

Disclosure report as of June 2019



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We reveal the best recipes from VP Bank's international cuisine: "À la carte" is the design theme of our 2018 annual report.

We focus on six VP Bank Group sites, their strengths and particularities. We offer our clients a global network along with regional know-how for customised and needs-based solutions - essentially "à la carte".

Discover succulent video footage and unusual recipes in the online annual report at report.vpbank.com



www.vpbank.com/en/alacarte

Introduction

VP Bank

VP Bank is an internationally active private bank and is one of the biggest banks in Liechtenstein. It has offices in Vaduz, Zurich, Luxembourg, Tortola / British Virgin Islands, Singapore and Hong Kong.

Since its foundation in the year 1956, VP Bank has focused on asset management and investment consultancy for private individuals and financial intermediaries. Today, 940 employees manage client assets of CHF 45.6 billion.

VP Bank is listed on the SIX Swiss Exchange. Its financial strength has been given an "A" rating by Standard & Poor's. The shareholder base with three anchor shareholders ensures stability, independence and sustainability.

Basis and purpose of the disclosure

The Disclosure Report is based upon Part 8 of the Regulation (EU) No. 575/2013 CRR, which has been directly applicable in Liechtenstein with amendments of the Banking Act Liechtenstein (BankA) and the Banking Ordinance Liechtenstein (BankO) since 1 February 2015.

The Disclosure Report provides a comprehensive picture of the bank's capital and liquidity adequacy, its risk profile and risk management.

Content and scope of application of the disclosure

The Disclosure Report contains all qualitative and quantitative information specified in Part 8 Section II CRR that has not already been published in the semiannual report of VP Bank. The exemption rules set out under Art. 432 CRR for immaterial or confidential information as well as business secrets have not been applied.

VP Bank Ltd with registered domicile in Vaduz, Liechtenstein, is the parent company of VP Bank Group and fulfils the disclosure requirements pursuant to Art. 13 Para. 1 CRR on a consolidated level. The basis for this is the prudential scope of consolidation pursuant to Art. 18 to 24 CRR. For this reason, all information in the Disclosure Report relate to VP Bank Group.

Frequency and means of disclosure

A comprehensive disclosure report is drawn up annually and published as a separate document on the VP Bank homepage (www.vpbank.com). Supplementary information is provided in the annual report. Publications performed during the course of the year are set out in the interim report. A supplementary Disclosure Report is issued annually and is also published on the VP Bank website.

Preparation and assessment of the disclosure

VP Bank has implemented a process for preparing the Disclosure Report, and has defined the tasks and responsibilities in writing. Within this context, the content and frequency of the disclosure is regularly reviewed in order to ascertain that this is reasonable. The Disclosure Report is not subject to any review by statutory banking auditors.

Changes since last year's Disclosure Report

EBA Guidelines 2016/11 on the disclosure requirements under Part 8 of Regulation (EU) No. 575/2013 have been in force in Liechtenstein since 1 January 2018. As such, the present Disclosure Report dated 30 June 2019 is not differing essentially from the previous year.

Key metrics

Key metrics

in CHF 1,000	30.06.2019	31.12.2018
Own Funds		
Common Equity Tier 1 (CET 1)	932,145	942,783
Tier 1 Capital	932,145	942,783
Total Capital	932,145	942,783
Common Equity Tier 1 Ratio	19.7%	20.9%
Tier 1 Ratio	19.7%	20.9%
Total Capital Ratio	19.7%	20.9%
Risk weighted assets	4,737,922	4,510,319
Combined capital buffer requirement	239,839	227,570
Leverage		
Total exposure measure	13,495,806	12,951,594
Leverage Ratio	6.9%	7.3%
Liquidity		
Liquidity Coverage Ratio (LCR)	173.4%	142.6%

Own funds

In the first six months of 2019 the Tier 1 Ratio of VP Bank declined from 20.9 per cent to 19.7 per cent, thus being markedly well above the minimum regulatory requirement. Increased lending and the build-up of securities in the bank's own portfolio are leading to an increase in risk-weighted assets.

Leverage

The reduction of the leverage ratio, in comparison to the position at 31 December 2018 is primarily attributed to reduction in own funds.

Liquidity

In the first six months of 2019 the LCR increased from 142.6 per cent to 173.4 per cent, thus continuing to be comfortably above the legal minimum requirement of 100 per cent. The significantly lower simulated outflows combined with a constant liquidity buffer led to an increase in the LCR.

Capital adequacy

VP Bank's regulatory equity capital consists solely of core Tier 1 capital (common equity Tier 1 - CET1) and is comprised primarily of paid-in capital and retained earnings. The amounts to be deducted according to Article 36(1) of the CRR are deducted in full from core Tier 1 capital. Part 10, Title I of the CRR regarding transitional provisions is not applied.

Capital instruments

in CHF 1,000		
Issuer	VP Bank Ltd, Vaduz	VP Bank Ltd, Vaduz
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	registered share A	registered share B
Governing law(s) of the instrument	Liechtenstein law	Liechtenstein law
Regulatory treatment		
Transitional CRR rules	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)
Post-transitional CRR rules	Common equity tier 1 (CET1)	Common equity tier 1 (CET1)
Eligible at solo(sub-)consolidated/ solo & (sub-)consolidated	solo and consolidated	solo and consolidated
Instrument type (types to be specified by each jurisdiction)	fully paid-up share capital	fully paid-up share capital
Amount recognised in regulatory capital	60,150	6,004
Nominal amount of instrument	60,150	6,004
Issue price	60,150	6,004
Redemption price	n.a	n.a
Accounting classification	equity	equity
Original date of issuance	n.a	n.a
Perpetual or dated	perpetual	perpetual
Original maturity date	n.a	n.a
Issuer call subject to prior supervisory approval	no	no
Optional call date, contingent call dates and redemption amount	n.a	n.a
Subsequent call dates, if applicable	n.a	n.a
Coupons / dividends		
Fixed or floating dividend/coupon	floating	floating
Coupon rate and any related index	n.a	n.a
Existence of a dividend stopper	n.a	n.a
Fully discretionary, partially discretionary or mandatory (in terms of timing)	fully discretionary	fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	fully discretionary	fully discretionary
Existence of step up or other incentive to redeem	n.a	n.a
Noncumulative or cumulative	n.a	n.a
Convertible or non-convertible	non-convertible	non-convertible
If convertible, conversion trigger(s)	n.a	n.a
If convertible, fully or partially	n.a	n.a
If convertible, conversion rate	n.a	n.a
If convertible, mandatory or optional conversion	n.a	n.a
If convertible, specify instrument type convertible into	n.a	n.a
If convertible, specify issuer of instrument it converts into	n.a	n.a
Write-down features	n.a	n.a
If write-down, write-down trigger(s)	n.a	n.a
If write-down, full or partial	n.a	n.a
If write-down, permanent or temporary	n.a	n.a
If temporary write-down, description of write-up mechanism	n.a	n.a
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a	n.a
Irregular features of the converted instruments	n.a	n.a
Description of any irregular features	n.a	n.a

Own funds

in CHF 1,000	30.06.2019
Common equity tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	55,265
of which: shares	55,265
Retained earnings	1,027,240
Accumulated other comprehensive income (and other reserves)	-93,469
Funds for general banking risk	n.a
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	n.a
Minority interests (amount allowed in consolidated CET1)	n.a
Independently reviewed interim profits net of any foreseeable charge or dividend	n.a
Common equity tier 1 (CET1) capital before regulatory adjustments	989,036
Common equity tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments (negative amount)	-398
Intangible assets (net of related tax liability) (negative amount)	-52,891
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-3,593
Fair value reserves related to gains or losses on cash flow hedges	n.a
Negative amounts resulting from the calculation of expected loss amounts	n.a
Any increase in equity that results from securitised assets (negative amount)	n.a
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	n.a
Defined-benefit pension fund assets (negative amount)	n.a
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	n.a
Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to initiate artificially the own funds of the institution (negative amount)	n.a
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative	-9
of which: qualifying holdings outside the financial sector (negative amount)	n.a
of which: securitisation positions (negative amount)	-9
of which: free deliveries (negative amount)	n.a
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	n.a
Amount exceeding the 15% threshold (negative amount)	n.a
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	n.a
of which: deferred tax assets arising from temporary differences	n.a
Losses for the current financial year (negative amount)	n.a
Foreseeable tax charges relating to CET1 items (negative amount)	n.a
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	n.a
Total regulatory adjustments to common equity tier 1 (CET1)	-56,891
Common equity tier 1 (CET1) capital	932,145
Additional tier 1 (AT1) capital: instruments	
Capital instruments and the related share premium accounts	n.a
of which: classified as equity under applicable accounting standards	n.a
of which: classified as liabilities under applicable accounting standards	n.a
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	n.a
Qualifying tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	n.a
of which: classified as liabilities under applicable accounting standards	n.a
Additional tier 1 (AT1) capital before regulatory adjustments	n.a

Own funds (continued)

in CHF 1,000	30.06.2019
Additional tier 1 (AT1) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	n.a
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	n.a
Direct, indirect and synthetic holding of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Direct, indirect and synthetic holdings by the institution of the AT1 instrument of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	n.a
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	n.a
Total regulatory adjustments in additional tier 1 (AT1) capital	n.a
Additional tier 1 (AT1) capital	n.a
Tier 1 capital (T1 = CET1 + AT1)	932,145
Tier 2 (T2) capital: instruments and provisions	
Capital instruments and the related share premium accounts	n.a
Amount of qualifying items referred to in article 484 (5) and the related share premium account subject to phase out from T2	n.a
Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	n.a
of which: instruments issued by subsidiaries subject to phase out	n.a
Credit risk adjustments	n.a
Tier 2 (T2) capital before regulatory adjustments	n.a
Tier 2 (T2) capital: regulatory adjustments	
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	n.a
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	n.a
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	n.a
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	n.a
Total regulatory adjustments of Tier 2 (T2) capital	n.a
Tier 2 (T2) capital	n.a
Total capital (TC = T1 + T2)	932,145
Total risk weighted assets	4,737,922
Capital ratios and buffers	
Common equity tier 1 (as a percentage of total risk exposure amount)	19.7%
Tier 1 (as a percentage of total risk exposure amount)	19.7%
Total capital (as a percentage of total risk exposure amount)	19.7%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	9.6%
of which: capital conservation buffer requirement	2.5%
of which: countercyclical buffer requirement	0.1%
of which: systemic risk buffer requirement	2.5%
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	19.7%
Amount below the thresholds for deduction (before risk weighting)	
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	n.a
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	n.a
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	n.a

Own funds (continued)

in CHF 1,000	30.06.2019
Applicable caps on the inclusion of provisions in tier 2	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	n.a
Cap on inclusion of credit risk adjustments in T2 under standardised approach	n.a
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	n.a
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	n.a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
Current cap on CET1 instruments subject to phase out arrangements	n.a
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n.a
Current cap on AT1 instruments subject to phase out arrangements	n.a
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	n.a
Current cap on T2 instruments subject to phase out arrangements	n.a
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n.a

A solid equity base allows for successful growth. A total of 169,950 registered shares A were repurchased between 27 June 2018 and 28 June 2019, corresponding to 2.57 per cent of the capital recorded in the commercial register or 1.41 per cent of the voting rights. As the shares will not be cancelled, both capital structure and voting rights remain unchanged. The registered shares A in the portfolio are to be used for future acquisitions or for treasury management purposes.

VP Bank complied with the minimum capital requirements during the first half of 2019 at all times.

The following table shows the full reconciliation of Tier 1 capital items with the consolidated balance sheet pursuant to Art. 437 (1) (a) CRR.

Reconciliation between balance sheet items used to calculate own funds and regulatory own funds

in CHF 1,000	30.06.2019
Equity according to consolidated balance sheet	985,081
Memorandum item: Capital instruments not eligible (own shares)	-10,889
Deduction dividend according to Board of Directors proposal	0
Common equity tier 1 (CET1) capital before regulatory adjustments	974,192
Additional Valuation Adjustment	-398
Deduction goodwill according to group balance sheet	-60,077
Deferred taxation liabilities on goodwill (positive amount)	3,593
Other intangible assets	0
Deferred tax liabilities associated to other intangible assets	0
Offset actuarial gains, after tax (IAS 19)	57,519
Deduction	-3,129
Deduction securitisation exposure	-9
Unaudited interim profits	-35,285
Profit or loss attributable to owners of the parent	-4,261
Common equity tier 1 (CET1) after regulatory adjustments	932,145
Tier 2 capital according to group balance sheet	0
Subordinated liabilities	0
Tier 2 (T2) capital before regulatory adjustments	0

No significant obstacles exist that limit the prompt transfer of equity capital or the repayment of liabilities between the parent company and fully-consolidated subsidiaries.

Capital adequacy requirements

VP Bank calculates the equity requirement in accordance with the provisions of the CRR using the following approaches:

- Standardised approach for credit risk (under Part 3, Title II, Chapter 2 of the CRR)
- Basic-indicator approach for operational risk (under Part 3, Title III, Chapter 2 of the CRR)
- Standardised procedure for market risk (under Part 3, Title IV, Chapters 2 to 4 of the CRR)
- Standardised method for credit valuation adjustment (CVA) risk (under Article 384 of the CRR)
- Comprehensive method for taking into consideration financial collateral (under Article 223 of the CRR)

Overview of risk weighted assets (RWAs) (EU OV1)

The following overview shows the capital adequacy requirements specific to the various regulatory risk types in accordance with Article 438(c) to (f) of the CRR.

in CHF 1,000		Risk weighted assets		Minimum capital requirements	
		30.06.2019	31.12.2018	30.06.2019	31.12.2018
1	Credit risk (excluding CCR)	3,890,438	3,747,307	311,235	299,785
2	of which the standardised approach	3,890,438	3,747,307	311,235	299,785
6	Counterparty credit risk (CCR)	14,447	9,272	1,156	742
12	of which CVA	14,447	9,272	1,156	742
19	Market risk	293,837	214,541	23,507	17,163
20	of which the standardised approach	293,837	214,541	23,507	17,163
23	Operational risk	539,199	539,199	43,136	43,136
24	of which basic indicator approach	539,199	539,199	43,136	43,136
29	Total	4,737,922	4,510,319	379,034	360,826

The increase in risk-weighted assets is attributable to the increase in receivables from customers and to a lesser extent to increased market risks.

Standardised approach (EU CR5)

The following overviews contain the respective total of the risk exposure values using the standardised approach in accordance with Article 444(e) of the CRR. The values for risk exposures are presented broken down by risk exposure classes before and after factoring in credit risk mitigation effects of collateral.

in CHF 1,000 as of 30.06.2019	Risk weight								Total	Of which unrated
	0%	20%	35%	50%	75%	100%	150%	250%		
Exposure classes										
1 Central governments or central banks	3,092,482	3,100	0	0	0	488	0	0	3,096,070	57,408
2 Regional governments or local authorities	11,643	93,487	0	25,285	0	0	0	0	130,415	37,606
3 Public sector entities	19,226	277,195	0	5,290	0	0	0	0	301,711	85,869
4 Multilateral development banks	78,952	0	0	11,158	0	0	0	0	90,110	2,924
5 International organisations	4,935	0	0	0	0	0	0	0	4,935	0
6 Institutions	396,056	188,779	0	34,717	0	0	0	0	619,552	247,803
7 Corporates	1,321,377	212,640	0	560,379	0	1,081,785	14	0	3,176,195	2,127,874
8 Retail	1,180,851	0	0	0	87,503	448,130	0	0	1,716,484	1,716,484
9 Secured by real estate	0	0	2,233,201	898,281	0	304,767	0	0	3,436,249	3,436,249
10 Exposures in default	32,696	0	0	0	0	29,120	20,978	0	82,794	82,794
11 Items associated with particularly high risk	0	0	0	0	0	0	36,456	0	36,456	36,456
12 Covered bonds	0	487,306	0	0	0	0	0	0	487,306	5,020
13 Securitisation positions	0	0	0	0	0	0	0	0	0	0
14 Claims on institutions and corporates with a short-term credit assessment	0	423,633	0	0	0	27,611	21	0	451,265	544
15 Collective investments undertakings	0	0	0	0	0	40,940	0	0	40,940	40,940
16 Equity exposures	0	0	0	0	0	101,379	0	0	101,379	101,379
17 Other items	14,906	2,245	0	0	0	136,789	0	14,310	168,250	150,291
18 Total	6,153,124	1,688,385	2,233,201	1,535,110	87,503	2,171,009	57,469	14,310	13,940,111	8,129,641

Leverage

In addition to the risk-based capital adequacy requirements, a leverage ratio was introduced which sets equity in relation to the unweighted balance sheet and off-balance sheet risk positions.

Leverage ratio

in CHF 1,000		30.06.2019
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13,074,978
2	Asset amounts deducted in determining tier 1 capital	-128,295
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	12,946,683
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	59,348
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	83,439
EU-5a	Exposure determined under original exposure method	n.a
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	n.a
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	n.a
8	Exempted CCP leg of client-cleared trade exposures	n.a
9	Adjusted effective notional amount of written credit derivatives	n.a
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	n.a
11	Total derivatives exposures (sum of lines 4 to 10)	142,787
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	n.a
13	Netted amounts of cash payables and cash receivables of gross SFT assets	n.a
14	Counterparty credit risk exposure for SFT assets	n.a
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	n.a
15	Agent transaction exposures	n.a
EU-15a	Exempted CCP leg of client-cleared SFT exposure	n.a
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2,925,960
18	(Adjustments for conversion to credit equivalent amounts)	-2,519,624
19	Other off-balance sheet exposures (sum of lines 17 and 18)	406,336
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	n.a
EU-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	n.a
Capital and total exposure measure		
20	Tier 1 capital	932,145
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	13,495,806
Leverage ratio		
22	Leverage ratio	6.91%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	n.a
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	n.a

The reduction in the leverage ratio in comparison to 31 December 2018 is due to an increase in total assets. As of the end of 2018, the leverage ratio of VP Bank was 7.3 per cent. As at 30 June 2019, there is no regulatory minimum in place in Liechtenstein.

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

in CHF 1,000	30.06.2019
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	13,074,978
of which Trading book exposures	245
Banking book exposures	487,306
of which Covered bonds	487,306
Exposures treated as sovereigns	3,327,903
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	322,869
Institutions	584,364
Secured by mortgages of immovable properties	2,875,438
Retail exposures	1,238,437
Corporate	3,384,709
Exposures in default	82,761
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	770,946

Summary reconciliation of accounting assets and leverage ratio exposures

in CHF 1,000	30.06.2019
Total assets as per published financial statements	13,074,978
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	0
Adjustments for derivative financial instruments	142,787
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	406,336
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013	0
Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013	0
Other adjustments	-128,295
Leverage ratio total exposure measure	13,495,806

Risk of excessive indebtedness

In order to prevent excessive debt, VP Bank has defined a minimum level for the leverage ratio, and monitors adherence at least quarterly.

Liquidity risks

VP Bank has implemented a process, the Internal Liquidity Adequacy Assessment Process (ILAAP), to ensure risk-adequate liquidity. The ILAAP approach involves two complementary perspectives: the normative perspective is based on ensuring the continuous fulfilment of all legal and internal requirements, while the economic perspective ensures the institution's ability to survive.

Liquidity risk includes insolvency/maturity, refinancing, market liquidity, withdrawal and step-in risk. Liquidity risk includes, for example, the risk of current and future payment obligations not being able to be refinanced in full or on time, in the right currency or at the standard market conditions, as well as cases where, due to insufficient market liquidity, it is not possible to liquidate or collateralise high-risk items on time or to the extent necessary and on reasonable terms.

Liquidity risks – taking account of statutory liquidity standards and regulations – are monitored and controlled using internal criteria and limits for the interbank and lending activities. Liquidity management at VP Bank Group is performed centrally at head office in Liechtenstein.

Safeguarding liquidity within VP Bank Group at all times has absolute priority. This is ensured with a substantial holding of liquid assets and investments with high liquidity (high quality liquid assets / HQLA), which also represents the main source of liquidity. Around two thirds of the HQLA are held at central banks.

If necessary, VP Bank can access the Eurex repo market to procure covered liquidity at short notice.

Within the context of the national implementation of Basel III, the liquidity coverage ratio (LCR) has been reported to the Liechtenstein Financial Market Authority (FMA) since 2015. In terms of liquidity, a liquidity coverage requirement for a liquidity coverage ratio (LCR) of at least 100 per cent has been in place since 1 January 2018. With an LCR of 173.4 per cent, VP Bank had a comfortable liquidity situation at the end of June 2019.

The LCR is actively managed and monitored in all significant currencies (main currencies: CHF, EUR and USD).

Continuous checks are carried out to ensure that liquid assets which do not qualify as liquid assets in a third country are not factored into the LCR calculation at Group level either.

Short-term client deposits play a significant role in the Bank's refinancing with only a minor dependency on the capital markets.

Derivative transactions which might involve potential collateral requirements consist primarily of interest-rate swaps and currency swaps – the potential collateral requirements are small.

With the help of regular stress tests, the impact of extraordinary (although plausible) events on liquidity is analysed. This enables VP Bank to take countermeasures during good times and set limits, where necessary.

A liquidity emergency plan is designed to ensure that VP Bank continues to have sufficient liquidity, even in cases of bank-specific or market-triggered liquidity crises as well as combinations thereof. For this purpose, suitable early warning indicators are identified and regularly monitored. Possible measures are set out in the emergency liquidity plan.

Despite the fact that the net stable funding ratio will only be mandatory in future, VP Bank regularly monitors the net stable funding ratio.

Declaration of the Board of Directors

The Board of Directors bears overall responsibility for liquidity management that is appropriate for the profile and strategy of VP Bank.

Safeguarding liquidity within VP Bank Group at all times has absolute priority. This is ensured with a substantial holding of liquid assets and investments with high liquidity (HQLA).

Key performance indicators in VP Bank's liquidity management include the LCR, the net stable funding ratio (NSFR), the liquidity reserve and distance to liquidity. To bring the liquidity risk profile into line with the defined risk tolerance, the Bank sets itself minimum requirements that are above the statutory minimum in each case. As at 30 June 2019, the LCR was 173.4 per cent, the NSFR was in excess of 100 per cent. VP Bank complied with the liquidity coverage ratio (LCR) requirements during the first half of 2019 at all times.

Liquidity Coverage Ratio

in CHF 1,000 as of 31.12.2018	Unweighted value (average)				Weighted value (average)			
	30.09.2018	31.12.2018	31.03.2019	30.06.2019	30.09.2018	31.12.2018	31.03.2019	30.06.2019
Number of data points used ¹	12	12	12	12	12	12	12	12
High-quality liquid assets								
Total high-quality liquid assets (HQLA)	-	-	-	-	4,944,064	4,860,542	4,883,010	4,850,341
Cash outflows								
Retail deposits and deposits from small business customers	4,180,547	4,067,445	4,097,631	4,035,462	468,351	460,275	465,937	460,041
of which Stable deposits	279,686	271,068	278,105	315,827	13,984	13,554	13,905	15,791
of which Less stable deposits	3,900,861	3,796,377	3,819,526	3,719,635	454,367	446,721	452,032	444,250
Unsecured wholesale funding	6,310,742	6,255,172	6,314,609	6,394,252	4,184,830	4,091,026	4,101,672	4,138,459
• Operational deposits (all counterparties) and deposits in networks of cooperative banks	642,135	571,918	510,256	397,188	160,534	142,976	127,558	99,290
• Non-operational deposits (all counterparties)	5,668,607	5,683,254	5,804,353	5,997,064	4,024,296	3,948,050	3,974,114	4,039,169
• Unsecured debt	0	0	0	0	0	0	0	0
Secured wholesale funding	-	-	-	-	0	0	0	0
Additional requirements	1,592,415	1,769,916	2,037,499	2,115,382	645,461	735,319	866,084	887,820
• Outflows related to derivative exposures and other collateral requirements	24,704	26,220	24,689	33,945	24,704	26,220	24,689	33,945
• Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
• Credit and liquidity facilities	1,567,711	1,743,696	2,012,810	2,081,437	620,757	709,099	841,395	853,875
Other contractual funding obligations	162,670	221,379	274,039	271,935	162,670	221,379	274,039	271,935
Other contingent funding obligations	12,514	16,975	20,887	25,556	7,164	7,456	7,313	9,264
Outflows from secured lending and capital market-driven transactions	14,843	20,627	10,240	5,785	12,864	13,395	3,007	530
Total cash outflows	-	-	-	-	5,481,341	5,528,850	5,718,052	5,768,049
Cash inflows								
Secured lending (eg reverse repos)	3,258	0	0	0	3,258	0	0	0
Inflows from fully performing exposures	3,203,736	3,282,340	3,400,579	3,668,709	2,028,722	2,046,734	2,093,553	2,272,535
Other cash inflows	0	0	0	0	0	0	0	0
Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies	-	-	-	-	0	0	0	0
Excess inflows from a related specialised credit institution	-	-	-	-	0	0	0	0
Total cash inflows	3,206,994	3,282,340	3,400,579	3,668,709	2,031,980	2,046,734	2,093,553	2,272,535
Fully exempt inflows	0	0	0	0	0	0	0	0
Inflows Subject to 90% Cap	0	0	0	0	0	0	0	0
Inflows Subject to 75% Cap	3,206,994	3,282,340	3,400,579	3,668,709	2,031,980	2,046,734	2,093,553	2,272,535
						Total adjusted value		
Liquidity buffer					4,944,064	4,860,542	4,883,010	4,850,341
Total net cash outflow					3,449,361	3,482,116	3,624,499	3,495,514
Liquidity Coverage Ratio (LCR)					143.33%	139.59%	134.72%	138.76%

¹ The values shown were calculated as the average of the last 12 end-of-month values leading up to the end of the quarter to be published.

Transitional provisions

With effect from 1 January 2018, VP Bank uses the IFRS 9 Standard to value financial instruments. VP Bank does not apply transitional provisions specified in Art. 473a CRR. For this reason, disclosed own funds, capital and leverage ratios already reflect the full impact of IFRS 9 Impairment/ expected credit loss (ECL).

VP Bank Group

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

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Imprint

This disclosure report has been produced with the greatest possible care and all data have been closely examined. Rounding, typeset or printing errors, however, cannot be ruled out.

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