard approach for credit and market risks and the basis indicator approach for operational risks.

As of 31 December 2014, the business activities of VP Bank Group required shareholders' equity of CHF 336.3 million (31 December 2013: CHF 330.2 million). Adjusted eligible equity totalled CHF 860.5 million (31 December 2013: CHF 840.8 million). Year on year, the excess of equity showed an increase of 2.7 per cent to CHF 524.2 million (31 December 2013: CHF 510.6 million), which together with a tier 1 ratio of 20.5 per cent (31 December 2013: 20.4 per cent) continues to reflect the robust equity base of VP Bank.

The table overleaf shows the equity situation of the Group as of 31 December 2014.

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 Group can be described as robust.

Process supervision (Group Internal Audit)



Capital-adequacy computation (Basel II)

in CHF 1,000	31/12/2014	31/12/2013
Core capital (unadjusted)	858,404	877,082
• Paid-in capital	59,148	59,148
• Disclosed reserves	820,094	825,852
• Group net income	20,025	38,687
• Deduction for treasury shares	–21,017	–25,903
• Minority interests	0	0
• Deduction for dividends as per proposal of Board of Directors	–19,846	–20,702
Deduction for goodwill and intangible assets	–38,407	–53,221
Other adjustments	40,621	18,458
Eligible core capital (tier 1)	**860,618**	**842,319**
Other deductions from supplementary capital, from additional capital and from total capital	–95	–1,493
Eligible core capital (adjusted)	**860,523**	**840,826**
Credit risk (in accordance with Liechtenstein standard approach)	263,371	264,049
thereof price risk regarding equity securities in the banking book	6,321	7,756
Risks unrelated to counterparties	9,009	9,374
Market risk (in accordance with Liechtenstein standard approach)	29,075	21,824
Operational risk (in accordance with basic indicator approach)	34,865	34,955
Total required equity	**336,320**	**330,202**
Ratio eligible (adjusted)/required equity[1]	255.9%	254.6%
Eligible (adjusted) core capital (including "innovative" instruments)	20.5%	20.4%
Eligible equity tier 1[2]	20.5%	20.4%

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 take effect as of 1 February 2015 and introduces stricter capital-adequacy and liquidity requirements for credit institutions. As a system-relevant bank in Liechtenstein, VP Bank will have to fulfil the requirement of an additional capital buffer. Increased regulatory capital-adequacy requirements enhance the stability of the financial system and improve the protection of creditors. VP Bank possesses a tier 1 ratio of 20.5 per cent as of 31 December 2014. We assume that this value will reach a similar level under the Liechtenstein provisions which take effect as from 1 February 2015 and that the required level of 13.0 per cent will be significantly exceeded.

5. Financial risks

While 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 and sensitivities. 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 Group Treasury unit 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 (VaR) 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 Group Risk Control unit 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 for market risks 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 aid of historical simulation. In this process, the historical movements in market data of 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 will not be exceeded 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 value-at-risk of VP Bank Group at 31 December 2014 amounted to CHF 22.3 million (31 December 2013: CHF 37.4 million). This equates to a decrease of 40.4 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 decreased 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 not therefore equate to the sum of the respective individual values by risk type.

Value-at-Risk

in CHF million	Total	Interest-rate risk	Equity price and commodity risk	Currency risk
2014				
Year-end	22.3	9.7	6.1	6.5
Average	25.2	11.8	5.4	8.0
Highest value	32.1	16.2	6.1	10.4
Lowest value	20.4	9.1	4.7	5.8
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

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 market 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, slump in equity share prices).

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 curves in each maturity band and per currency are increased by one 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 31/12/2014						
CHF	716	838	2,580	–18,517	–16,629	–31,012
EUR	828	–825	–629	–6,746	585	–6,787
USD	731	–723	600	–2,031	836	–587
Other currencies	92	–171	337	1,045		1,303
Total	**2,367**	**–881**	**2,888**	**–26,249**	**–15,208**	**–37,083**
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	**–1,503**	**15,873**	**–7,942**	**–38,118**	**–19,615**	**–51,305**

The following table sets out the effects of a negative movement in the principal currencies on consolidated net income and shareholders' equity. Responsible for the underlying fluctuation of the Swiss franc against the euro and the US dollar is the implicit volatility as of 31 December 2014 and 31 December 2013, respectively.

Movements in significant foreign currencies

Exchange rate	Variance in %	Effect on net income in CHF 1,000	Effect on equity in CHF 1,000
2014			
EUR	–4	–1,335	–2
USD	–10	–5,422	–7,966
2013			
EUR	–5	–2,414	–1
USD	–10	–4,859	–5,997

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
2014		
–10%	–6,396	–1,568
–20%	–12,792	–3,135
–30%	–19,187	–4,703
2013		
–10%	–6,327	–1,717
–20%	–12,655	–3,433
–30%	–18,982	–5,150

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.

In order to hedge interest rate risks, VP Bank principally deploys interest rate swaps. From an economic point of view, the opposing revaluation effects from the underlying security and the hedging instrument offset each other. As VP Bank does not apply hedge accounting in accordance with IFRS, and the derivatives held for the purpose of hedging the interest rate risk are revalued at fair value, there results an asymmetric recording in the profit and loss account of the positive and negative changes in value from the underlying position and the hedging instrument.

VP Bank also employs foreign-exchange transactions to hedge the Bank's own financial investment against foreign-exchange rate fluctuations for the principal currencies. Foreign-exchange risks arising from client activities in principle should not arise; residual unsettled foreign-currency positions are closed out on the spot market. Group Treasury & Execution is responsible for the management of foreign-currency risks.

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.

While complying with the relevant legal liquidity requirements and the provisions regarding risk concentrations among 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 2014. The surplus in the minimum reserves and in the area of short-term liquidity amounted to an annual average of 3,145 per cent and 138 per cent, respectively, of the required values.

The ratio of liquid assets to short-term liabilities constitutes an important indicator in liquidity management. The following table illustrates the relevant ratios for 2013 and 2014 as of 31 December, as well as the average, the highest and the lowest amounts.

Liquid assets to short-term liabilities

	2014	2013
Year-end	48%	54%
Average during year	51%	53%
Highest value	57%	55%
Lowest value	47%	49%

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 2019. 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 2014 and 2013, 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 31/12/2014							
Due to banks	256,853		47,205				304,058
Due to customers in the form of savings and deposits		859,101					859,101
Other liabilities – due to customers	7,401,785	481,402	556,492	146,936	1,329		8,587,944
Derivative financial instruments	45,917						45,917
Securitised liabilities			14,366	44,590	330,938	19,010	408,904
Total	**7,704,555**	**1,340,503**	**618,063**	**191,526**	**332,267**	**19,010**	**10,205,924**
as of 31/12/2013							
Due to banks	169,378		42,265	12,588			224,231
Due to customers in the form of savings and deposits		880,459					880,459
Other liabilities – due to customers	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**

VP Bank can rapidly procure liquidity on a secured basis over its access to the Eurex repo market in case of need. The risk of an extraordinary, but nevertheless plausible event, which will take place with a very small probability, can be measured with the aid of stress tests. In this manner, VP Bank can take all applicable remedial action on a timely basis and, where necessary, set limits.

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 VP 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 2014, total credit exposures amounted to CHF 9.0 billion (31 December 2013: CHF 9.5 billion). The following table shows the composition thereof by on- and off-balance-sheet positions.

Credit exposures

	31/12/2014	31/12/2013
On-balance-sheet assets		
Receivables arising from money-market paper	22,026	23,227
Due from banks	3,282,226	4,502,014
Due from customers	4,263,446	3,926,231
Public-law enterprises	497	445
Trading portfolios		2,392
Derivative financial instruments	56,126	35,738
Financial instruments designated at fair value	291,607	267,904
Financial instruments measured at amortised cost	1,074,109	776,223
Total	**8,990,037**	**9,534,173**
Off-balance-sheet transactions		
Contingent liabilities	78,203	86,935
Irrevocable facilities granted	32,985	20,704
Total	**111,188**	**107,639**

Credit exposures by counterparty

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 31/12/2014							
Receivables arising from money-market paper	22,026						22,026
Due from banks		3,282,069	157				3,282,226
Due from customers			3,910	1,679,027	2,580,425	85	4,263,446
Public-law enterprises			497				497
Trading portfolios							0
Derivative financial instruments	3,693	15,291	7,448	27,688	2,006		56,126
Financial instruments at fair value	20,590	175,231	43,088	52,667		31	291,607
Financial instruments measured at amortised cost	308,008	326,482	194,622	242,130		2,867	1,074,109
Total	**354,317**	**3,799,073**	**249,722**	**2,001,512**	**2,582,430**	**2,983**	**8,990,037**
Off-balance-sheet transactions as of 31/12/2014							
Contingent liabilities	4,123	16,464	5,436	35,205	16,584	391	78,203
Irrevocable facilities granted	0	7,500	1,872	0	22,089	1,524	32,985
Total	**4,123**	**23,964**	**7,308**	**35,205**	**38,673**	**1,915**	**111,188**
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**

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 31/12/2014			
Receivables arising from money-market paper		22,026	22,026
Due from banks		3,282,226	3,282,226
Due from customers	3,710,538	552,908	4,263,446
Public-law enterprises		497	497
Trading portfolios			0
Derivative financial instruments	31,971	24,155	56,126
Financial instruments at fair value		291,607	291,607
Financial instruments measured at amortised cost		1,074,109	1,074,109
Total	**3,742,509**	**5,247,528**	**8,990,037**
Off-balance-sheet transactions as of 31/12/2014			
Contingent liabilities	43,461	34,742	78,203
Irrevocable facilities granted	2,647	30,338	32,985
Total	**46,108**	**65,080**	**111,188**

Credit exposures by collateral (continued)

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**

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 31/12/2014						
Receivables arising from money-market paper	22,026					22,026
Due from banks	3,217,306			67,912	–2,992	3,282,226
Due from customers				4,307,592	–44,146	4,263,446
Public-law enterprises				497		497
Trading portfolios						0
Derivative financial instruments	47,568			8,558		56,126
Financial instruments at fair value	290,276			1,331		291,607
Financial instruments measured at amortised cost	1,028,995			45,114		1,074,109
Total	**4,606,171**	**0**	**0**	**4,431,004**	**–47,138**	**8,990,037**
Off-balance-sheet transactions as of 31/12/2014						
Contingent liabilities				78,203		78,203
Irrevocable facilities granted				32,985		32,985
Total	**0**	**0**	**0**	**111,188**	**0**	**111,188**
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 risk weighting classes [1]

in CHF 1,000	0%	20%	35%	50%	75%	100%	150%	Total
On-balance-sheet assets as of 31/12/2014								
Receivables arising from money-market paper	22,026							22,026
Due from banks		2,411,212		638,341		232,673		3,282,226
Due from customers	611,493	71,954	1,761,943	251,038	82,717	1,472,441	12,358	4,263,943
Derivative financial instruments	28,505	17,013		3,104		7,504		56,126
Financial instruments	370,295	633,528		281,093		80,800		1,365,716
Other assets	4,088	7,743	157	4,711		40,040		56,739
Total	**1,036,407**	**3,141,450**	**1,762,100**	**1,178,286**	**82,717**	**1,833,458**	**12,358**	**9,046,776**
Off-balance-sheet transactions as of 31/12/2014								
Contingent liabilities	49,823	15,192		2,142		11,039	7	78,203
Irrevocable facilities granted	1,382	1,872	521	7,585		21,625		32,985
Total	**51,205**	**17,064**	**521**	**9,727**	**0**	**32,664**	**7**	**111,188**
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**

[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 country of domicile

in CHF 1,000	Liechten-stein and Switzerland	Europe	North America	South America	Asia	Other	Total
On-balance-sheet assets as of 31/12/2014							
Receivables arising from money-market paper					22,026		22,026
Due from banks	1,399,720	1,718,427	44,290	237	86,872	32,679	3,282,226
Due from customers	3,213,008	553,304	40,913	56,992	82,568	316,662	4,263,446
Public-law enterprises						497	497
Trading portfolios							0
Derivative financial instruments	38,714	12,673	198	823	324	3,395	56,126
Financial instruments at fair value		219,744	42,682	2,994	5,999	20,189	291,607
Financial instruments measured at amortised cost	49,319	730,413	214,294	14,505	21,376	44,201	1,074,109
Total	**4,700,761**	**3,234,562**	**342,376**	**75,550**	**219,165**	**417,623**	**8,990,037**
Off-balance-sheet transactions as of 31/12/2014							
Contingent liabilities	25,912	33,705	3,369	3,303	1,805	10,109	78,203
Irrevocable facilities granted	14,431		17			18,537	32,985
Total	**40,343**	**33,705**	**3,386**	**3,303**	**1,805**	**28,646**	**111,188**

Credit exposures by domicile (continued)

in CHF 1,000	Liechten-stein 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**

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 2.9 billion of mortgage credits (31 December 2013: CHF 2.7 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 2013: 19 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 who 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 less 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. Deviations from credit-granting principles (exceptions to policy) are dealt with appropriately as part of the credit-risk management process.

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 lending and borrowing 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 entered into 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.

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 31/12/2014	Provider of collateral as of 31/12/2013
Credit-linked notes		
Collateralised debt obligations	30	1,133
Total	**30**	**1,133**

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 31/12/2014			
Liechtenstein and Switzerland	58,576	11,975	12,581
Europe	1,520	287	1,397
North America	20	3	16
South America	107	45	107
Asia			
Other	9,576	39	8,690
Total	**69,798**	**12,348**	**22,794**
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**

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 31/12/2014	12,348				12,348
Total as of 31/12/2013	21,502				21,502

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) Ltd.

Country exposures by rating

in %	31/12/2014	31/12/2013
AAA	93.5%	93.6%
AA	4.3%	4.8%
A	0.4%	0.1%
BBB – B	0.2%	0.3%
Not rated	1.6%	1.2%
Total	**100.0%**	**100.0%**

As regards the country risk of Russia and Ukraine, VP Bank has no noteworthy risk-domicile exposures in these countries. As in the prior year, no exposures in the GIIPS countries (Greece, Ireland, Italy, Portugal and Spain) exist in financial instruments as of the end of 2014.

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 events and their impact in order to limit them with suitable preventive measures.

The management of operational risks is understood at 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 the 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 a part of risk identification and evaluation, the performance of key controls, the maintenance of a database of incidents as well as the deployment of early warning indicators.

As a result of intense cooperation among specialist departments to further develop the 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 ISO standard 22301-2012. The basis thereof is the BCM strategy, which is successively 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 and 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 Group Executive Management and taken account of in an appropriate manner. In view of the complexity of the effects which can impact 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.

Segment reporting

VP Bank Group is divided into three business segments: Client Business Liechtenstein, Client Business International and the Corporate Center.

Client Business Liechtenstein

The business segment "Client Business Liechtenstein" encompasses international private banking and business with intermediaries located in Liechtenstein as well as the local universal banking and credit-granting businesses. It includes the units of VP Bank Ltd, Vaduz, which are in direct client contact. In addition, Group Investment, Product & Market Management and IFOS Internationale Fonds Service Aktiengesellschaft 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) SA, VP Bank (BVI) Ltd, VP Bank (Singapore) Ltd., VP Wealth Management (Hong Kong) Ltd. and VPB Finance S.A. are allocated to this business segment.

Corporate Center

The business segment "Corporate Center" is responsible for banking operations and the processing of business transactions. It encompasses the areas Group Operations, Group Information Technology, Group Finance & Risk, Group Treasury & Execution, Group Legal, Compliance & Tax, Group Human Resources Management, Group Communications & Marketing and Group Business Development. 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. Revenue-generating business activities of the segment Corporate Center are in connection with the Group Treasury function. The results of the Group's own financial investments, the structural contribution and the changes in the value of interest rate hedges are reported in this segment.

Geographic segment reporting

in CHF 1,000	Liechtenstein and Switzerland	Rest of Europe	Other countries	Total Group
2014				
Total net operating income	173,184	36,990	12,483	222,657
Assets (in CHF million)	9,478	1,495	231	11,205
2013				
Total net operating income	197,016	28,460	13,919	239,395
Assets (in CHF million)	9,240	1,767	200	11,207

Segment reporting follows the principle of branch accounting.

The organisational structure of VP Bank Group, which was amended as of 1 January 2014 in order to reinforce its focus on the requirements of the market, continued unchanged up to 31 December 2014. VP Bank Group consists of the three organisational units "Chief Executive Officer", "Client Business" and "Chief Financial Officer & Banking Services".

As previously, the organisational unit "Client Business" is divided into the two business segments "Client Business Liechtenstein" and "Client Business International". Both organisational units "Chief Executive Officer" and "Chief Financial Officer & Banking Services" are regrouped together under the business segment "Corporate Center".

The prior-year comparative figures for segment reporting were restated retroactively.

Business segment reporting 2014

in CHF 1,000	Client Business Liechtenstein	Client Business International	Corporate Center	Total Group
Total interest income	35,897	20,510	9,144	65,551
Total income from commission business and services	73,477	49,593	–4,652	118,418
Income from trading activities	14,290	6,649	4,424	25,363
Income from financial investments	17	1,839	10,637	12,493
Other income	11	1,165	–344	832
Total net operating income	**123,692**	**79,756**	**19,209**	**222,657**
Personnel expenses	26,822	40,252	51,425	118,499
General and administrative expenses	2,276	20,645	23,851	46,772
Services to/from other segments	37,110	0	–37,110	0
Operating expenses	**66,208**	**60,897**	**38,166**	**165,271**
Gross income	**57,484**	**18,859**	**–18,957**	**57,386**
Depreciation and amortisation	266	4,529	24,553	29,348
Valuation allowances, provisions and losses	9,017	–106	–1,495	7,416
Income/loss before income tax from continued operations	**48,201**	**14,436**	**–42,015**	**20,622**
Taxes on income				597
Net income from continued operations				**20,025**
Discontinued operations				
Net income after taxes from discontinued operations				0
Group net income				**20,025**
Segment assets (in CHF million)	3,448	3,243	4,514	11,205
Segment liabilities (in CHF million)	6,656	2,951	729	10,336
Client assets under management (in CHF billion)	19.5	11.4	0.0	30.9
Net new money inflow (in CHF billion)	–0.2	–0.6	0.0	–0.8
Headcount (employees)	157	259	339	755
Headcount (full-time equivalents)	146.8	246.8	301.3	694.9

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.

Business segment reporting 2013

in CHF 1,000	Client Business Liechtenstein	Client Business International	Corporate Center	Total Group
Total interest income	32,519	18,640	35,714	86,873
Total income from commission business and services	72,264	46,868	–5,021	114,111
Income from trading activities	12,561	6,912	38	19,511
Income from financial investments	19	112	16,136	16,267
Other income	0	1,710	923	2,633
Total net operating income	**117,363**	**74,242**	**47,790**	**239,395**
Personnel expenses	27,115	40,661	54,230	122,006
General and administrative expenses	2,294	19,943	23,733	45,970
Services to/from other segments	38,770	0	–38,770	0
Operating expenses	**68,179**	**60,604**	**39,193**	**167,976**
Gross income	**49,184**	**13,638**	**8,597**	**71,419**
Depreciation and amortisation	22	2,611	24,400	27,033
Valuation allowances, provisions and losses	1,697	5,615	–957	6,355
Income/loss before income tax from continued operations	**47,465**	**5,412**	**–14,846**	**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)	3,371	3,510	4,326	11,207
Segment liabilities (in CHF million)	6,335	3,281	702	10,318
Client assets under management (in CHF billion)	18.9	11.5	0.0	30.4
Net new money inflow (in CHF billion)	–0.9	1.8	0.0	1.0
Headcount (employees)	163	269	332	764
Headcount (full-time equivalents)	156.1	256.7	293.0	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.).

Client Business Liechtenstein

Segment results

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Total interest income	35,897	32,519	3,378	10.4
Total income from commission business and services	73,477	72,264	1,213	1.7
Income from trading activities	14,290	12,561	1,729	13.8
Income from financial investments	17	19	–2	–10.5
Other income	11	0	11	0.0
Total net operating income	**123,692**	**117,363**	**6,329**	**5.4**
Personnel expenses	26,822	27,115	–293	–1.1
General and administrative expenses	2,276	2,294	–18	–0.8
Services to/from other segments	37,110	38,770	–1,660	–4.3
Operating expenses	**66,208**	**68,179**	**–1,971**	**–2.9**
Gross income	**57,484**	**49,184**	**8,300**	**16.9**
Depreciation and amortisation	266	22	244	n.a.
Valuation allowances, provisions and losses	9,017	1,697	7,320	431.3
Segment results before income taxes from continued operations	**48,201**	**47,465**	**736**	**1.6**
Additional information				
Operating expenses excl. depreciation and amortisation / total operating income (in %)	53.5	58.1		
Operating expenses incl. depreciation and amortisation / total operating income (in %)	53.7	58.1		
Client assets under management (in CHF billion)	19.5	18.9		
Change in client assets under management compared to previous year (in %)	3.3	–1.5		
Net new money inflow (in CHF billion)	–0.2	–0.9		
Gross income / average client assets under management (Bp) [1]	64.4	61.6		
Segment result / average client assets under management (Bp) [1]	25.1	24.9		
Cost/income ratio operating income (in %) [2]	53.5	58.1	–4.6	–7.9
Headcount (employees)	157	163	–6	–3.7
Headcount (full-time equivalents)	146.8	156.1	–9.3	–6.0

[1] Annualised, average values.
[2] Operating expenses / gross income minus other income and income from financial investments.

The 2014 pre-tax results increased year on year by CHF 0.7 million (1.6 per cent). In 2014, total operating income grew by CHF 6.3 million (5.4 per cent) over the comparable prior-year period. This growth is primarily the result of higher interest income from clients (10.4 per cent), but trading income (13.8 per cent) and income from commissions and services (1.7 per cent) also contributed to this positive result. Operating expenses could be reduced by CHF 2.0 million (2.9 per cent) to CHF 66.2 million resulting primarily from lower recharges from other segments as well as lower personnel expenses. In the business segment Client Business Liechtenstein, the intersegment recharges are based upon fixed internal transfer prices. Indirect costs for internal recharges are reported in the item "Services to/from other segments".

During 2014, the charge for valuation allowances, provisions and losses amounted to CHF 9.0 million (prior year: CHF 1.7 million). This was due to higher valuation allowances for credit risks. The gross margin improved to 64.4 basis points (prior year: 61.6 basis points). The cost/income ratio was 53.5 per cent and was thus lower than the prior-year comparative value of 58.1 per cent.

The segment encountered a minor outflow of client assets of CHF 0.2 billion. The inflows of new money arising from market-development activities could not be completely compensated for the outflows resulting from the regulatory environment as well as taxation-related issues. Client assets under management at 31 December 2014 totalled CHF 19.5 billion (31 December 2013: CHF 18.9 billion). The employee headcount of 147 positions at the end of 2014 was down by 9 positions over the prior year (156 positions).

Client Business International

Segment results

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Total interest income	20,510	18,640	1,870	10.0
Total income from commission business and services	49,593	46,868	2,725	5.8
Income from trading activities	6,649	6,912	–263	–3.8
Income from financial investments	1,839	112	1,727	n.a.
Other income	1,165	1,710	–545	–31.9
Total net operating income	**79,756**	**74,242**	**5,514**	**7.4**
Personnel expenses	40,252	40,661	–409	–1.0
General and administrative expenses	20,645	19,943	702	3.5
Services to/from other segments	0	0	0	0.0
Operating expenses	**60,897**	**60,604**	**293**	**0.5**
Gross income	**18,859**	**13,638**	**5,221**	**38.3**
Depreciation and amortisation	4,529	2,611	1,918	73.5
Valuation allowances, provisions and losses	–106	5,615	–5,721	–101.9
Segment results before income taxes from continued operations	**14,436**	**5,412**	**9,024**	**166.7**
Additional information				
Operating expenses excl. depreciation and amortisation / total operating income (in %)	76.4	81.6		
Operating expenses incl. depreciation and amortisation / total operating income (in %)	82.0	85.1		
Client assets under management (in CHF billion)	11.4	11.5		
Change in client assets under management compared to previous year (in %)	–0.6	23.3		
Net new money inflow (in CHF billion)	–0.6	1.8		
Gross income / average client assets under management (Bp) [1]	69.6	71.4		
Segment result / average client assets under management (Bp) [1]	12.6	5.2		
Cost/income ratio operating income (in %) [2]	79.3	83.7	–4.3	–5.2
Headcount (employees)	259	269	–10	–3.7
Headcount (full-time equivalents)	246.8	256.7	–9.9	–3.9

[1] Annualised, average values.
[2] Operating expenses / gross income minus other income and income from financial investments.

The pre-tax segment result in 2014 grew by CHF 9.0 million over the prior year 2013. Total operating income in 2014 could be increased year on year by 7.4 per cent to CHF 79.8 million (prior year: CHF 74.2 million). This increase also reflects the higher level of business volumes resulting from the acquisition of client assets in connection with the asset deal with HSBC Trinkaus & Burkhardt (International) SA, which positively impacted interest income from client-related activities (10.0 per cent) and income from commissions and services (5.8 per cent). Operating expenses grew marginally by CHF 0.3 million (0.5 per cent) to CHF 60.9 million (prior year: CHF 60.6 million). The increase results from general and administrative expenses relating primarily to the asset deal with HSBC Trinkaus & Burkhardt (International) SA. In spite of the asset deal with HSBC Trinkaus & Burkhardt (International) SA and the related assumption of employees, personnel expenses in 2014 could be reduced by CHF 0.4 million.

In the business segment "Client Business International", the recharging of services is based on actual invoices and recorded under general and administrative expenses. The increase in depreciation and amortisation results primarily from scheduled amortisation on the intangible assets acquired within the framework of the asset deal with HSBC Trinkaus & Burkhardt (International) SA. The charge for valuation allowances, provisions and losses could be significantly reduced to the extent of CHF 5.7 million. This amount includes, inter alia, the release of the provision set up in the prior year in connection with the US programme from which VP Bank (Switzerland) Ltd withdrew after exhaustive clarification.

The gross margin declined to 69.6 basis points (prior year: 71.4 basis points). The cost/income ratio improved from 83.7 per cent to 79.3 per cent.

The segment encountered a net outflow of client assets of CHF 0.6 billion during the reporting period. The inflows of new money arising from market-development activities could not compensate fully for the net outflows resulting from the regulatory environment as well as from a large outflow from a major client in the depositary-bank and investment-fund business. Client assets under management at 31 December 2014 amounted to CHF 11.4 billion (31 December 2013: CHF 11.5 billion). In spite of the assumption of employees in connection with the asset deal with HSBC Trinkaus & Burkhardt (International), the employee headcount of 257 positions (31 December 2013) was down by 10 positions to 247.

Corporate Center

Segment results

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Total interest income	9,144	35,714	–26,570	–74.4
Total income from commission business and services	–4,652	–5,021	369	7.3
Income from trading activities	4,424	38	4,386	n.a.
Income from financial investments	10,637	16,136	–5,499	–34.1
Other income	–344	923	–1,267	–137.3
Total net operating income	**19,209**	**47,790**	**–28,581**	**–59.8**
Personnel expenses	51,425	54,230	–2,805	–5.2
General and administrative expenses	23,851	23,733	118	0.5
Services to/from other segments	–37,110	–38,770	1,660	4.3
Operating expenses	**38,166**	**39,193**	**–1,027**	**–2.6**
Gross income	**–18,957**	**8,597**	**–27,554**	**–320.5**
Depreciation and amortisation	24,553	24,400	153	0.6
Valuation allowances, provisions and losses	–1,495	–957	–538	–56.2
Segment results before income taxes from continued operations	**–42,015**	**–14,846**	**–27,169**	**–183.0**
Additional information				
Client assets under management (in CHF billion)	0.0	0.0		
Headcount (employees)	339	332	7	2.1
Headcount (full-time equivalents)	301.3	293.0	8.3	2.8

In 2014, pre-tax results were CHF 42.0 million against CHF –14.8 million in the comparable prior-year period. Total operating income in 2014 declined by CHF 28.6 million year on year mainly because of interest income which declined from CHF 35.7 million to CHF 9.1 million as a result in changes in the value of interest rate hedges. As VP Bank does not apply hedge accounting in accordance with IFRS, interest income also includes unrealised changes in value of interest rate hedges.

Income from commissions and services reflects a decline in income. This decline includes third-party bank commissions which are invoiced to front business units by the service units through internal recharging.

Trading income includes the receipts of Group Treasury & Execution, inter alia. This relates to income generated from the execution of client trades. This item also includes the results of derivatives employed to minimise risks as well as gains/losses from balance-sheet management activities.

The income from financial investments in 2014 amounted to CHF 10.6 million. The lion's share thereof results from the income from FVTPL (fair value through profit and loss) securities as well as interest and dividend income. In the 2013 prior-year period, this caption in the prior year had resulted in a gain of CHF 16.1 million.

Operating expenses of CHF 38.2 million remained under the prior-year level (2.6 per cent). As a result of the streamlining of the internal organisation in the Corporate Center, personnel expenses in 2014 could be reduced year on year by CHF 2.8 million (5.2 per cent). Accordingly, in 2014 there was a lower level of internal recharges (CHF 37.1 million) than in 2013 (CHF 38.8 million).

Since the charge for depreciation and amortisation showed only a marginal change year on year, valuation allowances, provisions and losses ended the year with a net release of CHF 1.5 million. This release results from a decline in the item due from banks and in the corresponding associated credit risks. The personnel headcount increased marginally from 293 (31 December 2013) to 301 positions.

Notes to the consolidated income statement and consolidated balance sheet

1 Interest income

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Interest and discount income	71	73	–2	–2.7
Interest income from banks	12,316	14,212	–1,896	–13.3
Interest income from customers	68,529	67,790	739	1.1
Interest income from financial instruments measured at amortised cost	15,245	12,189	3,056	25.1
Interest-rate instruments	–15,968	8,539	–24,507	n.a.
Loan commissions with the character of interest	737	953	–216	–22.7
Total interest income	**80,930**	**103,756**	**–22,826**	**–22.0**
Interest expenses on liabilities due to banks	124	98	26	26.5
Interest expenses on liabilities due to customers	7,343	8,042	–699	–8.7
Interest expenses on medium-term bonds	2,458	3,300	–842	–25.5
Interest expenses on debenture bonds	5,454	5,443	11	0.2
Total interest expense	**15,379**	**16,883**	**–1,504**	**–8.9**
Total interest income	**65,551**	**86,873**	**–21,322**	**–24.5**

2 Income from commission business and services

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Commission income from credit business	815	803	12	1.5
Asset management and investment business [1]	37,800	37,950	–150	–0.4
Brokerage fees	39,419	36,186	3,233	8.9
Securities account fees	14,993	14,840	153	1.0
Fund management fees	62,808	56,095	6,713	12.0
Fiduciary commissions	560	659	–99	–15.0
Miscellaneous commission and service income	17,670	14,115	3,555	25.2
Total income from commission business and services	**174,065**	**160,648**	**13,417**	**8.4**
Brokerage expenses	5,986	4,430	1,556	35.1
Other commission and services-related expenses	49,661	42,107	7,554	17.9
Total expenses from commission business and services	**55,647**	**46,537**	**9,110**	**19.6**
Total income from commission business and services	**118,418**	**114,111**	**4,307**	**3.8**

[1] Income from corporate actions, asset management commissions, investment advisory services, all-in fees, securities lending and borrowing.

3 Income from trading activities

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Securities trading [1]	–4,240	–5,382	1,142	n.a.
Interest income from trading portfolios	9	29	–20	–69.0
Foreign currency	28,012	22,547	5,465	24.2
Banknotes, precious metals and other	1,582	2,317	–735	–31.7
Total income from trading activities	**25,363**	**19,511**	**5,852**	**30.0**

[1] The results from derivatives for the purposes of risk minimisation (other than interest rate derivatives) are included in this item.

4 Income from financial investments

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Income from financial instruments at fair value	15,995	17,605	–1,610	–9.1
Income from financial instruments at amortised cost	–3,502	–1,338	–2,164	n.a.
Total income from financial investments	**12,493**	**16,267**	**–3,774**	**–23.2**
Income from financial instruments at fair value				
Results from FVTPL assets	9,261	9,461	–200	–2.1
Interest income from FVTPL financial instruments	4,315	4,591	–276	–6.0
Dividend income from FVTPL financial instruments	952	710	242	34.1
Dividend income from FVTOCI financial instruments	1,467	2,843	–1,376	–48.4
thereof from FVTOCI financial instruments sold	0	0	0	n.a.
Income from liabilities at fair value	0	0	0	n.a.
Total	**15,995**	**17,605**	**–1,610**	**–9.1**
Income from financial instruments at amortised cost				
Revaluation gains/losses on financial instruments at amortised cost	–3,495	–1,715	–1,780	n.a.
Realised gains/losses on financial instruments at amortised cost	–7	377	–384	–101.9
Total	**–3,502**	**–1,338**	**–2,164**	**n.a.**

5 Other income

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Income from real estate	194	211	–17	–8.1
Income from associated companies	24	–3	27	n.a.
Miscellaneous other income	614	2,425	–1,811	–74.7
Total other income	**832**	**2,633**	**–1,801**	**–68.4**

6 Personnel expenses

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Salaries and wages	94,859	98,237	–3,378	–3.4
Social contributions required by law	8,206	8,016	190	2.4
Contributions to pension plans / defined-benefit plans	10,185	11,081	–896	–8.1
Contributions to pension plans / defined-contribution plans	1,223	602	621	103.2
Other personnel expenses	4,026	4,070	–44	–1.1
Total personnel expenses	**118,499**	**122,006**	**–3,507**	**–2.9**

7 General and administrative expenses

in CHF 1,000	2014	2013	Variance absolute	Variance in %
Occupancy expenses	7,860	7,736	124	1.6
Insurance	858	1,085	–227	–20.9
Professional fees	9,138	8,030	1,108	13.8
Financial information procurement	5,287	5,801	–514	–8.9
Telecommunication and postage	1,045	1,021	24	2.4
IT systems	13,195	12,581	614	4.9
Marketing and public relations	3,391	3,634	–243	–6.7
Capital taxes	105	163	–58	–35.6
Other general and administrative expenses	5,893	5,919	–26	–0.4
Total general and administrative expenses	**46,772**	**45,970**	**802**	**1.7**

8 Depreciation and amortisation

in CHF 1,000	Note	2014	2013	Variance absolute	Variance in %
Depreciation and amortisation of property and equipment	22	10,787	10,425	362	3.5
Amortisation of intangible assets	23	18,561	16,608	1,953	11.8
Total depreciation and amortisation		**29,348**	**27,033**	**2,315**	**8.6**

9 Valuation allowances, provisions and losses

in CHF 1,000	Note	2014	2013	Variance absolute	Variance in %
Credit risks [1]	16	12,069	6,540	5,529	84.5
Legal and litigation risks		742	3,302	–2,560	–77.5
Other		2,666	512	2,154	n.a.
Release of valuation allowances and provisions no longer required		–8,061	–3,999	–4,062	101.6
Total valuation allowances, provisions and losses		**7,416**	**6,355**	**1,061**	**16.7**

[1] Additions including currency effects.

10a Taxes on income

in CHF 1,000	2014	2013
Domestic		
Current taxes	1,057	593
Deferred taxes	–886	867
Foreign		
Current taxes	1,601	1,145
Deferred taxes	–1,175	–299
Total current taxes	**2,658**	**1,738**
Total deferred taxes	**–2,061**	**568**
Total taxes on income	**597**	**2,306**

Actual payments for domestic and foreign taxes made by the Group in 2014 totalled CHF 0.7 million (2013: CHF 1.8 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:

	2014	2013
Liechtenstein	12.5%	12.5%
Switzerland	20.0%	20.0%
Luxembourg	29.2%	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	2014	2013
Income before income tax		
Domestic	14,482	31,890
Foreign	6,140	6,141
Taxes on income using an assumed average charge	**3,093**	**5,705**
Reasons for increased/decreased taxable income		
Difference between actual and assumed tax rates	–436	–176
Lower tax charges as a result of changes in laws or taxation agreements	–1,663	–3,223
Use of tax loss carry-forwards	–397	0
Total income tax	**597**	**2,306**

10b Deferred tax assets and liabilities

in CHF 1,000	2014	2013
Deferred tax assets		
Real estate and property and equipment	4,140	4,185
Securities	12,096	6,737
Other	0	397
Total deferred tax assets	**16,236**	**11,319**
Deferred tax liabilities		
Real estate and property and equipment	3,541	4,468
Financial instruments	2,452	2,107
Financial instruments directly offset within shareholders' equity	219	352
Valuation allowances for credit risks	717	159
Other provisions	1,826	2,815
Total deferred tax liabilities	**8,755**	**9,901**
Deferred tax assets		
Balance at the beginning of the financial year	11,319	11,903
Offset within shareholders' equity	3,869	1,123
Tax loss carry-forwards[1]	0	0
Charged to income statement	1,445	397
Released to income statement	–397	–2,104
Total deferred tax assets	**16,236**	**11,319**
Deferred tax liabilities		
Balance at the beginning of the financial year	9,901	8,401
Reclassifications	–133	2,639
Charged to income statement	837	83
Released to income statement	–1,850	–1,222
Total deferred tax liabilities	**8,755**	**9,901**

[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.

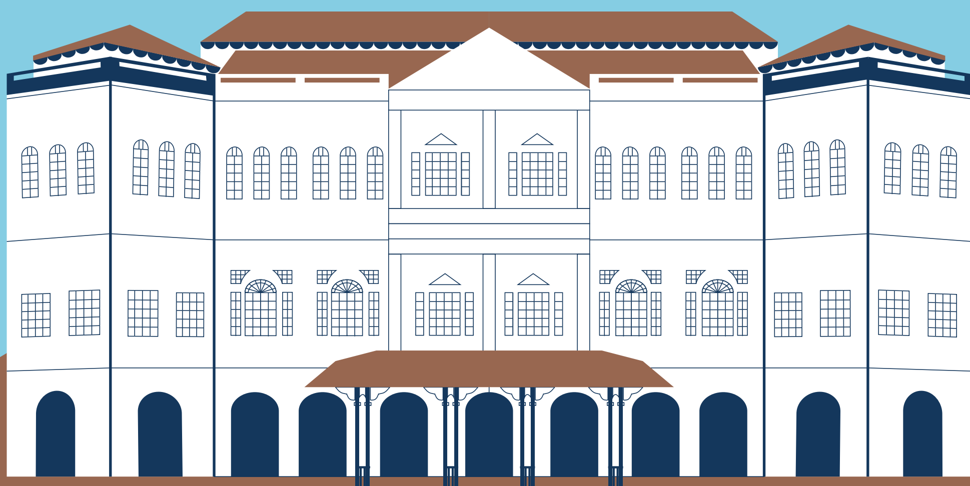
Deferred taxes arise because of timing differences between the IFRS financial statements and the statutory accounts as a result of differing valuation policies.

Loss carry-forwards not reflected in the balance sheet expire as follows:

Within 1 year	287	79
Within 2 to 4 years	426	551
After 4 years	481	488
Total	**1,195**	**1,118**

10c Tax assets and liabilities

in CHF 1,000	Note	31/12/2014	31/12/2013
Tax assets			
Amounts receivable arising on current taxes on income		569	14
Deferred tax assets	10b	16,236	11,319
Total tax assets		**16,805**	**11,333**
Tax liabilities			
Liabilities arising on current taxes on income		2,467	1,780
Deferred tax liabilities	10b	8,755	9,901
Total tax liabilities		**11,222**	**11,681**



Introducing Singapore.


Singa

"Asset protection is key in our current world of turmoil. We go a long way in ensuring that your assets are protected and grow steadily. We move safely ahead with you."

Govindarajoo Rajagopal
CEO VP Bank (Singapore) Ltd.

VP Bank (Singapore) Ltd. is an internationally oriented private bank based in Singapore. Since 2008, we have consistently offered our clients top-notch solutions with a personal touch and individualised advice. We have a broad range of innovative services and a worldwide network of trusted partners.

As a significant international financial centre, Singapore offers global investors unique access to one of the world's fastest-growing markets – the Asia-Pacific region. It is thus recognised as one of the premier asset management locations as well as an established private banking centre, both globally and in Asia. Singapore stands out with its excellent infrastructure and an extensive pool of highly skilled finance professionals.

Key facts as of 31/12/2014

Year founded	2008
Legal status	Subsidiary with bank status
Core competencies	Asset management and advice for High Net Worth Individuals and Institutional Clients Servicing of External Asset Managers
Employees	25
Executive Board	Rajagopal Govindarajoo

11 Earnings per share

	2014	2013
Consolidated earnings per share of VP Bank Ltd, Vaduz		
Net income (in CHF 1,000) [1]	20,025	38,119
Weighted average of bearer shares	5,208,774	5,194,234
Weighted average of registered shares	5,985,689	5,965,479
Total weighted average number of bearer shares	5,807,343	5,790,782
Undiluted consolidated earnings per bearer share	3.45	6.58
Undiluted consolidated earnings per registered share	0.34	0.66
Fully diluted consolidated earnings per share of VP Bank Ltd, Vaduz		
Net income (in CHF 1,000) [1]	20,025	38,119
Adjusted consolidated net income (in CHF 1,000)	20,025	38,119
Number of shares used to compute the fully diluted consolidated net income	5,807,343	5,790,782
Fully diluted consolidated earnings per bearer share	3.45	6.58
Fully diluted consolidated earnings per registered share	0.34	0.66

1 On the basis of Group profits attributable to the shareholders of VP Bank Ltd, Vaduz.

12 Dividend

	2014	2013
Approved and paid dividend of VP Bank Ltd, Vaduz		
Dividend (in CHF 1,000) for the financial year 2013 (2012)	20,702	14,787
Dividend per bearer share	3.50	2.50
Dividend per registered share	0.35	0.25
Payout ratio (in %)	53.2	29.9

Proposed dividend to be approved by the annual general meeting of VP Bank Ltd, Vaduz (not reflected as a liability as of 31 December) in the event that the capital increase (issuance of new shares) to be voted upon at the extraordinary general meeting of shareholders of 10 April 2015 **is approved and carried out**.

	2014	2013
Dividend (in CHF 1,000) for the financial year 2014	19,846	
Dividend per bearer share	3.00	
Dividend per registered share	0.30	
Payout ratio (in %)	n.a.	

Proposed dividend to be approved by the annual general meeting of VP Bank Ltd, Vaduz (not reflected as a liability as of 31 December) in the event that the capital increase (issuance of new shares) to be voted upon at the extraordinary general meeting of 10 April 2015 **is rejected**.

	2014	2013
Dividend (in CHF 1,000) for the financial year 2014	17,744	
Dividend per bearer share	3.00	
Dividend per registered share	0.30	
Payout ratio (in %)	87.0	

13 Cash and cash equivalents

in CHF 1,000	31/12/2014	31/12/2013
Cash on hand	18,092	14,475
At-sight balances on postal checking accounts	0	22
At-sight balances with national and central banks	1,908,876	1,362,910
Total cash and cash equivalents	**1,926,968**	**1,377,407**

14 Receivables arising from money-market paper

in CHF 1,000	31/12/2014	31/12/2013
Money-market paper (qualifying for refinancing purposes)	22,027	23,227
Other money-market paper	0	0
Total receivables arising from money-market paper	**22,027**	**23,227**

15 Due from banks and customers

in CHF 1,000	Note	31/12/2014	31/12/2013
By type of exposure			
Due from banks – at-sight balances		665,472	929,941
Due from banks – term balances		2,619,747	3,575,081
Valuation allowances for credit risks	16	–2,993	–3,008
Due from banks		**3,282,226**	**4,502,014**
Mortgage receivables		2,942,709	2,786,843
Other receivables		1,365,380	1,181,488
Valuation allowances for credit risks	16	–44,146	–41,655
Due from customers		**4,263,943**	**3,926,676**
Total due from banks and customers		**7,546,169**	**8,428,690**
Due from customers by type of collateral			
Mortgage collateral		2,888,462	2,722,491
Other collateral		1,188,889	1,052,292
Without collateral		230,738	193,548
Subtotal		**4,308,089**	**3,968,331**
Valuation allowances for credit risks		–44,146	–41,655
Total due from customers		**4,263,943**	**3,926,676**

16 Valuation allowances for credit risks

in CHF 1,000	Note	2014	2013
Balance at the beginning of the financial year		44,663	54,419
Amounts written off on loans / utilisation in accordance with purpose		–5,042	–13,155
Creation of valuation allowances and provisions for credit risks	9	11,856	6,521
Release of valuation allowances and provisions for credit risks		–4,551	–3,141
Foreign-currency translation differences and other adjustments	9	213	19
Balance at the end of the financial year		**47,139**	**44,663**
As valuation adjustment for due from banks		2,993	3,008
As valuation adjustment for due from customers		44,146	41,655
Total valuation allowances for credit risks		**47,139**	**44,663**

in CHF 1,000	Banks	Mortgage receivables	Other receivables [1]	Total 2014
By type of exposure				
Balance at the beginning of the financial year 2014	3,008	15,011	26,644	44,663
Amounts written off on loans / utilisation in accordance with purpose		–4,574	–468	–5,042
Creation of valuation allowances and provisions for credit risks	1,228	7,377	3,251	11,856
Release of valuation allowances and provisions for credit risks	–1,244	–1,835	–1,472	–4,551
Foreign-currency translation differences and other adjustments	1	189	23	213
Balance at the end of the financial year 2014	**2,993**	**16,168**	**27,978**	**47,139**
of which				
Individual valuation allowances	0	10,500	12,294	22,794
Lump-sum valuation allowances	2,993	5,668	15,684	24,345
Total	**2,993**	**16,168**	**27,978**	**47,139**

[1] Other receivables primarily comprise lombard loans, debit balances on accounts and unsecured loans.

in CHF 1,000	Banks	Mortgage receivables	Other receivables	Total 2013
By type of exposure				
Balance at the beginning of the financial year 2013	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**

in CHF 1,000	Individual 2014	Lump-sum 2014	Individual 2013	Lump-sum 2013
By type of valuation allowance				
Balance at the beginning of the financial year	22,497	22,166	32,704	21,715
Amounts written off on loans / utilisation in accordance with purpose	–5,042		–13,155	
Creation of valuation allowances and provisions for credit risks	8,317	3,539	4,778	1,743
Release of valuation allowances and provisions for credit risks	–3,125	–1,426	–1,849	–1,292
Foreign-currency translation differences and other adjustments	147	66	19	
Balance at the end of the financial year	**22,794**	**24,345**	**22,497**	**22,166**

Individual valuation allowances relate to loans that are not covered by the liquidation proceeds of collateral or unsecured loans.

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	2014	2013
Value-impaired loans [1]	69,798	42,258
Amount of valuation allowances for credit losses from non-performing loans	22,794	22,497
Net amounts due	**47,004**	**19,761**
Estimated realisable value of value-impaired loans	**47,004**	**19,761**
Average amount of value-impaired loans	**56,028**	**49,508**
Recoveries from loans already written off (other income)	11	38

[1] Interest receivable on non-performing loans in 2014 was CHF 0.553 million (2013: CHF 0.495 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	2014	2013
Non-performing loans	12,348	21,502
Amount of valuation allowances for credit losses from non-performing loans	2,354	9,378
Net amounts due	**9,994**	**12,124**
Average amount of non-performing loans	**16,925**	**27,665**
Valuation allowances on non-performing loans at the beginning of the financial year	9,378	19,728
Net decrease/increase	–2,080	1,996
Amounts written off and disposals / utilisation in conformity with purpose	–4,944	–12,346
Valuation allowances on non-performing loans at the end of the financial year	**2,354**	**9,378**

in CHF 1,000	31/12/2014	31/12/2013
According to type of exposure		
Banks	**0**	**0**
Mortgage receivables	11,938	20,567
Other receivables	410	935
Customers	**12,348**	**21,502**
Total non-performing loans	**12,348**	**21,502**
According to region (domicile of debtor)		
Liechtenstein and Switzerland	11,906	21,211
Rest of Europe	342	33
North and South America	10	93
Other countries	90	165
Total non-performing loans	**12,348**	**21,502**

17 Trading portfolios

in CHF 1,000	31/12/2014	31/12/2013
Debt securities valued at fair value		
Public-law institutions in Liechtenstein and Switzerland		
Other public-law institutions	0	2,392
Exchange-listed		
Non-exchange-listed		
Total	0	2,392
Equity securities / investment-fund units valued at fair value		
Exchange-listed		
Non-exchange-listed		
Total	0	0
Other	189	230
Total trading portfolios	**189**	**2,622**

18 Derivative financial instruments

31/12/2014 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Interest-rate instruments			
Forward contracts			
Swaps		31,433	377,847
Futures			74,239
Options (OTC)			
Options (exchange-traded)			
Total interest rate instruments 31/12/2014	**0**	**31,433**	**452,086**
Foreign currencies			
Forward contracts	3,266	3,240	303,188
Combined interest rate/currency swaps	51,653	9,497	2,845,589
Futures			
Options (OTC)	842	842	99,005
Options (exchange-traded)			
Total foreign currencies 31/12/2014	**55,761**	**13,579**	**3,247,782**
Equity securities/indices			
Forward contracts			
Futures			10,910
Options (OTC)			
Options (exchange-traded)		509	17,095
Total equity securities/indices 31/12/2014	**0**	**509**	**28,005**

31/12/2014 in CHF 1,000	Positive replacement values	Negative replacement values	Contract volumes
Precious metals			
Forward contracts		31	1,131
Futures			
Options (OTC)	365	365	29,233
Options (exchange-traded)			
Total precious metals 31/12/2014	**365**	**396**	**30,364**
Total derivative financial instruments 31/12/2014	**56,126**	**45,917**	**3,758,237**

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.

19 Financial instruments at fair value

in CHF 1,000	31/12/2014	31/12/2013
Debt instruments		
Public-law institutions in Liechtenstein and Switzerland	0	0
Public-law institutions outside Liechtenstein and Switzerland	37,951	35,181
Exchange-listed	231,753	216,093
Non-exchange-listed	21,904	16,629
Total	**291,608**	**267,903**
Equity shares / investment fund units		
Exchange-listed	39,694	60,707
Non-exchange-listed	39,843	16,321
Total	**79,537**	**77,028**
Structured products		
Exchange-listed	0	0
Non-exchange-listed [1]	96	1,474
Total	**96**	**1,474**
Total financial instruments at fair value	**371,241**	**346,405**

[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	31/12/2014	31/12/2013
Debt instruments		
Public-law institutions in Liechtenstein and Switzerland	4,000	0
Public-law institutions outside Liechtenstein and Switzerland	393,922	302,786
Exchange-listed	632,214	473,437
Non-exchange-listed	43,973	0
Total	**1,074,109**	**776,223**
Total financial instruments at amortised cost	**1,074,109**	**776,223**

21 Associated companies

in CHF 1,000	31/12/2014	31/12/2013
Balance at the beginning of the financial year	41	44
Additions	24	5
Value impairments	0	–8
Balance as of balance-sheet date	**65**	**41**

Details of material companies reflected in the consolidation using the equity method

Name	Registered office	Activity	Share capital	% of capital held 31/12/2014	% of capital held 31/12/2013
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 2014					
Balance on 01/01/2014	198,815	22,038	20,533	28,542	269,928
Additions	2,201	94	181	3,586	6,062
Disposals/derecognitions [1]	–257		–591	–12,690	–13,538
Changes in scope of consolidation					0
Foreign-currency translation	92	44	61	131	328
Balance on 31/12/2014	**200,851**	**22,176**	**20,184**	**19,569**	**262,780**
Accumulated depreciation and amortisation 2014					
Balance on 01/01/2014	–107,077	–4,873	–17,518	–23,281	–152,749
Depreciation and amortisation	–5,900	–264	–1,229	–3,394	–10,787
Disposals/derecognitions [1]	257		591	12,690	13,538
Changes in scope of consolidation					0
Foreign-currency translation		–34	–40	–91	–165
Balance on 31/12/2014	**–112,720**	**–5,171**	**–18,196**	**–14,076**	**–150,163**
Net book values on 31/12/2014	**88,131**	**17,005**	**1,988**	**5,493**	**112,617**

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
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 2013					
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
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**

[1] Includes the derecognitions of completely depreciated and amortised assets.

Additional information regarding property and equipment, in CHF 1,000	2014	2013
Fire insurance value of real estate	182,703	179,024
Fire insurance value of other property and equipment	38,637	39,275
Fair value of other real estate	17,005	17,165

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 2014				
Balance on 01/01/2014	144,067	10,037	46,112	200,216
Additions	3,635	41		3,676
Disposals/derecognitions	–6,000			–6,000
Foreign-currency translation	403			403
Balance on 31/12/2014	**142,105**	**10,078**	**46,112**	**198,295**
Accumulated amortisation 2014				
Balance on 01/01/2014	–111,526	–167	–35,302	–146,995
Amortisation	–16,548	–2,013		–18,561
Disposals/derecognitions	6,000			6,000
Foreign-currency translation	–332			–332
Balance on 31/12/2014	**–122,406**	**–2,180**	**–35,302**	**–159,888**
Net book values on 31/12/2014	**19,699**	**7,898**	**10,810**	**38,407**

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**

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) SA 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 2014, 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	31/12/2014	31/12/2013
Value-added taxes and other tax receivables	2,550	1,732
Prepaid retirement pension contributions	0	0
Miscellaneous other assets [1]	12,787	11,914
Total other assets	**15,337**	**13,646**

[1] Compensation accounts, settlement accounts and miscellaneous other assets.

25 Medium-term notes

in CHF 1,000 Maturity	Interest rate 0–0.9999%	Interest rate 1–1.9999%	Interest rate 2–2.9999%	Interest rate 3–3.9999%	Total
2015	30,131	18,813	2,106	872	51,922
2016	31,958	38,785	834	620	72,197
2017	6,713	12,306	5,120	263	24,402
2018	8,917	4,714	2,019	111	15,761
2019	3,416	5,391	1,556		10,363
2020	6,715	6,872	853		14,440
2021		1,428	1,035		2,463
2022		521	245		766
2023		629			629
2024		366			366
Total 31/12/2014	**87,850**	**89,825**	**13,768**	**1,866**	**193,309**
Total 31/12/2013	65,317	160,225	15,880	2,300	243,722

The average interest rate as of 31 December 2014 was 1.32 per cent (prior year: 1.43 per cent).

26 Debentures, VP Bank Ltd, Vaduz

Year of issue	ISIN	Interest rate in %	Currency	Maturity	Nominal amount	in CHF 1,000 Total 31/12/2014	Total 31/12/2013
2010	CH0112734469	2.500	CHF	27/05/2016	200,000	199,370	198,936

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	31/12/2014	31/12/2013
Value-added taxes and other tax receivables	10,585	9,754
Accrued retirement pension contributions	64,344	35,044
Miscellaneous other liabilities [1]	29,248	101,438
Total other liabilities	**104,177**	**146,236**

[1] Compensation accounts, settlement accounts and miscellaneous other liabilities.

28 Provisions

in CHF 1,000	Default risks	Legal and litigation risks	Other provisions	Total 2014	Total 2013
Carrying value at the beginning of the financial year	186	9,465	307	9,958	7,098
Utilisation in accordance with purpose		–406	–80	–486	0
New provisions charged to income statement	208	742	2,240	3,190	3,984
Provisions releases to income statement	–226	–3,135	–202	–3,563	–886
Reclassifications		–574	574	0	0
Foreign-currency translation differences and other adjustments		31		31	–238
Carrying value at the end of the financial year	**168**	**6,123**	**2,839**	**9,130**	**9,958**
Maturity of provisions					
• within one year				9,130	9,958
• over one year				0	0

29 Non-controlling interests

in CHF 1,000	2014	2013
Balance at the beginning of the financial year	0	17,741
Reductions and dividend payments		–18,309
Foreign-currency translation differences		0
Non-controlling interests in net income		568
Balance at the end of the financial year	**0**	**0**

30 Share capital

	31/12/2014		31/12/2013	
	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

	2014		2013	
	No. of shares	in CHF 1,000	No. of shares	in CHF 1,000
Registered shares at the beginning of the financial year	30,659	377	45,084	572
Purchases	10,050	76	4,325	30
Sales	–40,500	–451	–18,750	–225
Balance of registered shares as of balance-sheet date	**209**	**2**	**30,659**	**377**
Bearer shares at the beginning of the financial year	107,795	25,526	130,207	32,921
Purchases	88,043	7,710	189,396	15,895
Sales	–84,204	–12,221	–211,808	–23,290
Balance of bearer shares as of balance-sheet date	**111,634**	**21,015**	**107,795**	**25,526**

32 Assets pledged or assigned to secure own liabilities and assets subject to reservation of title

	31/12/2014		31/12/2013	
in CHF 1,000	Market value	Actual liability	Market value	Actual liability
Securities	487,588	0	380,720	0
Money-market paper	0	0	0	0
Other	0	0	0	0
Total pledged assets	**487,588**	**0**	**380,720**	**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	31/12/2014	31/12/2013
Remaining duration of up to 1 year	6,389	5,966
Remaining duration of 1 to 5 years	17,164	11,797
Remaining duration of over 5 years	4,800	5,400
Total minimum commitments under operating leases	**28,353**	**23,163**

As of 31 December 2014, general and administrative expenses include CHF 6.691 million of operating lease costs (prior year: CHF 7.489 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	1,899,701	444	26,205	618	1,926,968
Receivables arising from money-market paper				22,027	22,027
Due from banks	484,771	1,079,947	1,249,876	467,632	3,282,226
Due from customers	3,100,030	482,686	581,295	99,932	4,263,943
Trading portfolios				189	189
Derivative financial instruments	54,970	1,156			56,126
Financial instruments at fair value	209,500	82,261	77,797	1,683	371,241
Financial instruments at amortised cost	291,893	335,641	446,575		1,074,109
Associated companies	65				65
Property and equipment	111,207	1,375		35	112,617
Intangible assets	37,863	544			38,407
Tax receivables	14		555		569
Deferred tax assets	16,236				16,236
Accrued receivables and prepaid expenses	13,662	4,153	6,060	722	24,597
Other assets	10,148	136	4,359	694	15,337
Total assets 31/12/2014	**6,230,060**	**1,988,343**	**2,392,722**	**593,532**	**11,204,657**

in CHF 1,000	CHF	USD	EUR	Other	Total
Liabilities and shareholders' equity					
Due to banks	168,450	11,163	120,432	4,009	304,054
Due to customers – savings and deposits	858,695		406		859,101
Due to customers – other liabilities	2,239,807	2,885,766	2,184,046	1,277,307	8,586,926
Derivative financial instruments	39,308	3,971	2,638		45,917
Medium-term notes	169,384	4,398	19,527		193,309
Debenture issues	199,370				199,370
Tax liabilities	2,287		180		2,467
Deferred tax liabilities	8,755				8,755
Accrued liabilities and deferred items	19,519	639	2,348	488	22,994
Other liabilities	86,079	4,905	9,649	3,544	104,177
Provisions	8,832	298			9,130
Total liabilities	**3,800,486**	**2,911,140**	**2,339,226**	**1,285,348**	**10,336,200**
Total shareholders' equity	**788,018**	**79,658**	**53**	**728**	**868,457**
Total liabilities and shareholders' equity 31/12/2014	**4,588,504**	**2,990,798**	**2,339,279**	**1,286,076**	**11,204,657**

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**

35 Balance sheet per currency (continued)

in CHF 1,000	CHF	USD	EUR	Other	Total
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**

36 Maturity structure of assets and liabilities

in CHF 1,000	At sight	Callable	Due within 1 year	Due within 1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1,926,968					1,926,968
Receivables arising from money-market paper			22,027			22,027
Due from banks	665,472		2,605,358	10,990	406	3,282,226
Due from customers	15,465	445,821	2,037,056	1,362,593	403,008	4,263,943
Trading portfolios	189					189
Derivative financial instruments	56,126					56,126
Financial instruments at fair value	328,847		11,374	7,108	23,912	371,241
Financial instruments at amortised cost	59,499		164,945	767,631	82,034	1,074,109
Associated companies	65					65
Property and equipment[1]					112,617	112,617
Intangible assets					38,407	38,407
Tax receivables	569					569
Deferred tax assets				16,236		16,236
Accrued receivables and prepaid expenses	22,928		1,464	169	36	24,597
Other assets	15,098	239				15,337
Total assets 31/12/2014	**3,091,266**	**446,060**	**4,842,224**	**2,164,727**	**660,420**	**11,204,657**
Liabilities and shareholders' equity						
Due to banks	256,853		47,201			304,054
Due to customers – savings and deposits		859,101				859,101
Due to customers – other liabilities	7,401,785	481,402	702,433	1,306		8,586,926
Derivative financial instruments	45,917					45,917
Medium-term notes			52,922	121,723	18,664	193,309
Debenture issues				199,370		199,370
Tax liabilities	2,467					2,467
Deferred tax liabilities	4,213			4,542		8,755
Accrued liabilities and deferred items	22,689		305			22,994
Other liabilities	104,177					104,177
Provisions	9,130					9,130
Total liabilities 31/12/2014	**7,847,231**	**1,340,503**	**802,861**	**326,941**	**18,664**	**10,336,200**

[1] Without maturity

in CHF 1,000	At sight	Callable	Due within 1 year	Due within 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

37 Classification of assets by country or groups of countries

	31/12/2014 in CHF 1,000	31/12/2014 Proportion in %	31/12/2013 in CHF 1,000	31/12/2013 Proportion in %
Liechtenstein and Switzerland	6,942,922	62.0	6,316,320	56.4
Rest of Europe	3,134,204	28.0	3,949,462	35.2
North America	313,456	2.7	279,896	2.5
Other countries	814,075	7.3	661,140	5.9
Total assets	**11,204,657**	**100.0**	**11,206,818**	**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 31/12/2014	Fair value 31/12/2014	Variance	Carrying value 31/12/2013	Fair value 31/12/2013	Variance
Assets						
Cash and cash equivalents	1,927	1,927	0	1,377	1,377	0
Receivables arising from money-market paper	22	22	0	23	23	0
Due from banks	3,282	3,283	1	4,502	4,502	0
Due from customers	4,264	4,390	126	3,927	4,001	74
Trading portfolios	0	0	0	3	3	0
Derivative financial instruments	56	56	0	36	36	0
Financial instruments at fair value	371	371	0	346	346	0
Financial instruments at amortised cost	1,074	1,099	25	776	788	12
Subtotal			**152**			**86**
Liabilities						
Due to banks	304	304	0	224	224	0
Due to customers	9,446	9,436	10	9,405	9,402	3
Derivative financial instruments	46	46	0	53	53	0
Medium-term notes	193	198	–5	244	247	–3
Debenture issue	199	207	–8	199	211	–12
Subtotal			**–3**			**–12**
Total variance			**149**			**74**

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). Level 3 principally includes investment funds, for which an obligatory net asset value is not published at least on a quarterly basis. The fair value of these positions is, as a rule, computed on the basis of external estimates by experts in relation to the level of future distributions of fund units, or equates to the acquisition cost of the securities less any applicable valuation allowances.

Valuation methods for financial instruments

in CHF million at fair value	Quoted market prices Level 1	Valuation methods, based on market data Level 2	Valuation methods, with assumptions based on market data Level 3	Total
Assets 31/12/2014				
Cash and cash equivalents		1,927		1,927
Receivables arising from money-market paper	22			22
Due from banks		3,283		3,283
Due from customers		4,390		4,390
Trading portfolios				0
Derivative financial instruments		56		56
Financial instruments at fair value	309	57	5	371
Financial instruments at amortised cost	1,099			1,099
Liabilities 31/12/2014				
Due to banks		304		304
Due to customers		9,436		9,436
Derivative financial instruments		46		46
Medium-term notes		198		198
Debenture issued	207			207

In the financial year 2014, positions with a fair value of CHF 0.0 million (2013: 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 4.3 million (2013: 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).

in CHF million at fair value	Quoted market prices Level 1	Valuation methods, based on market data Level 2	Valuation methods, with assumptions based on market data Level 3	Total
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**

Level 3 financial instruments in CHF million	2014	2013
Balance sheet		
Holdings at the beginning of the year	4.1	5.8
Investments	0.0	0.0
Disposals	0.0	0.0
Issues	0.0	0.0
Redemptions	–2.8	–1.3
Losses recognised in the income statement	0.0	0.0
Losses recognised as other comprehensive income	–1.5	–0.4
Gains recognised in the income statement	0.0	0.0
Gains recognised as other comprehensive income	0.5	0.0
Reclassification to Level 3	4.3	0.0
Reclassification from Level 3	0.0	0.0
Translation differences	0.0	–0.1
Total book value at balance-sheet date	**4.5**	**4.1**

Level 3 financial instruments in CHF million	2014	2013
Income on holdings at balance-sheet date		
Unrealised losses recognised in the income statement	0.0	0.0
Unrealised losses recognised as other comprehensive income	–1.5	–0.4
Unrealised gains recognised in the income statement	0.0	0.0
Unrealised gains recognised as other comprehensive income	0.5	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 2014 or 31 December 2013.

Sensitivity of fair values of Level-3 financial instruments:

Changes in the net asset values of investment funds lead to corresponding changes in the fair values of these financial instruments. A realistic change in the basic assumptions or estimated values has no material impact on the statement of income, other comprehensive income or the equity of VP Bank Group's shareholders.

Netting Agreements

In order to reduce the credit risks in connection with financial derivatives, repurchase and reverse repurchase as well as securities-lending and -borrowing transactions, VP Bank Group enters into global offset agreements or similar arrangements (netting agreements) with its counterparties. These include ISDA Master Netting Agreements, Global Master Securities Lending Agreements and Global Master 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

31/12/2014	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			0			0
Positive replacement values	56,126		56,126	17,732		38,394
Collateral deposited for transactions with derivatives	54,184		54,184	16,627		37,557
Total assets	**110,310**	**0**	**110,310**	**34,359**	**0**	**75,951**
	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	45,917		45,917	34,359	6,373	5,185
Collateral received from transactions with derivatives	325		325			325
Total liabilities	**46,242**	**0**	**46,242**	**34,359**	**6,373**	**5,510**

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**
	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**

39 Scope of consolidation

Company	Registered office	Base currency	Capital	Group share of equity
VP Bank Ltd	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	67,000,000	100%
VP Wealth Management (Hong Kong) Ltd.	Hong Kong	HKD	5,000,000	100%
VP Bank (Luxembourg) SA	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) Ltd	Tortola	USD	10,000,000	100%
Shareholdings excluded from the scope of consolidation	none			
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	Verwaltungs- und Privat-Bank Aktiengesellschaft, Vaduz, in VP Bank Ltd, Vaduz VP Bank (BVI) Limited was changed to VP Bank (BVI) Ltd			

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	2014	2013
Remuneration of the members of the Board of Directors		
Remuneration due in the short term[1,2]	1,001	1,025
Post-employment benefits		
Other long-term remuneration due		
Remuneration due upon termination of contract of employment		
Share-based payment[1,2,3]	306	319
Remuneration of the members of Group Management		
Remuneration due in the short term	2,615	2,584
Post-employment benefits		
Other long-term remuneration due		
Remuneration due upon termination of contract of employment		
Share-based payments[4]	1,561	1,400

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).
4 Performance-related and restricted shares with conditional entitlement to receive bearer shares of VP Bank.

VP Bank Group also makes payments to related persons within the framework of brokerage services and bought-in advisory services. These correspond to customary market conditions. The aggregate amount of such payments and fees in 2014 was CHF 0.481 million (previous year: CHF 0.327 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 2014, held 99,781 bearer shares and 179,600 registered shares of VP Bank Ltd, Vaduz (previous year: 89,627 bearer shares and 179,600 registered shares).

Loans to related companies and individuals (as of balance-sheet dates):

in CHF 1,000	2014	2013
Mortgages and loans at the beginning of the financial year	9,170	9,481
Additions	3,820	1,065
Repayments	–4,040	–1,376
Mortgages and loans at the end of the financial year	**8,950**	**9,170**

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 for 2014 amounted to CHF 1.223 million (prior year: CHF 0.602 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 2014 by independent actuaries using the Projected Unit Credit Method. The fair value of plan assets as of 31 December 2014 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:

	31/12/2014	31/12/2013
Discount rate	1.15%	2.40%
Rate of future salary increases	1.00%	1.50%
Rate of future pension increases	0.00%	0.00%
Life expectancy at the age of 65, in years		
Year of birth	1949	1948
• men	21	21
• women	24	24
Year of birth	1969	1968
• men	23	23
• women	26	26

The amounts recognised in the income statement and in shareholders' equity may be summarised as follows:

Pension costs

in CHF 1,000	2014	2013
Pension expense recognised in income statement		
Service cost		
• current service cost	9,338	10,434
• past service cost	–70	0
• plan settlements	0	0
Net interest expense	661	401
Administrative costs	256	246
Total pension cost expense of the period	**10,185**	**11,081**
Revaluation components recognised in comprehensive income		
Actuarial gains/losses		
Result of changes to demographic assumptions	0	9,789
Result of changes to economic assumptions	36,059	–7,784
Experience adjustments	1,238	3,084
Return on plan assets (excluding amounts in net interest expense)	–7,240	1,787
Total expense recognised in comprehensive income	**30,057**	**6,876**
Total pension cost	**40,242**	**17,957**

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	2014	2013
Present value of defined-benefit obligations at beginning of financial year	234,141	216,137
Current service cost	9,338	10,434
Employee contributions	4,994	4,961
Interest expense on present value of pension obligations	5,539	4,255
Actuarial gains/losses	37,297	5,089
Past service cost	–70	0
Plan settlements	0	0
Pension payments financed by plan assets	–7,317	–6,735
Balance at end of financial year	**283,922**	**234,141**

Movement in plan assets

in CHF 1,000	2014	2013
Plan assets at beginning of financial year	199,097	189,550
Employee contributions	4,994	4,961
Employer contributions	10,942	8,000
Third-party contributions	0	1,500
Interest income on plan assets	4,878	3,854
Return on plan assets (excluding amounts under interest income)	7,240	–1,787
Transfers of assets through plan settlements	0	0
Pension payments financed by plan assets	–7,317	–6,735
Administrative costs	–256	–246
Balance at end of financial year	**219,578**	**199,097**

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	31/12/2014	31/12/2013
Present value of pension obligations financed through a fund	283,922	234,141
Market value of plan assets	–219,578	–199,097
Under- / excess of funding	**64,344**	**35,044**
Present value of pension obligations not financed through a fund	0	0
Unrecognised assets	0	0
Recognised pension obligations	**64,344**	**35,044**

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 are also subject to ongoing review.

Plan assets primarily consist of the following categories of securities:

in CHF 1,000	31/12/2014	31/12/2013
Equity shares	20,676	23,178
Bonds	108,544	92,273
Alternative financial investments	6,229	4,166
Real estate	8,917	8,781
Qualifying insurance paper	45,487	43,344
Cash equivalents	29,725	27,355
Other financial investments	0	0
Total	**219,578**	**199,097**

The pension plans hold shares in VP Bank Ltd, Vaduz, with a market value totalling CHF 1.3 million (previous year: CHF 1.3 million). In 2014, the return on plan assets was CHF 12.118 million (previous year: CHF 2.067 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	31/12/2014	31/12/2013
Current actively insured employees	215,458	176,593
Pensioners	68,464	57,548
Total	**283,922**	**234,141**

The duration of pension obligations is approximately 18 years (previous year: 16 years).

Presented in the following table are the sensitivities for the most important factors in the computation of the present value of pension obligations.

Changes in present value of defined-benefit obligations

in CHF 1,000	31/12/2014		31/12/2013	
Variance	**0.25%**	**–0.25%**	**0.25%**	**–0.25%**
Discount rate	–11,154	11,861	–8,371	8,976
Interest on pension capital accounts	2,559	–2,569	2,092	–2,041
Development of salaries	1,053	–1,063	814	–806

42 Significant foreign exchange rates

The following exchange rates were used for the most important currencies:

	Year-end rates		Annual average rates	
	31/12/2014	**31/12/2013**	**2014**	**2013**
USD/CHF	0.9937	0.8894	0.91493	0.92679
EUR/CHF	1.2024	1.2255	1.21464	1.23077
SGD/CHF	0.7499	0.7044	0.72218	0.74065
HKD/CHF	0.1281	0.1147	0.11798	0.11948
GBP/CHF	1.5493	1.4730	1.50678	1.44933

43 Employee stock-ownership plan

The stock-ownership plan enables employees to subscribe annually to a defined number of bearer shares of VP Bank Ltd, Vaduz, at a preferential price subject to a 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 2014, 11,872 shares were issued at a preferential price (2013: 10,324 shares). Share issue expenses in 2014 were CHF 0.5 million (2013: 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 Executive Management and other management members (note 44). VP Bank has defined waiting periods for the Board of Directors, Group Executive 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 and value-oriented compensation model exists for the Executive Board and second-level management. Details thereof are to be found in the "Corporate governance and compensation report" section of the annual report under point 5.1.2.

Management equity-sharing plan (LTI)

Number	2014	2013	Variance in %
Balance of entitlements at the beginning of the year	78,328	36,416	115.1
New entitlements	40,896	61,606	–33.6
Changes in entitlements as a result of allocation	–29,427	–21,764	35.2
Changes in entitlements as a result of expiry	–5,314	–26,039	–79.6
Changes in entitlements as a result of changes in factors	–11,785	28,109	–141.9
Balance of calculated entitlements at the end of the year	72,698	78,328	–7.2

in CHF 1,000	2014	2013	Variance in %
Personnel expense recorded over vesting period for allocated management sharing plan	3,120	3,611	–13.6
Fair value of management sharing plan at date of allocation	3,173	1,634	94.1
Personnel expense for management sharing plan (LTI) expense for reporting period	2,085	5,573	–62.6
Accrual for management sharing plan (LTI) in equity at the end of the year	5,941	6,976	–14.8

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) Ltd (note 46), and the remaining participations were transferred to ATU.

in CHF 1,000	2014	2013[1]	Variance absolute	Variance in %
Interest income		1	–1	–100.0
Interest expense		55	–55	–100.0
Total interest income	0	**–54**	**54**	**–100.0**
Commission income		6,014	–6,014	–100.0
Commission expense		591	–591	–100.0
Total income from commission business and services	0	**5,423**	**–5,423**	**–100.0**
Trading income		–1	1	–100.0
Income from financial investments		–1	1	–100.0
Other income		180	–180	–100.0
Total operating income	**0**	**5,547**	**–5,547**	**–100.0**
Personnel expense		2,084	–2,084	–100.0
General and administrative expenses		943	–943	–100.0
Operating expenses	0	**3,027**	**–3,027**	**–100.0**
Gross profit	**0**	**2,520**	**–2,520**	**–100.0**
Depreciation and amortisation		1	–1	–100.0
Valuation allowances, provisions and losses		2	–2	–100.0
Pre-tax profit from discontinued operations	0	**2,517**	**–2,517**	**–100.0**
Taxes on income		150	–150	–100.0
Group net income from discontinued operations	**0**	**2,367**	**–2,367**	**–100.0**

[1] The current income from discontinued operations in 2013 represents the results for the period from 1 January to 22 August 2013.Conversely, the non-controlling interests in VP Bank (BVI) Ltd, Tortola, were acquired (note 46).

in CHF 1,000	2014	2013 [1]	Variance absolute	Variance in %
Attributable to:				
Shareholders of VP Bank Ltd, Vaduz	0	1,799	–1,799	–100.0
Non-controlling interests		568	–568	–100.0
Gain on disposal of discontinued operations		595	–595	–100.0
Total Group net income from discontinued operations	**0**	**2,962**	**–2,962**	**–100.0**

[1] The current income from discontinued operations in 2013 represents the results for the period from 1 January to 22 August 2013.Conversely, the non-controlling interests in VP Bank (BVI) Ltd, Tortola, were acquired (note 46).

in CHF 1,000	2014	2013
Earnings per share in CHF		
Undiluted Group net income per bearer share from discontinued operations	0.00	0.41
Undiluted Group net income per registered share from discontinued operations	0.00	0.04
Diluted Group net income per bearer share from discontinued operations	0.00	0.41
Diluted Group net income per registered share from discontinued operations	0.00	0.04
Net cash flows from discontinued operations		
Net cash flow from operating activities	0	2,636
Net cash flow from investing activities	0	0
Net cash flow from financing activities	0	–64
Net outflow of cash and cash equivalents	**0**	**2,572**

46 Material changes to non-controlling interests

VP Bank (BVI) Ltd, 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) Ltd, 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 VP Bank Ltd.

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 was to acquire 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	451,897		451,897
Amounts due from customers	110,082		110,082
Other intangible assets	0	10,049	10,049
Amounts due to clients	–561,978		–561,978
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	31/12/2014	31/12/2013
Contingent liabilities		
Credit guarantees and similar	41,768	17,827
Performance guarantees and similar	36,435	69,108
Irrevocable commitments	0	0
Other contingent liabilities	0	0
Total contingent liabilities	**78,203**	**86,935**
Credit risks		
Irrevocable facilities granted	32,985	20,704
Capital subscription and margin obligations	0	0
Commitment credits	0	0
• Liabilities arising from deferred payments	0	0
• Liabilities arising from acceptances	0	0
• Other commitment credits	0	0
Commitments arising from artificial repurchase transactions	0	0
Total credit risks	**32,985**	**20,704**
Fiduciary transactions		
Fiduciary deposits [1]	698,323	664,652
Fiduciary loans	4,992	9,941
Other fiduciary financial transactions	0	0
Total fiduciary transactions	**703,315**	**674,593**

[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**
31/12/2014					
Contingent liabilities	25,703	24,885	16,906	10,709	78,203
Credit risks	2,672	27,037	1,480	1,796	32,985
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

Securities lending and repurchase and reverse repurchase transactions

in CHF 1,000	31/12/2014	31/12/2013
Accounts receivable arising from cash deposits in connection with securities borrowing and reverse repurchase transactions	0	335,654
Accounts payable arising from cash deposits in connection with securities borrowing and reverse repurchase transactions	0	0
Securities lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing activities, as well as securities in own portfolio transferred within the framework of repurchase transactions	362,431	360,667
of which securities where the unlimited right to sell on or pledge has been granted	299,546	244,821
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	354,749	719,688
of which securities which have been resold or repledged	57,988	106,593

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	2014	2013	Variance in %
Analysis of client assets under management			
Assets in self-administered investment funds	5,506.2	5,242.2	5.0
Assets in discretionary asset-management accounts	2,984.8	2,975.9	0.3
Other client assets under management [1]	22,448.1	22,167.9	1.3
Total client assets under management (including amounts counted twice)[1]	**30,939.1**	**30,386.0**	**1.8**
of which: amounts counted twice	1,750.1	1,634.8	7.0
Net new money [2]	**–850.2**	**965.0**	**–188.1**
Custody assets	**7,614.5**	**9,003.5**	**–15.4**
Total client assets			
Total client assets under management (including amounts counted twice)	30,939.1	30,386.0	1.8
Custody assets	7,614.5	9,003.5	–15.4
Total client assets	**38,553.6**	**39,389.5**	**–2.1**

[1] The prior year's comparatives were restated by CHF 0.2 billion. Own debentures are no longer shown as client assets under management.
[2] This position in the prior year includes the acquired client assets of HSBC Trinkaus & Burkhardt (International) SA as well as HSBC Trinkaus Investment Managers SA in Luxembourg (note 47) of CHF 2.0 billion.

Classification of client assets under management

in %	31/12/2014	31/12/2013
Analysis by asset class		
Liquidity	32	31
Bonds	20	21
Equities	20	21
Investment funds	25	25
Other	3	2
Total	**100**	**100**
Analysis by currency		
CHF	26	26
EUR	34	37
USD	27	24
Other	13	13
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

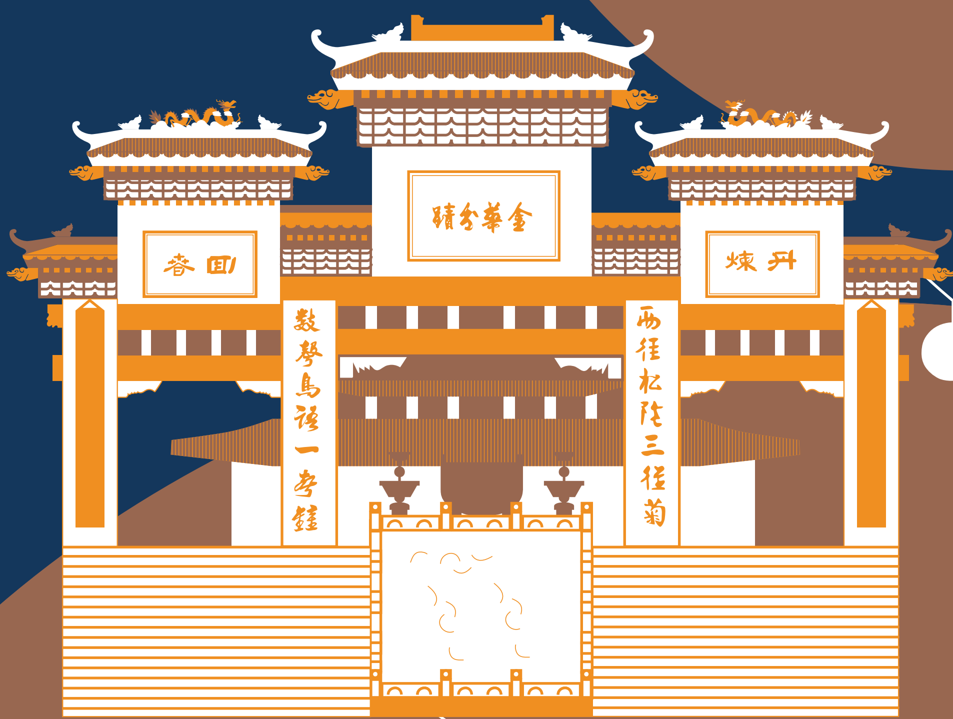
This item encompasses unit shares in self-administered investment funds which are in client portfolios subject to a discretionary asset-management agreement and other security deposits of clients.

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.



Introducing Hong Kong.


HO
KO
百貨公司


n
g
n
g
銀
行

"Welcome to the financial hub of Asia. The client, and not the product, is our focus."

Clare Lam
Managing Director
VP Wealth Management
(Hong Kong) Ltd.

VP Wealth Management (Hong Kong) Ltd. is dedicated to the protection and growth of clients' wealth. Our wide range of banking services and comprehensive wealth management solutions are underpinned by rigorous financial prudence and proven expertise in investment advice, securities trading and custody business. We offer a holistic range of services and advice, not just in wealth management but also in inheritance planning, structuring of trusts and foundations, and in art and philanthropy.

Hong Kong is one of the world's leading financial capitals and a major business and cultural hub. It is an important center for international finance and trade, with the greatest concentration of corporate headquarters in the Asia-Pacific region, and is known as one of the Four Asian Dragons for its high growth rates and rapid industrialisation. Hong Kong is the most active market for initial public offerings.

Key facts as of 31/12/2014

Year founded	2006
Legal status	Wealth management company
Core competencies	Wealth management solutions and family office services for high-net-worth clients and professional asset managers Investment advice Securities trading Custody business
Employees	6
Managing Director	Clare Lam

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of VP Bank Ltd, 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 84–148) and the consolidated annual report (pages 81–83) of VP Bank Ltd for the year ended 31 December 2014.

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 its 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 2014 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

Bruno Patusi	**Moreno Halter**
Swiss Certified Accountant	Certified Accountant
(Auditor in charge)	

Berne, 27 February 2015

Financial report 2014
of VP Bank Ltd, Vaduz

Annual report of VP Bank Ltd, Vaduz

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

As of the balance-sheet date, VP Bank Ltd, Vaduz, and its subsidiaries held in total 111,634 bearer shares as well as 209 registered shares (prior year: 107,795 bearer shares and 30,659 registered shares). This equates to a capital share of approximately 1.9 per cent (prior year: 1.9 per cent). In addition, reference is made to the notes to the relevant annual financial statements regarding the number of and changes in treasury shares in the parent company.

In keeping with the spirit of the Group's long-term dividend policy, the Board of Directors will propose a dividend of CHF 3.00 per bearer share and CHF 0.30 per registered share (prior year: CHF 3.50 per bearer share and CHF 0.35 per registered share) at the annual general meeting of shareholders to be held on 24 April 2015.

Balance sheet

Assets

in CHF 1,000 (Art. 24b FL-BankV)	31/12/2014	31/12/2013	Variance absolute	Variance in %
Cash balances	1,813,109	1,256,071	557,038	44.3
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	2,332,518	3,160,531	−828,013	−26.2
• maturing daily	571,574	778,733	−207,159	−26.6
• other receivables	1,760,944	2,381,798	−620,854	−26.1
Due from customers	3,491,624	3,256,268	235,356	7.2
of which mortgage receivables	2,711,638	2,583,181	128,457	5.0
Debentures and other interest-bearing securities	1,268,652	1,009,995	258,657	25.6
• money-market papers	0	0	0	0.0
• from public-sector issuers	0	0	0	0.0
• from other issuers	0	0	0	0.0
• debt securities	1,268,652	1,009,995	258,657	25.6
• from public-sector issuers	411,516	322,131	89,385	27.7
• from other issuers	857,136	687,864	169,272	24.6
Equity shares and other non-interest-bearing securities	69,140	69,124	16	0.0
Participations	25	127	−102	−80.3
Shares in affiliated companies	120,150	110,435	9,715	8.8
Intangible assets	9,766	18,990	−9,224	−48.6
Property and equipment	106,996	111,286	−4,290	−3.9
Treasury shares	9,491	10,771	−1,280	−11.9
Other assets	78,301	47,282	31,019	65.6
Accrued receivables and prepaid expenses	15,857	15,745	112	0.7
Total assets	**9,315,629**	**9,066,625**	**249,004**	**2.7**

Total liabilities and shareholders’ equity

in CHF 1,000 (Art. 24b FL-BankV)	31/12/2014	31/12/2013	Variance absolute	Variance in %
Due to banks	1,269,600	1,238,343	31,257	2.5
• maturing daily	1,040,785	1,111,737	–70,952	–6.4
• with agreed duration or term of notice	228,815	126,606	102,209	80.7
Due to customers	6,791,927	6,511,147	280,780	4.3
• savings deposits	855,535	877,172	–21,637	–2.5
• other liabilities	5,936,392	5,633,975	302,417	5.4
• maturing daily	5,610,503	5,274,477	336,026	6.4
• with agreed duration or term of notice	325,889	359,498	–33,609	–9.3
Securitised liabilities	395,309	445,722	–50,413	–11.3
• issued debentures	395,309	445,722	–50,413	–11.3
of which medium-term notes	195,309	245,722	–50,413	–20.5
Other liabilities	67,722	80,818	–13,096	–16.2
Accrued liabilities and deferred items	13,476	14,589	–1,113	–7.6
Provisions	15,094	13,926	1,168	8.4
• tax provisions	700	600	100	16.7
• other provisions	14,394	13,326	1,068	8.0
Provisions for general banking risks	63,150	63,150	0	0.0
Subscribed capital	59,148	59,148	0	0.0
Income reserves	584,246	583,889	357	0.1
• legal reserves	239,800	239,800	0	0.0
• reserve for treasury shares and stock	9,491	10,771	–1,280	–11.9
• other reserves	334,955	333,318	1,637	0.5
Retained earnings brought forward	35,191	14,692	20,499	139.5
Net income for the year	20,766	41,201	–20,435	–49.6
Total liabilities and shareholders' equity	**9,315,629**	**9,066,625**	**249,004**	**2.7**

Off-balance-sheet items

in CHF 1,000 (Art. 24b FL-BankV)	31/12/2014	31/12/2013	Variance absolute	Variance in %
Contingent liabilities	**52,850**	**58,011**	**–5,161**	**–8.9**
Credit risks	**26,819**	**29,524**	**–2,705**	**–9.2**
• irrevocable facilities granted	26,819	29,524	–2,705	–9.2
Derivative financial instruments				
• positive replacement values	48,845	29,660	19,185	64.7
• negative replacement values	43,979	46,462	–2,483	–5.3
• contract volumes	3,107,700	4,227,731	–1,120,031	–26.5
Fiduciary transactions	**402,031**	**558,580**	**–156,549**	**–28.0**

Income statement

in CHF 1,000 (Art. 24c FL-BankV)	2014	2013	Variance absolute	Variance in %
Interest income	78,031	77,652	379	0.5
of which from interest-bearing securities	19,575	16,840	2,735	16.2
of which from trading transactions	0	0	0	0.0
Interest expenses	13,759	15,411	–1,652	–10.7
Income from interest-differential business	64,272	62,241	2,031	3.3
Current income from securities	3,732	13,582	–9,850	–72.5
• shares and other non-interest-bearing securities	2,420	3,553	–1,133	–31.9
of which from trading transactions	0	0	0	0.0
• participations	0	8	–8	–100.0
• shares in affiliated companies	1,312	10,021	–8,709	–86.9
Income from commission business and services	74,968	76,119	–1,151	–1.5
• commission income from credit business	508	591	–83	–14.0
• commission income from securities and investing business	61,811	66,169	–4,358	–6.6
• commission income from other services	12,649	9,359	3,290	35.2
Commission expenses	11,734	12,302	–568	–4.6
Income from commission business and services	63,234	63,817	–583	–0.9
Income from financial transactions	18,810	23,162	–4,352	–18.8
of which from trading transactions	18,787	13,418	5,369	40.0
Other ordinary income	3,102	6,313	–3,211	–50.8
• income from real estate	335	351	–16	–4.6
• other ordinary income	2,767	5,962	–3,195	–53.6
Total net operating income	**153,150**	**169,115**	**–15,965**	**–9.4**
Operating expenses	101,743	102,682	–939	–0.9
• personnel expenses	74,482	75,618	–1,136	–1.5
• general and administrative expenses	27,261	27,064	197	0.7
Gross profit	**51,407**	**66,433**	**–15,026**	**–22.6**
Depreciation and amortisation of intangible assets and property and equipment	21,401	22,438	–1,037	–4.6
Other ordinary expenses	424	170	254	150.7
Valuation allowances on receivables and increases in provisions for contingent liabilities and credit risks	11,905	5,311	6,594	124.2
Income from release of valuation allowances on receivables and from the release of provisions for contingent liabilities and credit risks	3,595	3,493	102	2.9
Write-offs on participations, shares in affiliated companies and securities dealt with as non-current assets	0	305	–305	–100.0
Gains from appreciations on participations, shares in affiliated companies and securities dealt with as non-current assets	0	0	0	0.0
Income from normal business operations	**21,272**	**41,702**	**–20,430**	**–49.0**
Extraordinary income	0	0	0	0.0
Extraordinary expenses	1	0	1	n.a.
Taxes on income	485	501	–16	–3.2
Other taxes if not included in above items	20	0	20	n.a.
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	**20,766**	**41,201**	**–20,435**	**–49.6**

in CHF 1,000 (Art. 24c FL-BankV)	2014	2013	Variance absolute	Variance in %
Appropriation of income				
Net income for the year	20,766	41,201	–20,435	–49.6
Retained earnings brought forward	35,191	14,692	20,499	139.5
Retained earnings	55,958	55,893	65	0.1

Proposed dividend to be approved by the annual general meeting of VP Bank Ltd, Vaduz, (not accounted for as liability as of 31 December) in the event that the **capital increase (issuance of new shares)** to be voted upon at the extraordinary general meeting of shareholders of 10 April 2015 is **approved and carried out**.

• appropriation to other reserves	0	0	0	0.0
• distribution on the basis of company capital	19,846	20,702	–856	–4.1
• release from other reserves	0	0	0	0.0
Retained earnings to be carried forward	**36,112**	**35,191**	**921**	**2.6**

Proposed dividend to be approved by the annual general meeting of VP Bank Ltd, Vaduz, (not accounted for as liability as of 31 December) in the event that the **capital increase (issuance of new shares)** to be voted upon at the extraordinary general meeting of shareholders of 10 April 2015 **is rejected and not carried out**.

• appropriation to other reserves	0	0	0	0.0
• distribution on the basis of company capital	17,744	20,702	–2,958	–14.3
• release from other reserves	0	0	0	0.0
Retained earnings to be carried forward	**38,214**	**35,191**	**3,023**	**8.6**

Information regarding business activities and number of employees

(Art. 24e Par. 1 Point 1 FL-BankV)

VP Bank Ltd, which has its registered office in Vaduz, Liechtenstein, was established in 1956 and is one of the three largest banks in Liechtenstein. As of 31 December 2014, VP Bank Group 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 2014 VP Bank Ltd had 424.9 individuals under its employment (previous year: 424.5).

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

In addition to general banking operations, commission- and service-related business encompasses asset management services for private clients, financial intermediaries and institutional clients, as well as investment advice, safekeeping and trustee services. VP Bank Ltd earns a significant portion of its total commission-related revenue from transactions in securities on behalf of clients.

Lending business

The 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 the trading activities is related to foreign exchange dealings on behalf of private clients.

For liquidity-management and investment purposes, VP Bank Ltd maintains a portfolio of interest-bearing security and equity positions.

Principles of accounting and valuation, 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 Persons and Companies Act, as well as the Liechtenstein Banking Act and its related Ordinance.

Recording of transactions

In accordance with the valuation policies laid down, all business transactions are recorded in the Bank's accounts as of their trading date. Forward contracts are recorded under off-balance-sheet transactions as of 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 made 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 Ltd creates lump-sum individual valuation allowances 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 income from securities items. Gains and losses from revaluation are disclosed in the item gains/losses arising from financial transactions.

Participations

Equity shareholdings in companies owned by the Bank representing a non-controlling interest held on a long-term basis are recorded as participations. Participations are valued at acquisition cost minus economically required valuation allowances.

Shares in affiliated companies

The existing majority shareholdings of VP Bank Ltd are recorded as shares in affiliated companies. Shares in affiliated companies are valued at acquisition cost minus economically required valuation 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; computer hardware: 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 Ltd 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 2014 financial year.

VP Bank Group is counting on further growth through acquisitions. After receiving the required supervisory authority approval from the Liechtenstein Financial Market Authority, VP Bank Ltd, Vaduz, acquired 100 per cent of the shares of Centrum Bank AG, Vaduz, on 7 January 2015. The acquisition price was CHF 60 million. Following this transaction, Centrum Bank AG, Vaduz, will become a wholly owned subsidiary of VP Bank Ltd, Vaduz. The legal merger between VP Bank Ltd and Centrum Bank AG will be completed effective 30 April 2015. The purchase price allocation (under IFRS) in connection with the acquisition of Centrum Bank is currently being prepared. The definitive calculation and disclosure of the required financial information for acquired assets and liabilities along with any goodwill or negative goodwill (bargain purchase) resulting from the merger with Centrum Bank, will be presented in the interim financial statements on 30 June 2015. Consolidated reporting will commence on 30 June 2015.

Marxer Foundation for Bank Values, the former sole owner of Centrum Bank AG, will receive an ownership interest in VP Bank Ltd based on the value of the share purchase price. The Board of Directors of VP Bank Ltd, Vaduz, will therefore convene an extraordinary general meeting of shareholders on 10 April 2015 and request a corresponding capital increase.

The Swiss National Bank's decision in January 2015 to eliminate the Swiss franc's minimum exchange rate against the euro and to shift the target range of the three-month LIBOR has had no impact on the 2014 financial statements. These moves have nevertheless resulted in significant market distortions. This difficult environment will pose a significant challenge for VP Bank Ltd and affect business trends. However, VP Bank Ltd is well positioned and is taking concrete steps to address these challenges.

The implementation of the Basel III regulations takes effect in Liechtenstein on 1 February 2015 and imposes stricter capital and liquidity requirements on credit institutions. As a systemically important bank in Liechtenstein, VP Bank must satisfy additional capital buffer requirements. VP Bank's current tier 1 ratio of 20.5 per cent more than satisfies the 13 per cent level required under the Basel III regulations in Liechtenstein as of 1 February 2015 and continues to represent a high level of stability and security.

Commentaries on risk management

Appropriate risk management is the basic prerequisite for the sustainable development and continuing success of VP Bank Ltd, Vaduz. By "appropriate" it is to be understood that VP Bank Ltd, 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 VP Bank Ltd to the same extent as to the subsidiary companies and exactly mirror the risk management and control framework of VP Bank Group, for which reason reference is made at this point to the commentaries on risk management of VP Bank Group set out on pages 100 f.

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)	17,811	443,766	318,409	779,986
Mortgage loans secured by	2,625,592	64,464	21,582	2,711,638
• residential property	2,143,505	0	0	2,143,505
• office and business premises	38,961	0	0	38,961
• commercial and industrial property	403,191	0	0	403,191
• other	39,935	64,464	21,582	125,981
Total loans, 31/12/2014	**2,643,403**	**508,230**	**339,991**	**3,491,624**
Total loans, 31/12/2013	2,507,998	451,559	296,711	3,256,268
Off-balance-sheet items				
Contingent liabilities	364	40,819	11,667	52,850
Irrevocable facilities granted	3,253	4,446	19,120	26,819
Total off-balance-sheet items, 31/12/2014	**3,617**	**45,265**	**30,787**	**79,669**
Total off-balance-sheet items, 31/12/2013	8,621	46,311	32,603	87,535

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, 31/12/2014	**66,172**	**45,899**	**20,273**	**20,273**
Total value-impaired loans, 31/12/2013	38,348	18,718	19,630	19,630

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)	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Trading portfolios of securities and precious metals						
Debt securities	0	0	0	0	0	0
Equity shares	3,626	1,313	3,562	1,355	3,626	1,313
of which equity shares in the treasury	3,626	1,313	3,562	1,355	3,626	1,313
Precious metals	188	230	186	238	188	230
Total	**3,814**	**1,543**	**3,748**	**1,593**	**3,814**	**1,543**
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)	48,845	28,696			48,845	28,696
Negative replacement values of derivative financial instruments in trading portfolios (other liabilities)	12,547	27,278			12,547	27,278
Total	**61,392**	**55,974**			**61,392**	**55,974**
Portfolios of securities and precious metals in current assets (excluding trading portfolios)						
Debt securities	1,268,652	1,009,995	1,257,640	1,036,571	1,303,086	1,032,510
Equity shares	75,005	78,582	116,774	124,281	87,939	87,869
of which equity shares in the treasury	5,865	9,458	17,455	24,538	5,865	9,458
Precious metals	0	0	0	0	0	0
Total	**1,343,657**	**1,088,577**	**1,374,414**	**1,160,852**	**1,391,025**	**1,120,379**
of which repo-eligible securities	865,217	739,468	871,675	757,005	892,361	756,850
of which exchange-listed securities	1,256,260	1,001,191	1,260,322	1,046,092	1,295,991	1,026,113

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)	Number		Carrying value	
	2014	2013	2014	2013
Balance at the beginning of the year	97,000	130,000	9,458	8,450
Purchase				
Disposals	–28,000	–33,000	–2,587	–2,605
Valuation allowances			–1,006	
Appreciation				3,613
Balance at the end of the year	**69,000**	**97,000**	**5,865**	**9,458**

Participations and shares in affiliated companies

in CHF 1,000 (Art. 24e Par. 1 Point 3.2 FL-BankV)	Carrying value 31/12/2014	Carrying value 31/12/2013
Participations		
without quoted market value	25	127
Total participations	**25**	**127**
Shares in affiliated companies		
without quoted market value [1]	120,150	110,435
Total shares in affiliated companies	**120,150**	**110,435**

[1] In 2014, no recoveries in value pursuant to Art. 1090 PGR were recorded (prior year: CHF 0.0 million)

in CHF 1,000 (Art. 24e Par. 1 Point 3.3 FL-BankV)	31/12/2014			31/12/2013		
	Currency	Corporate capital	Percentage ownership	Currency	Corporate capital	Percentage ownership
Participations						
Finarbit AG, Küsnacht (money-market and foreign-exchange broker)				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						
IFOS Internationale Fonds Service AG, Vaduz (fund management company)	CHF	1,000	100%	CHF	1,000	100%
VPB Finanz Holding AG, Zurich [1] (holding company)	CHF	20,000	100%	CHF	20,000	100%
VP Bank (Luxembourg) SA, Luxembourg (bank)	CHF	20,000	100%	CHF	20,000	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	67,000	100%	SGD	54,500	100%
VP Bank (BVI) Ltd, Tortola (bank)	USD	10,000	100%	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 wholly owned subsidiary company of VPB Finanz Holding AG, Zurich.

The carrying value of affiliated banks included under shares in affiliated companies amounts to CHF 114.8 million including subordinated loans (previous year: CHF 105.1 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 31/12/2013	Financial year 2014 Investments	Divestments	Depr. and amortisation	Depr. and amort. on disposal	Carrying value 31/12/2014
Total participations (minority participations)	255	–128	127		–102			25
Total shares in affiliated companies	161,671	–51,236	110,435	9,715				120,150
Total intangible assets (excluding goodwill)	128,885	–109,895	18,990	3,473	–5,929	–12,697	5,929	9,766
Real estate								
• bank premises	198,552	–107,327	91,225	1,398		–5,868		86,755
• other real estate	17,214	–714	16,500					16,500
Other property and equipment	35,884	–32,323	3,561	3,019	–10,553	–2,836	10,550	3,741
Total property and equipment	251,650	–140,364	111,286	4,417	–10,553	–8,704	10,550	106,996
Fire-insurance values of real estate			168,790					172,440
Fire-insurance values of other property and equipment			28,120					27,500

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)	31/12/2014	31/12/2013
Total minimum commitments arising from operating leases	**9,077**	**10,374**

Operating expenses as of 31 December 2014 include CHF 2.677 million arising from operating leases (previous year: CHF 3.118 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)	31/12/2014	31/12/2013
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	470,432	351,814
Effective liabilities	0	0
Securities lending/borrowing and repurchase transactions		
Amounts receivable arising from cash deposits in connection with securities borrowing and reverse repurchase transactions	0	335,739
Amounts payable arising from cash deposits in connection with securities lending and repurchase transactions	0	0
Securities owned by the Bank lent out within the scope of securities lending or delivered as collateral within the scope of securities borrowing or transferred within the scope of repurchase transactions	362,431	360,667
of which securities for which an unconditional right has been granted to sell on or repledge	299,546	244,821
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	354,749	719,688
of which securities repledged or sold on	57,988	106,593

Liabilities to own retirement pension plans

in CHF 1,000 (Art. 24e Par. 1 Point 3.7 FL-BankV)	31/12/2014	31/12/2013
Due to customers	38,292	34,199
Securitised liabilities	1,510	1,510
Other liabilities	3,533	1,498
Total liabilities to own retirement pension plans	**43,335**	**37,207**

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 31/12/2014	Nominal amount 31/12/2013
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)	01/01/2014	Utilisation in accordance with purpose	Recoveries, overdue interest, forex diff.	Charges to income statement	Releases to income statement	31/12/2014
Valuation allowances for default risks						
• individual valuation allowances	19,630	4,771	444	7,854	2,884	20,273
• individual valuation allowances made on lump-sum basis	0					0
• lump-sum valuation allowances	17,848			2,302	676	19,474
• individual valuation allowances made on lump-sum basis for country risks	2,250			1,000		3,250
Provisions for contingent liabilities and credit risks	197			207		404
Provisions for other business risks	0					0
Provisions for taxes and deferred taxes	600	385		700	215	700
Other provisions	10,879	1,998		1,894	35	10,740
Total valuation allowances and provisions	**51,404**	**7,154**	**444**	**13,957**	**3,810**	**54,841**
minus: valuation allowances	37,478					39,747
Total provisions as per balance sheet	**13,926**					**15,094**
Provisions for general banking risks	**63,150**					**63,150**

Company capital

in CHF 1,000 (Art. 24e Par. 1 Point 3.10 FL-BankV)	31/12/2014			31/12/2013		
	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 shareholders and groups of shareholders with interlinking voting rights

in CHF 1,000 (Art. 24e Par. 1 Point 3.10 FL-BankV)	31/12/2014			31/12/2013		
	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	8,554	14.5	7.6	8,355	14.1	7.4

Statement of changes in shareholders' equity

in CHF 1,000 (Art. 24e Par. 1 Point 3.11 FL-BankV)	2014
Shareholders' equity at the beginning of the financial year	
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
Total shareholders' equity at the beginning of the financial year	**762,080**

in CHF 1,000 (Art. 24e Par. 1 Point 3.11 FL-BankV)	2014
Capital increase / reduction (–)	0
Other appropriations / releases from reserves (–)	357
Dividends and other distributions from net income of the previous year [1]	–20,702
Net income for the financial year	20,766
Total shareholders' equity at the end of the financial year	**762,501**
of which	
Subscribed and paid-up capital	59,148
Legal reserves	239,800
Reserve for treasury shares	9,491
Other reserves	334,955
Provisions for general banking risks	63,150
Retained earnings	55,957

[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	1,813,109							1,813,109
Due from banks	571,574		864,487	885,045	10,990	422		2,332,518
Due from customers	1,595	214,565	1,237,812	428,129	1,231,294	378,229		3,491,624
of which mortgage receivables	1,597	97,623	821,915	262,150	1,159,615	368,738		2,711,638
Trading portfolios of securities and precious metals	3,814							3,814
Portfolios of securities and precious metals in current assets (excluding trading portfolios)	1,343,657							1,343,657
Other assets	227,414		238				103,255	330,907
Total assets, 31/12/2014	**3,961,163**	**214,565**	**2,102,537**	**1,313,174**	**1,242,284**	**378,651**	**103,255**	**9,315,629**
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
Liabilities and provisions								
Due to banks	1,040,784	149,841	55,115	23,860				1,269,600
Due to customers	5,318,262	1,147,776	209,926	114,757	1,206			6,791,927
• savings deposits		855,535						855,535
• other liabilities	5,318,262	292,241	209,926	114,757	1,206			5,936,392
Securitised liabilities			13,877	39,045	323,723	18,664		395,309
• issued debentures			13,877	39,045	323,723	18,664		395,309
of which medium-term notes			13,877	39,045	123,723	18,664		195,309
Provisions (excluding provisions for general banking risks)	15,094							15,094
Other liabilities	80,569		629					81,198
Total liabilities, 31/12/2014	**6,454,709**	**1,297,617**	**279,547**	**177,662**	**324,929**	**18,664**		**8,553,128**
Total liabilities, 31/12/2013	6,462,158	986,228	215,878	292,330	340,145	7,806		8,304,545

Debentures and other interest-bearing securities which mature in the following financial year	203,574
Issued debentures which mature in the following financial year	52,921

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)	31/12/2014	31/12/2013
Receivables from and payables to participations, affiliated companies and qualifying participants		
Receivables from participations	0	0
Payables to participations	487	575
Receivables from affiliated companies	196,181	164,922
Payables to affiliated companies	1,033,224	1,112,188
Receivables from qualifying participants	0	0
Payables to qualifying participants	23,170	19,657
Loans to governing bodies		
Members of the Executive Board and parties related thereto	1,435	5,460
Members of the Board of Directors and parties related thereto [1]	4,180	3,635

[1] Excluding receivables from related qualifying participants.

VP Bank also makes payments to related persons within the framework of brokerage services and bought-in advisory services. These correspond to customary market conditions. The aggregate amount of such payments and fees in 2014 totalled CHF 0.481 million (prior year: CHF 0.327 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			
	2014	2013	2014	2013	2014	2013	2014	2013
Board of Directors								
Fredy Vogt, Chairman [A,D]	560	605	140	151	85	68	645	673
Dr Guido Meier, Vice Chairman [B]	115	115	29	29			115	115
Prof. Teodoro D. Cocca, BoD [B]	105	86	26	22			105	86
Roland Feger, BoD [D,E]		60		15			0	60
Walo Frischknecht, BoD [F]	68 [3]	135 [3]	17	34			68	135
Dr Beat Graf, BoD [G]	56		14				56	0
Markus Thomas Hilti, BoD [B]	105	105	26	26			105	105
Max E. Katz, BoD [H]		83		21			0	83
Michael Riesen, BoD [C, G]	94		23				94	0
Dr Daniel H. Sigg, BoD [D]	120	88	30	22			120	88
Total Board of Directors	**1,222**	**1,276**	**306**	**319**	**85**	**68**	**1,307**	**1,344**

[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] Member of the Board of Directors up to 26 April 2013
[F] Member of the Board of Directors up to 25 April 2014
[G] Member of the Board of Directors as from 25 April 2014
[H] Member of the Board of Directors up to 23 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.

Introducing Moscow.


MOS


COW

"We are strongly committed to the Russian market. It is our desire to be close to our clients."

Jean-Michel Brunie
Head of VP Bank (Switzerland) Ltd
Moscow Representative Office

The VP Bank (Switzerland) Ltd Moscow Representative Office has been operating for ten years and we are delighted to be at our clients' disposal on site. In our Moscow-based Representative Office, we enjoy intensive dialogue with our clients and partners, as well as with the regulator, and thus serve as a connector to all of VP Bank Group's locations.

Moscow is the capital city and most populous federal subject of Russia. The city is a major political, economic, cultural and scientific centre for both Russia and Eastern Europe. Moscow is the undisputed financial centre of Russia and home to the country's largest banks and many of its largest companies. It is the largest city in Russia, with a population of over 12 million people.

Key facts as of 31/12/2014

Year founded	2005
Legal status	Representative office
Core competencies	Connector to all of VP Bank Group's services
Employees	3
Head of Representative Office	Jean-Michel Brunie

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)		Performance Share Plan (PSP)		Restricted Share Plan (RSP)		Pension fund, senior employee insurance			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Executive Management	1,830	2,823	475	708	1,078	2,150	483		310	393	4,176	6,074
Highest remuneration												
Alfred W. Moeckli [5]	700	583	150	233	450	700	202		118	63	1,620	1,579

With the adoption of the new compensation model described in the section on corporate governance (Art. 5.1.2, pages 73 f.), the compensation actually paid out in the accounting period is no longer disclosed, but rather the entitlements to performance-based and restricted shares in addition to the fixed basic salary and the cash compensation (STI). The 2013 comparative figures were adjusted accordingly. The number of bearer shares (entitlement from the performance share plan) as well as the related monetary benefit are fixed definitively only at the end of the respective planning period (or at the time of transferring the bearer shares). As part of the 2014–2016 plan, 12,181 performance-based units and 5,457 restricted units were allocated from the PSP and RSP, respectively. The computation of the number of shares transferred upon expiry of the plan period is dependent upon the achievement of the targets (return on equity and cost income ratio). The monetary benefit from the respective PSP and RSP programmes will by definition be determined by the equity share price at the time of transfer of title to the shares.

1 Compensation for out-of-pocket expenses is not included.
2 The members of the Executive Board retiring during the financial year are included up to the date when they relinquished their functions.
3 As a result of the amendment, the prior-year comparative figures were restated accordingly in the disclosure on compensation.
4 Gifts for length of service are included.
5 CEO as of 1 May 2013

	Shareholdings in VP Bank: Number of shares (including related parties, excluding qualifying participants)				Loans and credits		Related parties [1]			
	Registered shares		Bearer shares				Loans and credits		Remuneration for services provided	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Board of Directors										
Fredy Vogt			17,675	12,067	630	635				
Dr Guido Meier	79,600 [2]	79,600 [2]	48,688 [2]	48,316 [2]	3,450	2,900	2,835		400	250
Prof. Teodoro D. Cocca			1,093	753					5	
Walo Frischknecht [3]			n.a.	2,274					46	65
Dr Beat Graf			183							
Markus Thomas Hilti			5,379 [2]	5,039 [2]						
Michael Riesen			303						15	
Dr Daniel H. Sigg			3,868	3,480	100	100			15	12
Total Board of Directors	**79,600**	**79,600**	**77,189**	**71,929**	**4,180**	**3,635**	**2,835**	**none**	**481**	**327**
Executive Management										
Alfred W. Moeckli, CEO [4]			6,250	5,250						
Siegbert Näscher, CFO			1,342	250	1,000	1,100				
Christoph Mauchle [5]			10,000	5,000	435					
Martin Engler [6]			n.a.	300	n.a.	2,260				
Rolf Jermann [6]			n.a.	1,177	n.a.	1,100				
Günther Kaufmann [6]			n.a.	1,217						
Juerg W. Sturzenegger [6]			n.a.	2,198	n.a.	1,000				
Total Executive Management	**none**	**none**	**17,592**	**15,392**	**1,435**	**5,460**	**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 Excluding the number of shares of the significant shareholders (qualifying participants).
3 Member of the Board of Directors up to 25 April 2014
4 CEO as of 1 October 2013
5 GEM member as of 1 October 2013
6 GEL member up to 31 December 2013

Balance sheet – domestic and foreign

in CHF 1,000 (Art. 24e Par. 1 Point 3.14 FL-BankV)	31/12/2014 Domestic	 Foreign	31/12/2013 Domestic	 Foreign
Assets				
Cash balances	1,813,109		1,256,071	
Due from banks	1,222,339	1,110,179	1,227,778	1,932,753
Due from customers	3,175,199	316,425	2,988,803	267,465
of which mortgage receivables	2,707,515	4,123	2,578,803	4,378
Debentures and other interest-bearing securities		1,268,652	1,996	1,007,999
Equity shares and other non-interest-bearing securities	38,253	30,887	43,789	25,335
Participations	25		127	
Shares in affiliated companies	10,600	109,550	10,600	99,835
Intangible assets	9,766		18,990	
Property and equipment	106,996		111,286	
Treasury shares	9,491		10,771	
Other assets	69,240	9,061	38,166	9,116
Accrued receivables and prepaid expenses	4,908	10,949	5,610	10,135
Total assets	**6,459,926**	**2,855,703**	**5,713,987**	**3,352,638**
Liabilities and shareholders' equity				
Due to banks	917,709	351,891	1,000,101	238,242
Due to customers	4,488,795	2,303,132	4,207,444	2,303,703
• savings deposits	707,574	147,961	727,216	149,956
• other liabilities	3,781,221	2,155,171	3,480,228	2,153,747
Securitised liabilities	395,309		445,722	
Other liabilities	58,833	8,889	74,121	6,697
Accrued liabilities and deferred items	13,389	87	14,515	74
Provisions	15,094		13,926	
Provisions for general banking risks	63,150		63,150	
Subscribed capital	59,148		59,148	
Income reserves	584,246		583,889	
• legal reserves	239,800		239,800	
• reserve for treasury shares	9,491		10,771	
• other reserves	334,955		333,318	
Retained earnings brought forward	35,191		14,692	
Net profit for the year	20,766		41,201	
Total liabilities and shareholders' equity	**6,651,630**	**2,663,999**	**6,517,909**	**2,548,716**

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 (Art. 24e Par. 1 Point 3.15 FL-BankV)	31/12/2014 Absolute	 Share in %	31/12/2013 Absolute	 Share in %
Assets				
Liechtenstein/Switzerland	6,459,926	69.3	5,713,987	63.0
Europe (excluding Liechtenstein/Switzerland)	2,159,687	23.2	2,786,892	30.8
North America	262,269	2.8	220,458	2.4
Asia	183,333	2.0	93,197	1.0
Caribbean	158,373	1.7	134,570	1.5
Other	92,041	1.0	117,521	1.3
Total assets	**9,315,629**	**100.0**	**9,066,625**	**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	1,807,229	268	5,195	417	1,813,109
Due from banks	429,278	647,238	774,532	481,470	2,332,518
Due from customers	2,977,428	199,173	273,489	41,534	3,491,624
of which mortgage receivables	2,703,528	13	8,097		2,711,638
Debentures and other interest-bearing securities	410,981	373,525	484,146		1,268,652
Equity shares and other non-interest-bearing securities	21,298	21,982	25,860		69,140
Participations	25				25
Shares in affiliated companies	120,150				120,150
Intangible assets	9,766				9,766
Property and equipment	106,996				106,996
Treasury shares	9,491				9,491
Other assets	74,020	2,088	1,976	217	78,301
Accrued receivables and prepaid expenses	7,043	3,263	5,148	403	15,857
Total on-balance-sheet assets	**5,973,705**	**1,247,537**	**1,570,346**	**524,041**	**9,315,629**
Delivery claims arising from foreign-exchange spot, forward and option transactions	176,858	1,404,481	821,564	224,705	2,627,608
Total assets, 31/12/2014	**6,150,563**	**2,652,018**	**2,391,910**	**748,746**	**11,943,237**
Total assets, 31/12/2013	6,211,003	2,988,841	2,837,407	889,481	12,926,732
Liabilities and shareholders' equity					
Due to banks	324,090	515,863	268,334	161,313	1,269,600
Due to customers	2,876,955	1,807,990	1,688,658	418,324	6,791,927
• savings deposits	855,129		406		855,535
• other liabilities	2,021,826	1,807,990	1,688,252	418,324	5,936,392
Securitised liabilities	369,384	4,398	21,527		395,309
Other liabilities	49,515	4,939	9,836	3,432	67,722
Accrued liabilities and deferred items	13,311	80	31	54	13,476
Provisions	15,094				15,094
Provisions for general banking risks	63,150				63,150
Subscribed capital	59,148				59,148
Income reserves	584,246				584,246
• legal reserves	239,800				239,800
• reserve for treasury shares	9,491				9,491
• other reserves	334,955				334,955
Retained earnings brought forward	35,191				35,191
Net income of the year	20,766				20,766
Total on-balance-sheet liabilities and shareholders' equity	**4,410,850**	**2,333,270**	**1,988,386**	**583,123**	**9,315,629**
Delivery obligations arising from foreign-exchange spot, forward and option transactions	1,776,494	291,211	358,045	165,050	2,590,800
Total liabilities and shareholders' equity, 31/12/2014	**6,187,344**	**2,624,481**	**2,346,431**	**748,173**	**11,906,429**
Total liabilities and shareholders' equity, 31/12/2013	6,289,957	2,959,279	2,786,969	888,781	12,924,986
Net position per currency	**–36,781**	**27,537**	**45,479**	**573**	

Contingent liabilities

in CHF 1,000 (Art. 24e Par. 1 Point 4.1 FL-BankV)	31/12/2014	31/12/2013	Variance absolute	Variance in %
Contingent liabilities				
Credit guarantees and similar	26,213	28,915	–2,702	–9.3
Performance guarantees and similar	26,637	29,096	–2,459	–8.4
Other contingent liabilities	0	0	0	0.0
Total contingent liabilities	**52,850**	**58,011**	**–5,161**	**–8.9**

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					31,433	377,847
Futures						74,239
Options (OTC)						
Foreign exchange / precious metals						
Forward contracts	3,179	4,719	291,127			
Combined interest-rate /currency swaps	44,459	6,112	2,213,429			
Options (OTC)	1,207	1,207	123,052			
Equity instruments/indices						
Futures						10,910
Options (exchange-traded)		509	17,095			
Total prior to consideration of netting agreements, 31/12/2014	**48,845**	**12,547**	**2,644,704**	**0**	**31,433**	**462,996**
Total prior to consideration of netting agreements, 31/12/2013	28,696	27,279	3,869,166	964	19,183	358,565

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 138).

Fiduciary transactions

in CHF 1,000 (Art. 24e Par. 1 Point 4.4 FL-BankV)	31/12/2014	31/12/2013	Variance absolute	Variance in %
Fiduciary transactions				
Fiduciary deposits	402,031	556,964	–154,933	–27.8
• fiduciary deposits with third-party banks	396,995	551,072	–154,077	–28.0
• fiduciary deposits with affiliated banks and finance companies	5,036	5,892	–856	–14.5
Fiduciary loans	0	1,616	–1,616	–100.0
Other fiduciary transactions of financial nature	0	0	0	0.0
Total fiduciary transactions	**402,031**	**558,580**	**–156,549**	**–28.0**

Information regarding the income statement

in CHF 1,000 (Art. 24e Par. 1 Point 5.2 FL-BankV)	2014	2013	Variance absolute	Variance in %
Income from trading activities				
Gains from securities	–19	591	–610	–103.2
Gains from foreign-exchange derivatives	–4,303	–5,361	1,058	–19.7
Gains from foreign-exchange transactions	21,567	16,142	5,425	33.6
Gains from trading in banknotes	1,284	1,450	–166	–11.5
Gains from precious metals	258	596	–338	–56.8
Total income from trading activities	**18,787**	**13,418**	**5,369**	**40.0**

in CHF 1,000 (Art. 24e Abs. 1 Ziff. 5.3 FL-BankV)	2014	2013	Variance absolute	Variance in %
Personnel expenses				
Salaries and wages	57,408	60,111	–2,703	–4.5
Social security costs and staff retirement pensions and assistance costs	14,682	11,835	2,847	24.1
of which for staff retirement pensions	13,387	10,780	2,607	24.2
Other personnel expenses	2,392	3,672	–1,280	–34.8
Total personnel expenses	**74,482**	**75,618**	**–1,136**	**–1.5**

Salaries of members of the Board of Directors and the Executive Board are disclosed under "Remuneration paid to members of governing bodies" (pages 164 f.).

in CHF 1,000 (Art. 24e Par. 1 Point 5.4 FL-BankV)	2014	2013	Variance absolute	Variance in %
General and administrative expenses				
Occupancy expenses	2,233	2,562	–329	–12.8
Expenses for IT, equipment, furniture, motor vehicles and other installations	9,112	9,176	–64	–0.7
Other business expenses	15,916	15,326	590	3.9
Total general and administrative expenses	**27,261**	**27,064**	**197**	**0.7**

in CHF 1,000 (Art. 24e Par. 2 Point 6e FL-BankV)	2014	2013	Variance absolute	Variance in %
Other ordinary income				
Income from real estate	335	351	–16	–4.6
Other ordinary income [1]	2,767	5,962	–3,195	–53.6
Total other ordinary income	**3,102**	**6,313**	**–3,211**	**–50.8**

[1] 2014: thereof CHF 2.380 million resulting from service level agreements within the Group.
2013: thereof CHF 2.781 million resulting from service level agreements within the Group, CHF 1.706 million earnings from divestiture of participations.

Other assets and liabilities

in CHF 1,000 (Art. 24e Par. 2 Point 6 FL-BankV)	31/12/2014	31/12/2013	Variance absolute	Variance in %
Other assets				
Precious metals	188	230	–42	–18.0
Unsettled derivative financial instruments (positive replacement values)	48,845	29,660	19,185	64.7
• trading positions	48,845	28,696	20,149	70.2
• liquidity positions	0	964	–964	–100.0
Compensation accounts	28,150	16,232	11,918	73.4
Settlement accounts	316	621	–305	–49.2
Miscellaneous other assets	802	539	263	48.8
Total other assets	**78,301**	**47,282**	**31,019**	**65.6**
Other liabilities				
Accounts for disbursement of taxes and fees	4,467	4,722	–255	–5.4
Unsettled derivative financial instruments (negative replacement values)	43,979	46,462	–2,483	–5.3
• trading positions	12,547	27,278	–14,731	–54.0
• liquidity positions	31,432	19,184	12,248	63.9
Compensation accounts	0	1,122	–1,122	–100.0
Settlement accounts	18,143	27,672	–9,529	–34.4
Miscellaneous other liabilities	1,133	840	293	34.9
Total other liabilities	**67,722**	**80,818**	**–13,096**	**–16.2**

Report of the statutory auditor on the financial statements

To the general meeting of VP Bank Ltd, Vaduz

As statutory auditor, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 152–169) and the annual report (page 151) of VP Bank Ltd for the year ended 31 December 2014.

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 2014 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 appropriations 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

Bruno Patusi
Swiss Certified Accountant
(Auditor in charge)

Moreno Halter
Certified Accountant

Berne, 27 February 2015

VP Bank Group

VP Bank Ltd is a bank domiciled in Liechtenstein and is subject to the Financial Market Authority Liechtenstein (FMA), Landstrasse 109, PO Box 279, 9490 Vaduz, www.fma-li.li

VP Bank Ltd	Aeulestrasse 6 9490 Vaduz · Liechtenstein T +423 235 66 55 · F +423 235 65 00 info@vpbank.com · www.vpbank.com VAT No. 51.263 · Reg. No. FL-0001.007.080-0
VP Bank (Switzerland) Ltd	Bahnhofstrasse 3 8001 Zurich · Switzerland T +41 44 226 24 24 · F +41 44 226 25 24 · info.ch@vpbank.com
VP Bank (Luxembourg) SA	26, Avenue de la Liberté L-1930 Luxembourg · Luxembourg T +352 404 770-1 · F +352 481 117 · info.lu@vpbank.com
VP Bank (BVI) Ltd	VP Bank House · 156 Main Street · PO Box 3463 Road Town · Tortola VG1110 · British Virgin Islands T +1 284 494 11 00 · F +1 284 494 11 44 · info.bvi@vpbank.com
VP Bank (Singapore) Ltd.	9 Raffles Place · #49-01 Republic Plaza Singapore 048619 · Singapore T +65 6305 0050 · F +65 6305 0051 · info.sg@vpbank.com
VP Wealth Management (Hong Kong) Ltd.	33/F · Suite 3305 · Two Exchange Square 8 Connaught Place · Central · Hong Kong T +852 3628 99 00 · F +852 3628 99 11 · info.hkwm@vpbank.com
VP Bank Ltd Hong Kong Representative Office	33/F · Suite 3305 · Two Exchange Square 8 Connaught Place · Central · Hong Kong T +852 3628 99 99 · F +852 3628 99 11 · info.hk@vpbank.com
VP Bank (Switzerland) Ltd Moscow Representative Office	World Trade Center · Office building 2 · Entrance 7 · 5th Floor · Office 511 12 Krasnopresnenskaya Embankment · 123610 Moscow · Russian Federation T +7 495 967 00 95 · F +7 495 967 00 98 · info.ru@vpbank.com
VPB Finance S.A.	26, Avenue de la Liberté L-1930 Luxembourg · Luxembourg T +352 404 777 260 · F +352 404 777 283 · vpbfinance@vpbank.com
IFOS Internationale Fonds Service Aktiengesellschaft	Aeulestrasse 6 9490 Vaduz · Liechtenstein T +423 235 67 67 · F +423 235 67 77 · ifos@vpbank.com · www.ifos.li

Imprint

Media & Investor Relations
VP Bank Ltd
Tanja Muster · Head of Group Communications & Marketing
Aeulestrasse 6 · 9490 Vaduz · Liechtenstein
T +423 235 67 62 · F +423 235 77 55
corporate.communications@vpbank.com · www.vpbank.com

Text
VP Bank Ltd, Vaduz

Layout and realisation
VP Bank Ltd, Vaduz

Illustrations
Alice Kolb, Luzern · www.alicekolb.ch

Printer
BVD Druck+Verlag AG, Schaan · www.bvd.li · Printed carbon neutral

Paper
Printed on PlanoJet 300 g/m², 120 g/m² as well as 100 g/m².
Chlorine-free, acid-free, wood-free,
food-safe (ISEGA), FSC-certified