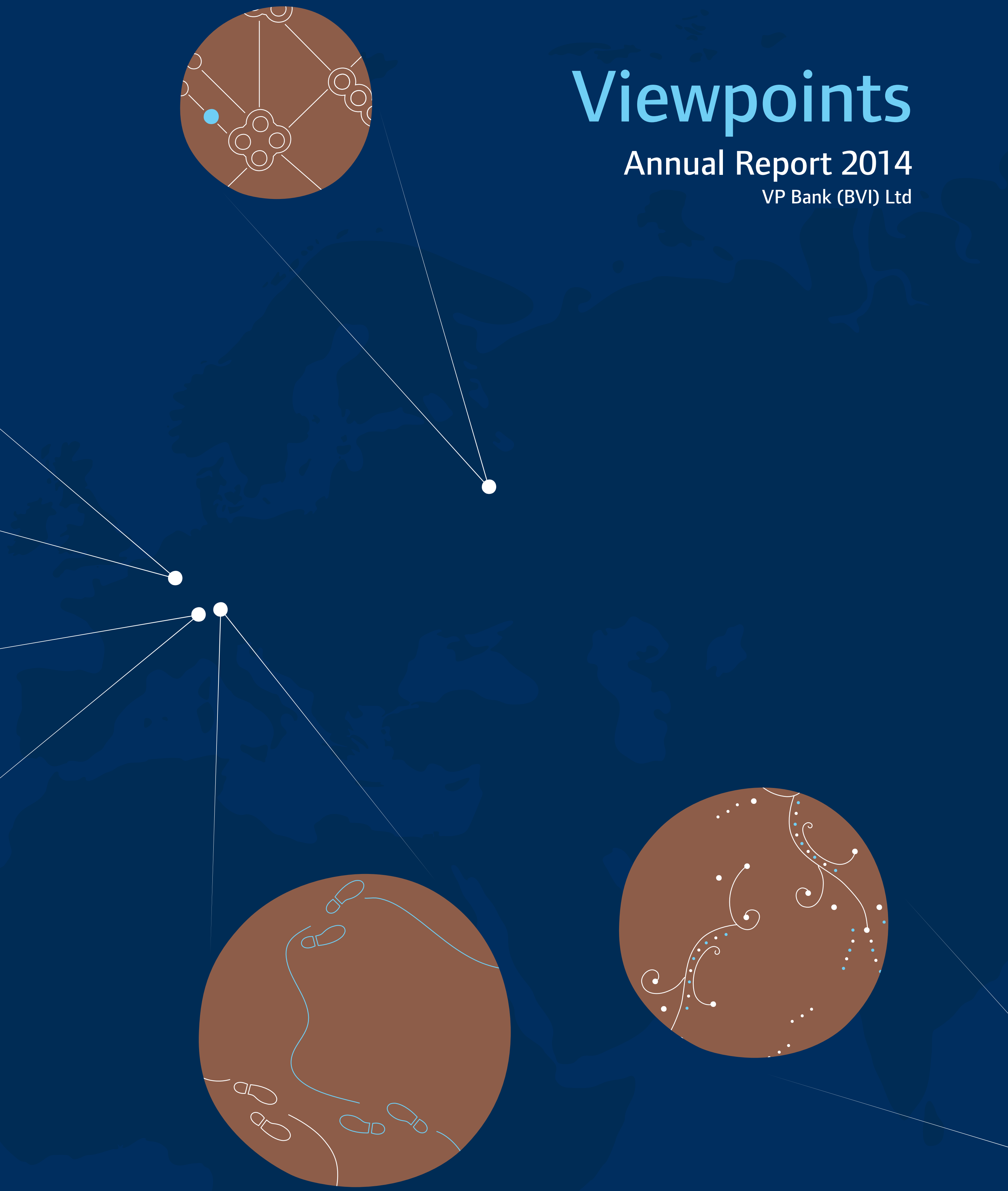
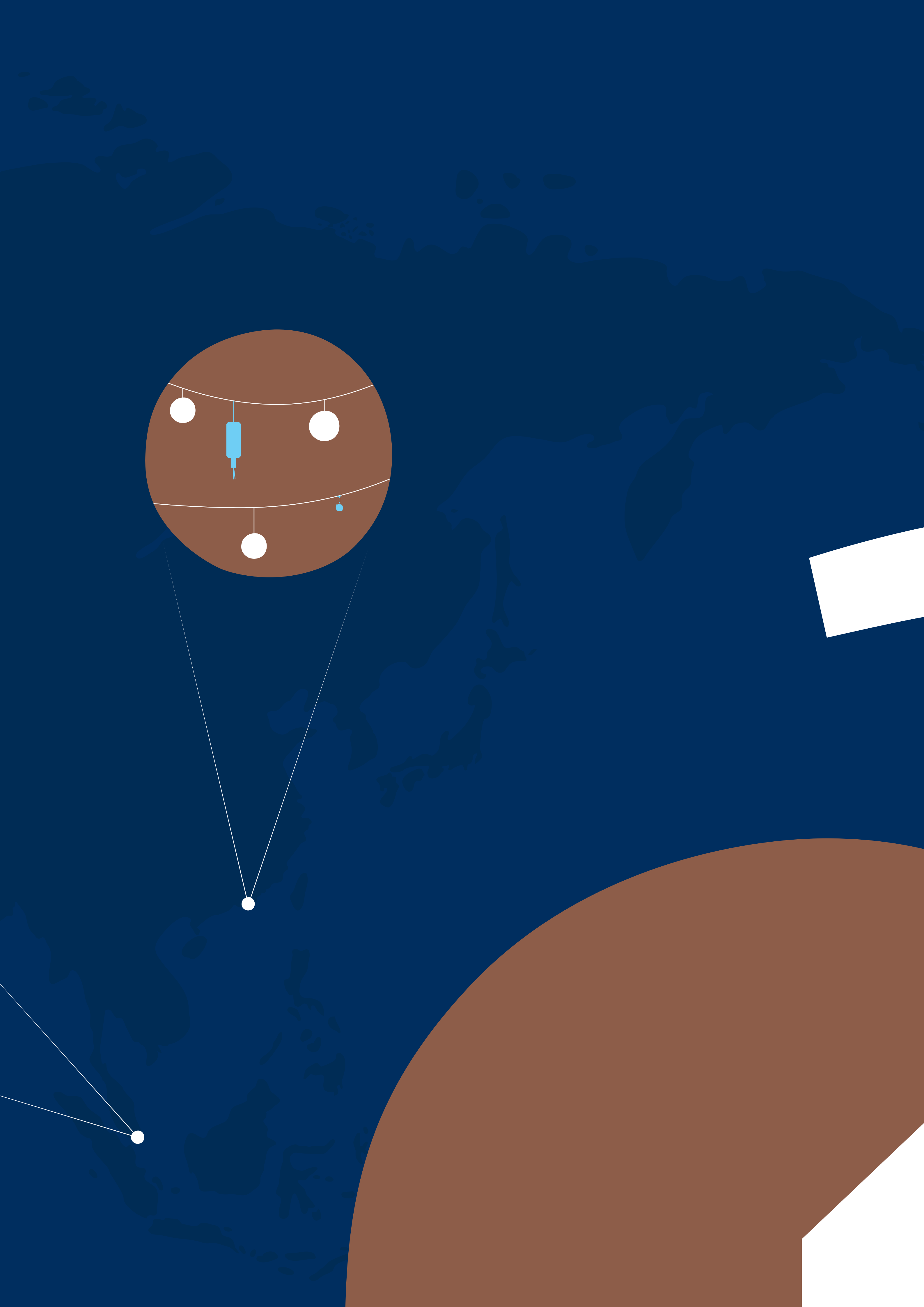
Viewpoints

Annual Report 2014

VP Bank (BVI) Ltd





Contents

Director's Report

Financial review by management

In the last years the financial services industry has been facing challenges on several fronts. VP Bank (BVI) Ltd has this taken as an opportunity to reposition itself and is now positioned as an independent modern bank. Through the move into the new premises in June 2014, the bank became visible in Road Town and set new standards with VP Bank House. At the same time VP Bank (BVI) Ltd performed an internal reorganisation and is well structured with a CEO at the top and a General Manager who can devote himself entirely to the Client Business. In addition various internal projects were initiated within the processes and banking systems as well as in the Compliance department which built up a good foundation for the future development of VP Bank (BVI) Ltd. Despite the many changes underway, the bank continued to provide a strong basis for the overall revenue. The overall provisions taken for the financing activities reflect a conservative lending policy and attest to the high quality of the bank's credit portfolio. After a repositioning of its investment activities and with the approval of the Securities and Investment Business License (SIBA) in spring 2014, VP Bank (BVI) Ltd started with the active selling of investment services domestically as well as in selected target markets. The Intermediary and External Manager Business slowly started to grow and created confidence for future growth. Despite a year with many activities the bank was able to continue a low cost income ratio for their overall business activities. The bank is well positioned as private bank to offer financial services and takes on a leading role in the finance industry of the British Virgin Islands.

Retained earnings

The Directors hereby submit their annual report and audited financial statements for the year ended 31 December 2014 which show the state of the company's affairs.

in USD	
Net income for the year	4,360,142
Retained earnings brought forward	1,172,103
Retained earnings before allocation	**5,532,245**

Allocation of available earnings

The Directors recommend and propose to the shareholder:

in USD	
The allocation to general reserves	2,200,000
Dividend payment to the shareholder	2,200,000
Leaving a balance of retained earnings to be carried forward	1,132,245

Ernst & Young Ltd., Berne, Switzerland, qualified accountants, the current auditor, offers itself for reappointment.

By order of the board of directors, on 28 April 2015.

Alfred W. Moeckli
Chairman

Siegbert Näscher
Vice-Chairman

Auditor's Report

To the Shareholder of VP Bank (BVI) Ltd, Tortola
Berne, 28 April 2015

Independent Auditor's Report on the Financial Statements

We have audited the financial statements (pages 7 to 21) of VP Bank (BVI) Ltd, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and the notes to the financial statements.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of VP Bank (BVI) Ltd as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd

Bruno Patusi
Swiss Certified Accountant
(Auditor in Charge)

Adriano Guerra
Swiss Certified Accountant

Financial Report 2014
VP Bank (BVI) Ltd

Statement of comprehensive income

in USD 1,000	Notes	2014	2013
Interest income		6,413	6,624
Interest expenses		–270	–251
Net interest income	**4**	**6,143**	**6,373**
Fees and commission income		1,033	1,313
Fees and commission expenses		–181	–186
Net fees and commission income	**5**	**852**	**1,127**
Net trading income	6	165	190
Other income	7	453	0
Net operating income		**7,613**	**7,690**
Personnel expenses	8	1,803	1,575
General and administrative expenses	9	1,306	1,147
Gross income		**4,504**	**4,968**
Depreciation and impairment losses	15	109	11
Provisions and losses	10	35	801
Net profit for the year		**4,360**	**4,156**
Other comprehensive income for the year		0	0
Total comprehensive income for the year		**4,360**	**4,156**

The accompanying notes form an integral part of these financial statements.

Statement of financial position

in USD 1,000	Notes	31/12/2014	31/12/2013
Assets			
Cash		89	58
Due from banks	11	153,579	159,954
Due from customers	12	21,805	20,315
Mortgages	12	111,257	113,067
Derivative financial instruments	14	14	13
Property and equipment	15	1,142	32
Accrued income and prepaid expenses		62	295
Other assets	17	506	500
Total assets		**288,454**	**294,234**
Liabilities			
Due to banks	18	8,531	3,968
Due to customers	18	227,055	239,385
Derivative financial instruments	14	14	13
Accrued expenses and deferred income	19	251	546
Other liabilities		3	512
Provisions	13	2,368	2,438
Total liabilities		**238,222**	**246,862**
Shareholders' equity			
Share capital	20	10,000	10,000
General reserves	20	34,700	33,200
Retained earnings		5,532	4,172
Total shareholders' equity		**50,232**	**47,372**
Total liabilities and shareholders' equity		**288,454**	**294,234**

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on 28 April 2015 and signed on its behalf by:

Alfred W. Moeckli
Chairman

Siegbert Näscher
Vice-Chairman

Statement of changes in equity

in USD 1,000	Share Capital	General reserves	Retained earnings	Total
2014				
Total shareholders' equity as at 1 January 2014	10,000	33,200	4,172	47,372
Net profit for the year			4,360	4,360
Other comprehensive income				0
Allocation of profits 2013		1,500	–1,500	0
Dividends paid			–1,500	–1,500
Balance as of 31 December 2014	**10,000**	**34,700**	**5,532**	**50,232**
2013				
Total shareholders' equity as at 1 January 2013	10,000	33,200	4,716	47,916
Net profit for the year			4,156	4,156
Other comprehensive income				0
Allocation of profits 2012				0
Dividends paid			–4,700	–4,700
Balance as of 31 December 2013	**10,000**	**33,200**	**4,172**	**47,372**

Statement of cash flows

in USD 1,000	2014	2013
Net profit	4,360	4,156
Adjustments for interest income	–6,413	–6,624
Adjustments for interest expense	270	251
Depreciation and impairment losses	109	11
Provisons	–70	738
	–1,744	–1,468
Decrease/(increase) in due from banks on time	–774	2,386
Decrease/(increase) in due from customers/mortages	320	–2,422
Decrease/(increase) in accruals income and prepaid expenses, other assets and derivatives	224	–74
(Decrease)/increase in due to banks on time	4,040	–1,000
(Decrease)/increase in due to customers	–12,330	–108,413
(Decrease)/increase in accrued expenses and deferred income, other liabilities and derivatives	–848	–499
Interest received	6,415	6,666
Interest paid	–225	–293
Cash generated from/(used in) operating activities	**–4,922**	**–105,117**
Cash flow from investment activities	**–1,219**	**–32**
(Purchase)/Sale of property and equipment	–1,219	–32
Cash flows from financing activities	**–1,500**	**–4,700**
Dividends paid	–1,500	–4,700
Net (de-)/increase in cash and cash equivalents	**–7,641**	**–109,849**
Cash and cash equivalent at beginning of year	153,695	263,544
Cash and cash equivalent at end of year	**146,054**	**153,695**

in USD 1,000	2014	2013
Cash and cash equivalents are represented by		
Cash	89	58
Due from banks – at sight balances	146,971	154,120
./. Due to banks – at sight balances	–1,006	–483
Total cash and cash equivalents	**146,054**	**153,695**

At-sight balances due from banks bear interest at daily rates or are invested in interest-bearing short-term money-market deposits between one day and three months, depending upon the liquidity needs. Interest rates are based upon equivalent market rates.

Notes to the financial statements

1. Incorporation, ownership and principal activity

The company was incorporated in Road Town, British Virgin Islands on 11 September 1995 under the Companies Act Cap 285. The company is licensed to conduct business within the provisions of The Bank and Trust Companies Act, 1990, as amended, and the Securities and Investment Business Act, 2010, as amended.

The company was a wholly-owned subsidiary of VP Bank and Trust Company (BVI) Limited, incorporated in Road Town, British Virgin Islands. The VP Bank and Trust Company (BVI) Limited was operated as joint venture between Verwaltungs- und Privat-Bank Aktiengesellschaft and Allgemeines Treuunternehmen, both incorporated in Vaduz (Liechtenstein). On the 22 August 2013 the joint venture was discontinued and Verwaltungs- und Privat-Bank Aktiengesellschaft took over directly 100% of the shares from VP Bank (BVI) Ltd. Verwaltungs- und Privat-Bank Aktiengesellschaft was renamed to VP Bank AG in 2014.

Its principal activity is the provision of banking services.

VP Bank (BVI) Ltd is a member of VP Bank Group. VP Bank Group is an internationally active private bank focused on rendering asset management services for private individuals and financial intermediaries. VP Bank Group is one of the largest banks in Liechtenstein. The shares of VP Bank Ltd, Vaduz are listed on SIX Swiss Exchange (Switzerland). An "A–" rating from Standard & Poor's vouches for the financial strength of this banking enterprise.

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements of VP Bank (BVI) Ltd have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the law of British Virgin Islands.

The company's accounting policies are integral to understanding its results of operations and financial condition. These policies have been consistently applied to the periods presented. In accordance with the valuation policies laid down, all business transactions are recorded in the company's accounts as of their trade date. Forward contract notionals are recorded as off-balance-sheet transactions until their settlement or value date.

All amounts included in the financial statements and notes are presented in thousand of United States Dollars except where otherwise indicated. United States Dollars is the company's functional currency.

2.2. Adoption of new accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

The company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- IAS 19 (revised) 'Employee Benefits' (amendments)
- IAS 32 'Financial Instruments: Presentation' (amendments)
- IAS 39 'Financial Instruments: Recognition and measurement' (amendments)
- IFRS 10 'Consolidated Financial Statements' (amendments)
- Annual Improvements to IFRS 2010–2012 cycle, 2011–2013 cycle and 2012–2014 cycle

Adoption of these revised standards did not have any effect on the financial performance or positions.

2.3. Future changes in accounting policies

The company is currently assessing the potential impacts of other new and revised standards and interpretations that will be effective from 1 January 2015 and beyond. Based on the analysis to date, the company does not anticipate that these will have a material impact on the companies overall results and financial position.

2.4. Foreign currency

Transactions in foreign currencies are measured in USD, being the functional currency of the company and are recorded on initial recognition in USD at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange effective at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are converted using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on converting monetary items at the balance sheet date are recognised as a profit or loss.

The following exchange rates have been applied for the two most relevant foreign currencies concerned:

	2014		2013	
	EUR	CHF	EUR	CHF
Year-end rate	1.210	1.006	1.378	1.124
Average rate	1.328	1.093	1.328	1.079

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, at banks and short term deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.6. Financial instruments

Financial assets are reflected in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, or – in the case of financial assets not at fair value – through profit or loss including the directly attributable transaction costs.

A financial asset is derecognized when
- the rights to receive cash flows from the asset have expired or
- the company has transferred its rights to receive cash flows from the asset or
- has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
  - the company has transferred substantially all the risks and rewards of the asset, or
  - the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

All regular purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the company commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the year generally established by regulation or convention in the marketplace concerned.

2.6.1. Loans and receivables (Due from banks / customers and mortgages)
Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, balances due from banks / customers and mortgages are measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired and through the amortization process.

Principal repayments are considered as overdue once they are 1 day or more past due.

2.6.2. Financial assets or financial liabilities at fair value through profit or loss (Derivative financial instrument)
Financial assets or financial liabilities held-for-trading are classified as financial assets or financial liabilities at fair value through profit or loss. These are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the short term.

Subsequent to initial recognition, financial assets or financial liabilities at fair value through profit or loss are measured at fair value (which is determined based on the quoted market prices). Any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recognized in profit or loss. Net gains or net losses on financial assets or financial liabilities at fair value through profit or loss include exchange rate differences, interest and dividend income and are recognized in the trading income.

2.6.3. Financial liabilities (Due to banks and customers)
Financial liabilities are recognized on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. The liabilities are derecognized when the obligation under the liability is discharged or cancelled or expired.

2.7. Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.7.1. Impaired loans and receivables
Impaired loans and receivables are amounts outstanding from clients and banks where it is improbable that the debtor can meet its obligations. The reasons for impairment in value are of a nature which is specific to the counterparty or the country of domicile of the counterparty. Interest on impaired loans and receivables are recorded throughout the period during which the interest accrues. An impairment is recorded under provisions. A valuation allowance for credit risks is recorded as a reduction in the carrying value of a receivable in the statement of position. The amount of the reduction in value is measured essentially by reference to the difference between the carrying value and the amount which will probably be recovered after taking into account the realizable proceeds from the disposal of any applicable collateral.

For off-balance sheet positions, on the other hand, such as a fixed facility granted, a valuation allowance for credit risks is recorded under provisions. Collective loan loss allowances exist to cover loss events for which there is objective evidence but whose effects are not yet evident. A collectability test is performed at least once a year for all non-performing loans and receivables. Should changes have occurred as to the amount and timing of anticipated future flows in comparison to previous estimates, the valuation allowance for credit risks is adjusted and recorded in the in come statement under valuation allowances for credit risks or re lease of valuation allowances and provisions that are no longer required.

2.7.2. Netting arrangements
VP Bank (BVI) Ltd does not enter in to netting arrangements with counter parties. The statement of financial position assets and liabilities as transactions are settled on a gross basis.

2.8. Property and equipment / Intangible assets

2.8.1. Measurement
These assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be reliably measured. Minor purchases are charged directly to general and administrative expenses.

2.8.2. Depreciation
Depreciation is calculated on a straight-line basis over the following useful lives periods:

Building and interior used by the bank	max. 8 years
Furniture and fittings	max. 8 years
Office equipment	max. 8 years
Computer hardware	max. 3 years
Software	max. 3 years

The carrying values of the property and equipment as well as intangible assets are reviewed for impairment once a year and when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

A property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2.9. Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably, for individual impairments of financial assets, and valuation allowances for credit risk of off-balance sheet positions.

2.10. Leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of lease expenses over the lease term on a straight-line basis.

2.11. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Commission
Revenue is recognized when the company's right to receive payment is established.

Interest income and expenses
Interest income and expense are recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price or estimated recoverable amount.

Once a financial asset or a group of similar financial assets has been impaired, interest income is recognized using the original effective interest rate for the purpose of measuring impairment loss. Interest payments are regarded as overdue at the latest when the payments are more than 90 days in arrears. Overdue and impaired interest payments are charged directly to provisions.

2.12. Income tax

Income tax as defined under IAS 12 is not due.

3. Significant accounting estimates and judgments

The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Going concern

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment losses on due from banks and customers and mortgages

The company reviews its individually significant due from banks and customers and mortgages at each statement of financial position date to assess whether an impairment loss should be recorded. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the company makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality etc.), concentrations of risks and economic data.

4. Interest income and expenses

in USD 1,000	2014	2013
Interest income due from banks	170	331
Interest expenses due to banks	–181	–146
Net interest income from banks	**–11**	**185**
Interest income due from customers / mortgages[1]	6,243	6,293
Interest expenses due to customers	–89	–105
Net interest income from customers	**6,154**	**6,188**
Net interest income	**6,143**	**6,373**

[1] The interest income from impaired loans in 2014 amounted to USD 165,502 (2013: USD 182,581)

5. Fees and commission income and expenses

in USD 1,000	2014	2013
Commission income from credit business	98	66
Brokerage fees	190	258
Securities account fees	207	282
Payment fees	262	322
Commission income from other services	276	385
Total fees and commission income	**1,033**	**1,313**
Brokerage and securities account fees	35	57
Foreign payment fees and other commission expenses	146	129
Total fees and commission expenses	**181**	**186**
Net fees and commission income	**852**	**1,127**

6. Net trading income

in USD 1,000	2014	2013
Foreign currency	164	175
Bank notes, precious metals and other	1	15
Net trading income	**165**	**190**

7. Other Income

in USD 1,000	2014	2013
Insurance benefit	169	
Gains on disposal of property and equipment	40	
Net release of valuation allowances	244	
Total other income	**453**	**0**

8. Personnel expenses

in USD 1,000	2014	2013
Salaries and wages	1,462	1,265
Social contribution by law	56	74
Expenses for pensions	110	99
Staff training	14	7
Other personnel expenses	92	79
Payroll tax	69	51
Total personnel expenses	**1,803**	**1,575**
Number of employees	17	13
Equivalent of full-time employment	16.9	12.9
Annual premium to defined contributions plans	173	143
less employees' contribution	63	44
Net expenses for pensions	**110**	**99**

9. General and administrative expenses

in USD 1,000	2014	2013
Occupancy expenses	208	143
Insurance	20	11
Professional fees	263	213
Telecommunicaiton and postage	46	51
IT systems	479	453
Other general and administrative expenses	290	276
Total general and administrative expenses	**1,306**	**1,147**

10. Provision and losses

in USD 1,000	2014	2013
Credit risk		479
Settlement cost		
Other provision and losses	35	322
Total provisions and losses	**35**	**801**

11. Due from banks

in USD 1,000	31/12/2014	31/12/2013
Payable on demand	141,058	112,409
Fixed term deposits	12,521	47,545
Total due from banks	**153,579**	**159,954**

The deposits are placed without collateral at various banks with maturities not exceeding one year from the date of deposit. All transactions are made at normal business conditions in line with the currency in which the client's deposits were made. No balance was at the reporting dates past due but not impaired.

Credit rating system

For banks, the ratings of both rating agencies Standard & Poor's and Moody's are used. Due from banks have the ratings 99.8% (2013: 100.0%) investment grade or higher and 0.2% (2013: 0.0%) are not rated.

12. Due from customers and mortgages

Credit rating system due from customers and mortgages

For non-banks, there are no external ratings available. At a portfolio level, risk management aims to avoid existence-jeopardizing risk concentrations and to maximize income within the credit-risk limits. This includes analyses by rating and classes of size, economic segments and the quality of credit collateral.

As an important risk rating factor is the type of collateral as disclosed below:

12.1 Due from customers and mortgages by type of collateral

in USD 1,000	31/12/2014	31/12/2013
Mortgage collateral	124,675	116,565
Other collateral	4,363	12,544
Without collateral	4,024	4,273
Subtotal (due from customers and mortages)	**133,062**	**133,382**
Impairment for credit risks	–1,783	–2,017
Total	**131,279**	**131,365**
Outstanding redemption payments	61	258

13. Impairment for credit risks / Provisions

in USD 1,000	31/12/2014	31/12/2013
Impairment for credit risks		
Balance at beginning of financial year	2,118	1,700
Amounts written off on loans / utilization		
Creation of valuation allowances	37	630
Release of valuation allowances	281	212
Balance at end of financial year	**1,874**	**2,118**
As valuation adjustment for due from banks		
Individual valuation allowances		
Lump-sum valuation allowances	91	101
Total impairment for due from banks	**91**	**101**
As valuation adjustment for due from customers		
Individual valuation allowances	1,416	1,612
Lump-sum valuation allowances	367	405
Total impairment for due from customers	**1,783**	**2,017**

The individual valuation allowances are mainly determined on the basis of payment delays by customers and the appraisal of the potential loss in case of default. This includes also the value deemed to be realizable for the collaterals.

Other Provisions		
Balance at beginning of financial year	320	0
Utilisation in accordance with purpose		
Creation of valuation allowances	174	320
Release of valuation allowances		
Balance at end of financial year	**494**	**320**
Total impairments and provisions	**2,368**	**2,438**

14. Derivative financial instruments

in USD 1,000	Positive replacement values	Negative replacement values	Contract volumes
Foreign currencies 31/12/2014			
Forward Contracts	14	14	1,053
Combined interest-rate/currency swap			
Options (OTC)			
Options (exchange-traded)			
Subtotal	**14**	**14**	**1,053**
Total derivative financial instruments	**14**	**14**	**1,053**
Foreign currencies 31/12/2013			
Forward Contracts	13	13	4,016
Combined interest-rate/currency swap			
Options (OTC)			
Options (exchange-traded)			
Subtotal	**13**	**13**	**4,016**
Total derivative financial instruments	**13**	**13**	**4,016**

All client derivative financial instruments are traded back to back with VP Bank, Vaduz (S&P Rating A–) and measured at fair value, using a valuation technique with inputs observed in the market at the time of valuation or models based whereever possible on assumptions supported by observable market price or rates existing on the balance sheet date.

15. Property and equipment

in USD 1,000	Building and interior	Equipment	Computers	Total
Cost 31/12/2014				
At beginning of the year		48	122	170
Additions	907	143	169	1,219
Disposals/derecognitions		–16	–122	–138
At end of the year	**907**	**175**	**169**	**1,251**
Depreciation and impairment losses				
At beginning of the year		16	122	138
Charge for the year	65	16	28	109
Disposals/derecognitions		–16	–122	–138
At end of the year	**65**	**16**	**28**	**109**
Carrying amount 31 December 2014	**842**	**159**	**141**	**1,142**
Cost 31/12/2013				
At beginning of the year		16	122	138
Additions		32		32
Disposals/derecognitions				0
At end of the year	**0**	**48**	**122**	**170**
Depreciation and impairment losses				
At beginning of the year		8	119	127
Charge for the year		8	3	11
Disposals/derecognitions				0
At end of the year	**0**	**16**	**122**	**138**
Carrying amount 31 December 2013	**0**	**32**	**0**	**32**

There were no impairments during the period under review. At 31 December 2014 the company has signed contracts (commitments) over USD 34,000 relating to property and equipment (2013: USD 112,000).

16. Future rental commitments under operating leases

As at 31 December, the company held leases on a building for extended periods. The future rental commitments were as follows:

in USD 1,000	2014	2013
Not later than 1 year	149	135
Later than 1 year and less than 5 years	468	576
Later than 5 years	0	0
Total	**617**	**711**

During the financial year 2014 USD 115,000 of lease payments were recognised as an expense (2013: USD 68,000).

17. Other assets

As required by Section 12(1)(b) of the British Virgin Islands Banks and Trust Companies Act, 1990, the company has placed a deposit of USD 500,000 with the Government of the British Virgin Islands. The deposit earned interest and has no fixed maturity date.

18. Due to banks and customers

in USD 1,000	31/12/2014	31/12/2013
Due to bank at sight	46	364
Due to bank fixed term	8,485	3,604
Total due to banks	**8,531**	**3,968**
Due to customers at sight	214,534	204,840
Due to customers fixed term	12,521	34,545
Total due to customers	**227,055**	**239,385**
Total due to banks and customers	**235,586**	**243,353**

19. Accrued expenses and deferred income

in USD 1,000	31/12/2014	31/12/2013
Accrued interest payable	117	72
Other	134	474
Total	**251**	**546**

20. Share capital and reserves

The company is authorized to issue 10,000,000 registered shares at a par value of USD 1 designated as common shares. All shares are issued and fully paid.

The number of shares and the share capital has not changed during 2014 and 2013. The holders of ordinary shares are entitled to receive a dividend as and when declared by the company. All ordinary shares carry one vote per share without restrictions.

General reserves represent accumulated transfers from retained earnings in accordance with local legislation.

21. Contingent liabilities and irrevocable commitments

At the balance sheet date, the company had approved but unused customer loan credit lines of USD 18,410,360 (2013: USD 4,364,360) and irrevocable commitments to customers of USD 0 (2013: USD 0).

22. Related parties

Apart from the related party information shown elsewhere in the financial statements, the following significant transactions between the Bank and the related parties took place during the financial year. Terms of transactions to shareholders and entities under common control by parent bank are at arm's length and in general not secured. With regards to members of the Key Management, basically the same conditions apply as for all other employees. They correspond to customary market conditions excluding a credit margin.

22.1 Balances with related parties

Financial position in USD 1,000	Share-holders	Key Manage-ment	Entities under common control by parent bank
Assets 31/12/2014			
Due from banks	107,427		7,161
Due from customers		82	
Mortgages		571	
Derivative financial instruments	10		
Accrued income and prepaid expenses	12		
Other assets	1		
Total assets	**107,450**	**653**	**7,161**
Liabilities 31/12/2014			
Due to banks	8,485		
Due to customers		70	
Derivative financial instruments	4		
Accrued expenses and deferred income	111		
Other liabilities			
Provisions			
Total liabilities	**8,600**	**70**	**0**
Net amount	**98,850**	**583**	**7,161**

Financial position in USD 1,000	Share-holders	Key Manage-ment	Entities under common control by parent bank
Assets 31/12/2013			
Due from banks	97,884		28,579
Due from customers		15	
Mortgages		607	
Derivative financial instruments	10		
Accrued income and prepaid expenses	19		6
Other assets			
Total assets	**97,913**	**622**	**28,585**

Financial position in USD 1,000	Share-holders	Key Manage-ment	Entities under common control by parent bank
Liabilities 31/12/2013			
Due to banks	3,967		
Due to customers		36	
Derivative financial instruments	3		
Accrued expenses and deferred income	63		
Other liabilities			
Provisions			
Total liabilities	**4,033**	**36**	**0**
Net amount	**93,880**	**586**	**28,585**

22.2 Transactions with related parties

Financial position in USD 1,000	Share-holders	Key Manage-ment	Entities under common control by parent bank
1 January to 31 December 2014			
Interest income	–164	–26	–6
Interest expense	181	1	
Fees and commission income			
Fees and commission expenses			16
Net trading income			
Personnel and general expenses	486	822	
Net total	**503**	**797**	**10**
1 January to 31 December 2013			
Interest income	–238	–27	–91
Interest expense	147		
Fees and commission income	–10		
Fees and commission expenses			43
Net trading income			
Personnel and general expenses	465	609	
Net total	**364**	**582**	**–48**

The majority of the related parties' transactions are banking relations in the normal course of business with the parent bank or other banks of VP Bank Group. VP Bank Ltd, Vaduz also operate the core banking system and other parts of the IT-infrastructure. These services are charged by the parent bank.

22.3 Remuneration of the key management personnel

in USD 1,000	2014	2013
Wages, salaries and bonuses	813	576
Post-employment benefits		
Other short-term benefits		
Termination benefits		
Other long-term benefits		
Share based payment[1]	9	33
Total remuneration paid to key management personnel	**822**	**609**

[1] Performance-related and restricted shares with conditional entitlement to receive bearer shares of VP Bank Group. The number of bearer shares (entitlement from the profit-sharing 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).

Certain key management personnel participates in a pension plan and management profit-sharing plan (share based payment) of VP Bank Group.

23. Financial risk management objectives and policies

The board of directors is responsible for managing the risk of the company and the risk framework is based on the risk policy of its major shareholder, VP Bank Ltd, Vaduz. The key financial risks to which the company is exposed in the conduct of its business operation are credit risk, liquidity risk and market risk. All these risks are being managed by the Executive Management (CEO and General Manager). They are also subject to ongoing and comprehensive monitoring by VP Bank Ltd, Vaduz.

23.1 Credit risk

Credit risk is the risk that the company will incur losses because its customers or counterparties fail to discharge their contractual obligations. The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual and/or group of related counterparties and by monitoring exposures in relation to such limits.

It is the company's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilities focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the company's rating policy. The respective risk ratings are assessed and updated regularly.

Credit risks are evaluated both at the level of the individual exposure as well as at a portfolio level through the attribution of a credit rating. The credit rating serves as an indicator for the probability of default. For bank customers, the company uses the internationally accepted ratings from Standard & Poor's and Moody's. For non-bank customers, an internal rating system is used. The only lending product offered to non-bank customers is Lombard and mortgage secured loans

Country risk is also evaluated with the aid of ratings from Standard & Poor's and Moody's. At the portfolio level, risk management aims at avoiding significant risk concentrations. Concentration limits are set by geographical areas and industry sectors.

The following table shows the maximum exposure to credit risk by countries before risk mitigation by means of collateral agreements. Where the financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Geographical analysis

in USD 1,000	BVI	Liechtenstein and Switzerland	Other countries	Total
Assets 31/12/2014				
Cash	89			89
Due from banks	850	107,427	45,302	153,579
Due from customers	17,401		4,404	21,805
Mortgages	111,257			111,257
Derivative financial instruments	4	10		14
Accrued income and prepaid expenses	43	12	7	62
Other assets	505	1		506
Assets 31/12/2013				
Cash	58			58
Due from banks	323	97,884	61,747	159,954
Due from customers	18,092		2,223	20,315
Mortgages	113,067			113,067
Derivative financial instruments	3	10		13
Accrued income and prepaid expenses	270	19	6	295
Other assets	500			500

Contingent liabilities and irrevocable commitments are all located in the British Virgin Islands.

Collateral and other credit enhancements

VP Bank (BVI) Ltd requires an appropriate margin on the collateralizing of assets. This margin is being defined in a way that future changes in market values, market volatility, debtor creditworthiness and counterparty risk are appropriately taken into account and as a result, the receivables are backed by adequate collateral at all times. (Details see notes 11 and 12).

23.2 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligationswhen they fall due under normal and stress circumstances. The company's exposure to liquidity risk arises primarily from cash flow mismatches of the maturities of financial assets and liabilities. In the management of liquidity risks, the company monitors and maintains a level of cash deemed sufficient to finance the company's operations and mitigate the effects of fluctuations in cash flow. Short-term financing is also readily available from the VP Bank Group as and when required. With respect to client deposits, all clients' monies received are generally placed on a back-to-back basis with VP Bank Group. The company also constantly liaises with the Group on the management of its liquidity to ensure that the minimum regulatory liquidity asset requirements are adhered to at all times.

The table below summarises the maturity profile of the company's financial assets and financial liabilities as of 31 December 2014:

in USD 1,000	Up to three months	Three to twelve months	Over one year	Total
Assets 31/12/2014				
Due from banks	146,971	6,608		**153,579**
Due from customers / mortgages	125,025	542	7,495	**133,062**
All other assets	1,313		500	**1,813**
Total assets	**273,309**	**7,150**	**7,995**	**288,454**
Liabilities 31/12/2014				
Due to banks	1,006	1,100	6,425	**8,531**
Due to customers	220,447	6,608		**227,055**
All other liabilities	2,636			**2,636**
Total liabilities	**224,089**	**7,708**	**6,425**	**238,222**
Net exposure	**49,220**	**–558**	**1,570**	**50,232**

in USD 1,000	Up to three months	Three to twelve months	Over one year	Total
Assets 31/12/2013				
Due from banks	154,120	5,834		**159,954**
Due from customers / mortgages	128,212		5,170	**133,382**
All other assets	398		500	**898**
Total assets	**282,730**	**5,834**	**5,670**	**294,234**
Liabilities 31/12/2013				
Due to banks	483	1,000	2,485	**3,968**
Due to customers	233,551	5,834		**239,385**
All other liabilities	3,509			**3,509**
Total liabilities	**237,543**	**6,834**	**2,485**	**246,862**
Net exposure	**45,187**	**–1,000**	**3,185**	**47,372**

23.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the change in market variables. The four standard risk factors are security prices, interest rates, foreign currency exchange rates and commodity prices. The associated market risks are equity risk, interest rate risk, currency risk and commodity risk respectively. The market risks of the company's own investments are managed within the scope of asset and liability management ("ALM"). Group Finance & Risk of VP Bank Ltd, Vaduz is responsible on a strategic level for ALM, whereas the company is responsible for the management of its own investments at the subsidiary. The Executive Management of the company consults regularly with Group Risk Control as to the action to be taken for the management of market risk to ensure that action is being taken on a timely basis.

As at 31 December 2014 the company is not exposed to any significant market risk as the assets and liabilities are almost perfectly matched regarding terms, currency and reinvestment perspective.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Sensitivity analysis for interest rate risk

The table below gives evidence of the sensitivity of the overall portfolio value to a change in interest rates:

	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
2014	+100	101	–487
	–100	–101	602
2013[1]	+100	463	–40
	–100	–463	141

[1] Due to the adjusted replication strategy in 2014 the figures for 2014 are not comparable with the figures for 2013.

The sensitivity of net interest income shows the impact on the statement of comprehensive income in the case of a parallel shift in market rates by +/–100 basis points. The sensitivity of equity shows the absolute change in the present value of equity in the case of a parallel shift in market rates by +/–100 basis points if the assets were held at fair value.

Foreign currency risk

The company has the following net foreign currency exposures arising from its financial assets and financial liabilities that are denominated in currencies other than the functional currency of the company.

Currency in USD 1,000	31/12/2014 Net assets / (liabilities) USD	31/12/2013 Net assets / (liabilities) USD
CHF	1	1
EUR	5	8
GBP	5	5
Others	2	3
Total	**13**	**17**

Possible changes in all currencies against the US-Dollar being the functional currency of the company, with all other variables held constant, would not result in any significant changes of the company's financial results or its equity capital.

24. Capital

24.1 Regulatory requirements

The regulatory capital requirements are determined in accordance with laws and guidance in the British Virgin Islands. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank of International Settlement (BIS). During the year, VP Bank (BVI) Ltd has complied in full with all of our regulatory capital requirements.

BIS standards require that banks maintain minimum Tier I and Tier I & Tier II ratios of 4% and 8% respectively.

24.2 Regulatory capital

Regulatory capital consists of Tier I and Tier II capital, less certain deductions. Tier I Capital comprises common stock, retained earnings and other deductions. Tier II Capital principally comprises hybrid capital instruments such as subordinated debt and general provisions.

	31/12/2014	31/12/2013
Tier I	35.2%	32.7%
Tier I & Tier II	35.5%	33.5%
Total risk weighted assets	**142,599**	**144,729**

25. Subsequent events

The financial statements for the year ended 31 December 2014 were authorised for issue by the Directors on 28 April 2015.

There have been no events between 31 December 2014 and 28 April 2015 that have caused an adjustment of the carrying amounts of the company's assets and liabilities or that the company is required to disclose here.

VP Bank Group
(Excerpt)

VP Bank Group at a glance

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

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

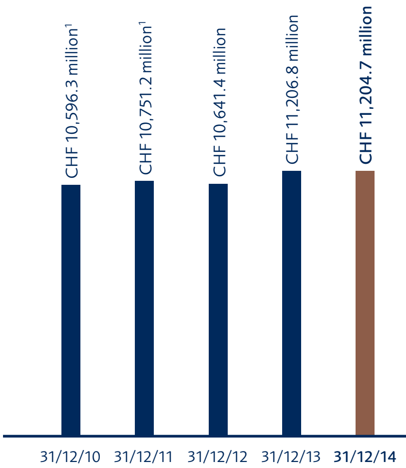
One of the strengths of VP Bank is its independence in terms of providing financial advice. The Bank's investment solutions are based on the principle of "open architecture", an approach that also takes into account the best-in-class products and services of third-party providers. The result: conflicts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

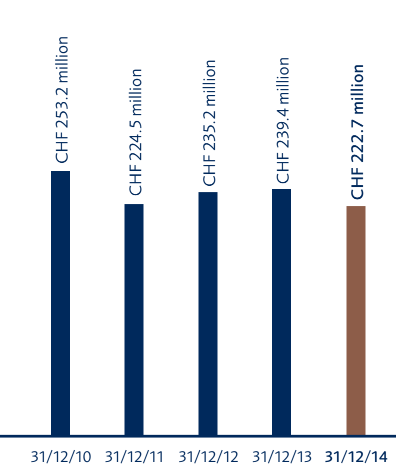
In addition, VP Bank's innovative e-banking application affords clients freedom of movement and maximum security when conducting banking transactions. They have round-the-clock electronic access to their securities and deposit accounts.

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.

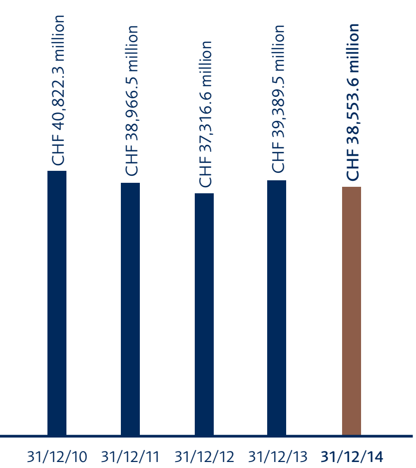
Key figures of VP Bank Group



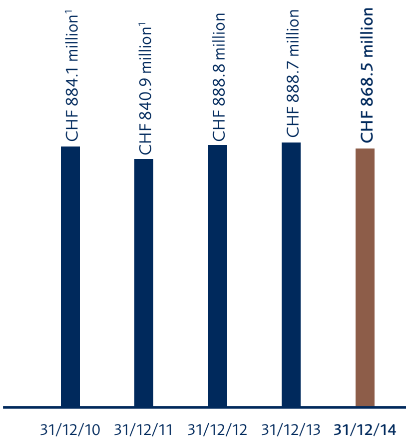
Total assets



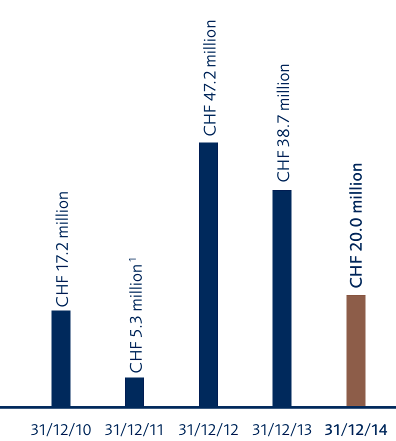
Total net operating income



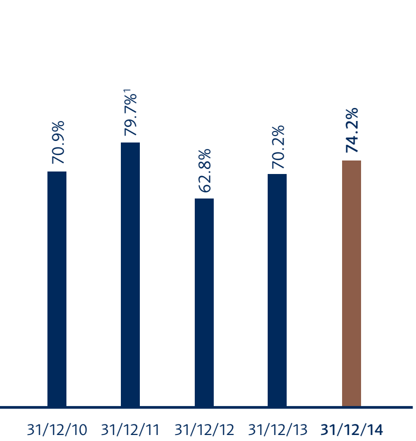
Client assets



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

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

VP Bank Group

VP Bank Ltd is a bank domiciled in Liechtenstein and is subject to the Financial Market Authority (FMA) Liechtenstein, Landstrasse 109, PO Box 279, 9490 Vaduz, www.fma-li.li

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Imprint

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

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Layout and realisation
VP Bank Ltd, Vaduz

Illustrations
Alice Kolb, Luzern · www.alicekolb.ch