

#NextBanking

Shareholder information of VP Bank Group

Tuesday, 7 March 2017	Media and analyst conference, 2016 annual results
Friday, 28 April 2017	54th ordinary annual general meeting
Friday, 5 May 2017	Dividend payment
Tuesday, 22 August 2017	Round-table, 2017 semi-annual results

Core data on shares	Registered shares A listed on SIX Swiss Exchange
	Symbol SIX: VPBN
	Bloomberg ticker: VPBN
	Reuters ticker: VPBN.S
	Security number: 31 548 726
	ISIN: LI0315487269

Editorial

Digitalisation is the new watchword and a topic that is bringing about permanent changes to the banking sector. Adjustments to the technical infrastructure, ways of thinking and processes are all necessary in order to keep pace with the rapidly changing digital world. VP Bank is tackling this challenge while at the same time seeing future opportunities through digitalisation and the application of innovative technologies.

True to our motto "Safely ahead", we have developed a digitalisation strategy that will show the way for the years ahead.

Digitalisation is also the guiding theme of our annual reports. We asked seven experts to demonstrate the diversity of digitalisation as well as the opportunities and challenges for the banking sector. The range of topics discussed includes future digital viability, robo-advisory, crypto banking, cyber security and changing patterns of corporate communications.

The print version of VP Bank Group's 2016 annual report contains introductions to these fascinating expert commentaries, and the full-length versions are available online for reading and sharing at <https://report.vpbank.com/en>



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Director's Report

Financial review by management

In recent years the international financial services industry has continued to face challenges on several fronts. VP Bank (BVI) Ltd. has taken these challenges as an opportunity to reposition itself as an independent and modern bank for financing and wealth advisory products, focussing on excellent service. This strategy has been successful and in 2016 the bank continued to build a solid basis for further strong revenues. Through maintaining a good pipeline of new financing opportunities, our credit portfolio by the end of 2016 continued at strong levels with positive future prospects.

The limited overall provisions taken for the financing activities reflect a conservative lending policy and attest to the high quality of the bank's credit portfolio. The Securities and Investment Business License (SIBA) allows VP Bank (BVI) Ltd to engage in a full range of wealth advisory and investment services.

The main focus area for these business activities continues to be within the BVI domestic banking sphere. Private Banking, Intermediary and External Manager client business continued to grow in 2016 and created confidence for future growth which will be actively managed. Despite a year with an increase in both regulatory costs and business development activities the bank was able to maintain a low cost income ratio for its overall business activities. The bank remains well positioned as a private bank to offer specialised financial services not generally available from other local service providers 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 2016 which show the state of the company's affairs.

in USD	
Net income for the year	4,374,688
Retained earnings brought forward	1,033,075
Retained earnings before allocation	5,407,763

Allocation of available earnings

The Directors recommend and propose to the shareholder:

in USD	
Dividend payment of to the shareholder	3,000,000
Leaving a balance of retained earnings of to be carried forward.	2,407,763

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

By order of the board of directors, on 27 April 2017.

Alfred W. Moeckli
Chairman

Siegbert Näscher
Vice-Chairman

Auditor's Report

To the Shareholder of VP Bank (BVI) Ltd, Tortola
Berne, 27 April 2017

Independent Auditor's Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VP Bank (BVI) Ltd, which comprise the statement of financial position as at 31 December 2016, 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.

In our opinion the financial statements (pages 10 to 25) give a true and fair view of the financial position of VP Bank (BVI) Ltd as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Director's Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd



Bruno Patusi
Swiss Certified Accountant
(Auditor in Charge)



Adriano Guerra
Swiss Certified Accountant



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Financial Report 2016
VP Bank (BVI) Ltd

Governing bodies of the bank 2016

Board of Directors

Alfred W. Moeckli, Vaduz	Chairman
Siegbert Näscher, Gamprin	Vice Chairman
Dr iur. Guido Meier, Vaduz	
Christoph Mauchle, Vaduz	
Katharina Vogt-Schädler, Tortola	

Executive Management

Katharina Vogt-Schädler	Head of Executive Management
Sjoerd Koster	General Manager – Client Business

External and internal auditors

Statutory auditors	Ernst & Young Ltd, Berne
Internal Audit	Group Internal Audit of VP Bank Ltd, Vaduz

Statement of comprehensive income

in USD 1,000	Notes	2016	2015
Interest income		6,984	6,392
Interest expenses		-162	-187
Net interest income	4	6,822	6,205
Fees and commission income		1,191	1,225
Fees and commission expenses		-147	-218
Net fees and commission income	5	1,044	1,007
Net trading income	6	110	142
Other income	7	200	300
Net operating income		8,176	7,654
Personnel expenses	8	2,330	2,374
General and administrative expenses	9	1,237	1,370
Gross income		4,609	3,910
Depreciation and impairment losses	15	221	224
Provisions and losses	10	13	185
Net profit for the year		4,375	3,501
Other comprehensive income for the year		0	0
Total comprehensive income for the year		4,375	3,501

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

Statement of financial position

in USD 1,000	Notes	31.12.2016	31.12.2015
Assets			
Cash		123	74
Due from banks	11	69,887	94,883
Due from customers	12	12,682	14,935
Mortgages	12	135,657	134,079
Derivative financial instruments	14	50	14
Property and equipment	15	748	970
Accrued income and prepaid expenses	19	250	226
Other assets	17	556	552
Total assets		219,953	245,733
Liabilities			
Due to banks	18	5,421	6,462
Due to customers	18	157,689	185,156
Derivative financial instruments	14	50	14
Accrued expenses and deferred income	19	436	299
Other liabilities		51	60
Provisions	13	2,198	2,209
Total liabilities		165,845	194,200
Shareholders' equity			
Share capital	20	10,000	10,000
General reserves	20	38,700	36,900
Retained earnings		5,408	4,633
Total shareholders' equity		54,108	51,533
Total liabilities and shareholders' equity		219,953	245,733

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

Approved by the Board of Directors on 4 April 2017 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
2016				
Total shareholders' equity as at 1 January 2016	10,000	36,900	4,633	51,533
Net profit for the year			4,375	4,375
Other comprehensive income				0
Allocation of profits 2015		1,800	-1,800	0
Dividends paid			-1,800	-1,800
Balance as of 31 December 2016	10,000	38,700	5,408	54,108
2015				
Total shareholders' equity as at 1 January 2015	10,000	34,700	5,532	50,232
Net profit for the year			3,501	3,501
Other comprehensive income				0
Allocation of profits 2014		2,200	-2,200	0
Dividends paid			-2,200	-2,200
Balance as of 31 December 2015	10,000	36,900	4,633	51,533

Statement of cash flows

in USD 1,000	2016	2015
Net profit	4,375	3,501
Adjustments for interest income	-6,984	-6,392
Adjustments for interest expense	162	187
Adjustments for depreciation and impairment losses	221	224
Adjustments for provisions	-11	-159
	-2,237	-2,639
Decrease/(increase) in due from banks on time	-26,868	3,742
Decrease/(increase) in due from customers/mortgages	675	-15,952
Decrease/(increase) in accruals income and prepaid expenses, other assets and derivatives	26	-88
(Decrease)/increase in due to banks on time	-2,000	-3,100
(Decrease)/increase in due to customers	-27,467	-41,899
(Decrease)/increase in accrued expenses and deferred income, other liabilities and derivatives	126	150
Interest received	6,894	6,270
Interest paid	-123	-232
Cash generated used in operating activities	-50,974	-53,748
Cash flow from investment activities	0	-52
(Purchase)/Sale of property and equipment	0	-52
(Purchase)/Sale of intangible assets	0	0
Cash flows from financing activities	-1,800	-2,200
Dividends paid	-1,800	-2,200
Net decrease in cash and cash equivalents	-52,774	-56,000
Cash and cash equivalents at beginning of year	90,054	146,054
Cash and cash equivalents at end of year	37,280	90,054

in USD 1,000	2016	2015
Cash and cash equivalents are represented by		
Cash	123	74
Due from banks – at sight balances	40,153	92,017
./ Due to banks – at sight balances	-2,996	-2,037
Total cash and cash equivalents	37,280	90,054

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 is a wholly-owned subsidiary of VP Bank AG, Vaduz, Liechtenstein. The office is situated at VP Bank House, 156 Main Street, P.O. Box 2341, Road Town, Tortola VG1110, British Virgin Islands.

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 operating 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 2016.

Annual Improvements to IFRS 2010–2012 cycle and 2011–2013 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 2017 and beyond. Based on the analysis to date, the company does not anticipate that these will have a material impact on the company's overall results and financial position in 2017. In comparison IFRS 9 (2014) including the ECL model will be applied for the first time in 2018.

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:

	2016		2015	
	EUR	CHF	EUR	CHF
Year-end rate	1.055	0.984	1.086	0.999
Average rate	1.106	1.015	1.109	1.038

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 (including derivative financial instruments)

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 is 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 difference 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 is recorded throughout the period during which the interest accrues. An impairment is recorded under provisions and losses.

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 income statement under valuation allowances for credit risks or release 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 asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss 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	2016	2015
Interest income due from banks	173	153
Interest expenses due to banks	-78	-131
Total net interest income from banks	95	22
Interest income due from customers / mortgages ¹	6,811	6,239
Interest expenses due to customers	-84	-56
Total net interest income from customers	6,727	6,183
Net interest income	6,822	6,205

¹ The interest income from impaired loans in 2016 amounted to USD 51,249 (2015: USD 148,645).

5. Fees and commission income and expenses

in USD 1,000	2016	2015
Commission income from credit business	201	162
Brokerage fees	103	196
Securities account fees	238	202
Investment consulting and business ¹	197	139
Payment fees	228	315
Commission income from other services	224	211
Total fees and commission income	1,191	1,225
Brokerage and securities account fees	24	52
Foreign payment fees and other commission expenses	123	166
Total fees and commission expenses	147	218
Net fees and commission income	1,044	1,007

¹ Income from fiduciaries, income from investment consulting and income for all-in-fee.

6. Net trading income

in USD 1,000	2016	2015
Foreign currency	111	144
Bank notes, precious metals and other	-1	-2
Net trading income	110	142

7. Other Income

in USD 1,000	2016	2015
Insurance benefit		
Gains on disposal of property and equipment		
Release of valuation allowances	200	300
Total other income	200	300

8. Personnel expenses

in USD 1,000	2016	2015
Salaries and wages	1,925	1,993
Social contribution by law	83	73
Expenses for pensions	140	138
Staff training	10	5
Other personnel expenses	98	79
Payroll tax	74	86
Total personnel expenses	2,330	2,374
Number of employees	14	16
Equivalent of full-time employment	14.0	16.0
Annual premium to defined contributions plans	224	222
Less employees' contribution	84	84
Net expenses for pensions	140	138

9. General and administrative expenses

in USD 1,000	2016	2015
Occupancy expenses	249	261
Insurance	19	17
Professional fees	160	208
Telecommunication and postage	52	54
IT systems	456	476
Other general and administrative expenses	301	354
Total general and administrative expenses	1,237	1,370

10. Provision and losses

in USD 1,000	2016	2015
Credit risk	24	44
Legal and litigation risks		
Settlement cost		
Other provision and losses	-11	141
Total provisions and losses	13	185

11. Due from banks

in USD 1,000	31.12.2016	31.12.2015
Payable on demand	23,122	89,620
Fixed term deposits	46,765	5,263
Total due from banks	69,887	94,883
Fair value	69,869	94,880

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 pastdue 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 98.8% (2015: 99.8%) investment grade or higher and 1.2% (2015: 0.2%) 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.

At 31 December 2016 VP Bank (BVI) Ltd has non-performing loans in the amount of USD 12m (2015: USD 0). Management assesses these loans as fully recoverable. The related outstanding interests have been fully accrued.

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	31.12.2016	31.12.2015
Mortgage collateral	141,316	140,621
Other collateral	4,639	4,624
Without collateral	2,384	3,769
Subtotal (due from customers and mortgages)	148,339	149,014
Impairment for credit risks	-1,573	-1,562
Total	146,766	147,452
Outstanding redemption payments ¹	43	45
Fair Value (before impairment)	153,819	154,941

¹ Monthly annuities have to be paid for loans and mortgages. The figures show the outstanding redemption part.

13. Impairment for credit risks / Provisions

in USD 1,000	31.12.2016	31.12.2015
Impairment for credit risks		
Balance at beginning of financial year	1,618	1,874
Amounts written off on loans/utilization	21	
Creation of valuation allowances	329	92
Release of valuation allowances	305	348
Balance at end of financial year	1,621	1,618
As valuation adjustment for due from banks		
Individual valuation allowances		
Collective valuation adjustments	48	56
Total impairment for due from banks	48	56
As valuation adjustment for due from customers		
Individual valuation allowances	1,100	1,121
Collective valuation adjustments	473	441
Total impairment for due from customers	1,573	1,562

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	591	494
Utilisation in accordance with purpose	233	119
Creation of valuation allowances	219	216
Release of valuation allowances		
Balance at end of financial year	577	591
Total impairments and provisions	2,198	2,209

14. Derivative financial instruments

in USD 1,000	Positive replacement values	Negative replacement values	Contract volumes
Foreign currencies 31.12.2016			
Forward contracts	50	50	2,218
Combined interest-rate / currency swap			
Options (OTC)			
Options (exchange-traded)			
Subtotal	50	50	2,218
Total derivative financial instruments	50	50	2,218
Foreign currencies 31.12.2015			
Forward contracts	14	14	3,359
Combined interest-rate / currency swap			
Options (OTC)			
Options (exchange-traded)			
Subtotal	14	14	3,359
Total derivative financial instruments	14	14	3,359

All client derivative financial instruments are traded back to back with VP Bank Ltd, 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 wherever 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
31.12.2016				
Cost				
At beginning of the year	953	175	175	1,303
Additions				0
Disposals/derecognitions				0
At end of the year	953	175	175	1,303
Depreciation and impairment losses				
At beginning of the year	205	43	85	333
Charge for the year	136	27	59	222
Disposals/derecognitions				0
At end of the year	341	70	144	555
Carrying amount 31 December 2016	612	105	31	748
31.12.2015				
Cost				
At beginning of the year	907	175	169	1,251
Additions	46		6	52
Disposals/derecognitions				0
At end of the year	953	175	175	1,303
Depreciation and impairment losses				
At beginning of the year	65	16	28	109
Charge for the year	140	27	57	224
Disposals/derecognitions				0
At end of the year	205	43	85	333
Carrying amount 31 December 2015	748	132	90	970

There were no impairments during the period under review. At 31 December 2016 the company has not signed contracts (commitments) relating to property and equipment (2015: USD 0).

16. Future rental commitments under operating leases

As at 31 December, the company held leases on a building for extended periods. The future:

in USD 1,000	2016	2015
Not later than 1 year	149	149
Later than 1 year and less than 5 years	180	324
Later than 5 years	0	0
Total	329	473

During the financial year 2016 USD 165,000 of lease payments were recognised as an expense (2015: also USD 165,000).

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	31.12.2016	31.12.2015
Due to bank at sight	996	37
Due to bank fixed term	4,425	6,425
Total due to banks	5,421	6,462
Fair Value Due to banks	5,478	6,547
Due to customers at sight	110,925	179,893
Due to customers fixed term	46,764	5,263
Total due to customers	157,689	185,156
Fair Value Due to customers	157,025	184,455
Total due to banks and customers	163,110	191,618

19. Accrued income and prepaid expenses / Accrued expenses and deferred income

in USD 1,000	31.12.2016	31.12.2015
Accrued interest payable	240	149
Other	10	77
Total Accrued income and prepaid expenses	250	226
Accrued interest payable	111	72
Accrued personal expenses payable	300	205
Other	25	22
Total Accrued expenses and deferred income	436	299

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 2016 and 2015. 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 25,796,000 (2015: USD 24,475,000) and irrevocable commitments to customers of USD 0 (2015: 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 31.12.2016			
Due from banks	66,554		
Due from customers		134	
Mortgages		482	
Derivative financial instruments	46		
Accrued income and prepaid expenses	84		
Other assets	56		
Total assets	66,740	616	0

Financial position in USD 1,000	Share-holders	Key Management	Entities under common control by parent bank
Liabilities 31.12.2016			
Due to banks	4,909		
Due to customers		95	
Derivative financial instruments	5		
Accrued expenses and deferred income	56		
Other liabilities			
Provisions			
Total liabilities	4,970	95	0
Net amount	61,770	521	0

Financial position in USD 1,000	Share-holders	Key Management	Entities under common control by parent bank
Assets 31.12.2015			
Due from banks	61,817		5,007
Due from customers		146	
Mortgages		533	
Derivative financial instruments	12		
Accrued income and prepaid expenses	8		
Other assets	47		
Total assets	61,884	679	5,007

Liabilities 31.12.2015			
Due to banks	6,425		
Due to customers		113	
Derivative financial instruments	2		
Accrued expenses and deferred income	69		
Other liabilities			
Provisions			
Total liabilities	6,496	113	0
Net amount	55,388	566	5,007

22.2 Transactions with related parties

Financial position in USD 1,000	Share-holders	Key Management	Entities under common control by parent bank
1 January to 31 December 2016			
Interest income	-172	-25	
Interest expense	78	1	
Fees and commission income	-13		
Fees and commission expenses			8
Net trading income			
Personnel and general expenses	514	1,175	
Net total	407	1,151	8

Financial position in USD 1,000	Share-holders	Key Management	Entities under common control by parent bank
1 January to 31 December 2015			
Interest income	-153	-26	
Interest expense	131	1	
Fees and commission income			
Fees and commission expenses			21
Net trading income			
Personnel and general expenses	499	1,138	
Net total	477	1,113	21

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	2016	2015
Wages, salaries and bonuses	1,007	1,022
Post-employment benefits		
Other short-term benefits		
Termination benefits		
Other long-term benefits		
Share based payment ¹	168	116
Total remuneration paid to key management personnel	1,175	1,138

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 31.12.2016				
Cash	123			123
Due from banks	855	66,554	2,478	69,887
Due from customers	11,814		868	12,682
Mortgages	135,657			135,657
Derivative financial instruments		46	4	50
Property and equipment	748			748
Accrued income and prepaid expenses	164	84	2	250
Other assets	500	56		556
Total assets	149,861	66,740	3,352	219,953
Assets 31.12.2015				
Cash	74			74
Due from banks	1133	61,817	31,933	94,883
Due from customers	11,191		3,744	14,935
Mortgages	134,079			134,079
Derivative financial instruments	2	12		14
Property and equipment	970			970
Accrued income and prepaid expenses	146	18	62	226
Other assets	505	47		552
Total assets	148,100	61,894	35,739	245,733

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 credit-worthiness 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 obligations when 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 2016:

in USD 1,000	Up to three months	Three to twelve months	Over one year	Total
Assets 31.12.2016				
Due from banks	40,153	29,734		69,887
Due from customers/mortgages	139,517	1,270	7,552	148,339
All other assets	1,165	62	500	1,727
Total assets	180,835	31,066	8,052	219,953
Liabilities 31.12.2016				
Due to banks	2,996		2,425	5,421
Due to customers	127,955	29,734		157,689
All other liabilities	2,681	54		2,735
Total liabilities	133,632	29,788	2,425	165,845
Net exposure	47,203	1,278	5,627	54,108
Assets 31.12.2015				
Due from banks	92,017	2,866		94,883
Due from customers/mortgages	142,600	509	5,905	149,014
All other assets	1,336		500	1836
Total assets	235,953	3,375	6,405	245,733
Liabilities 31.12.2015				
Due to banks	2,037		4,425	6,462
Due to customers	182,290	2,866		185,156
All other liabilities	2,582			2,582
Total liabilities	186,909	2,866	4,425	194,200
Net exposure	49,044	509	1,980	51,533

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 2016 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
2016	+100	135	-993
	-100	-135	1,033
2015	+100	102	-626
	-100	-102	656

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	31.12.2016 Net assets / (liabilities)	31.12.2015 Net assets / (liabilities)
CHF	-3	2
EUR	-5	1
GBP	6	7
Others	1	2
Total	-1	12

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

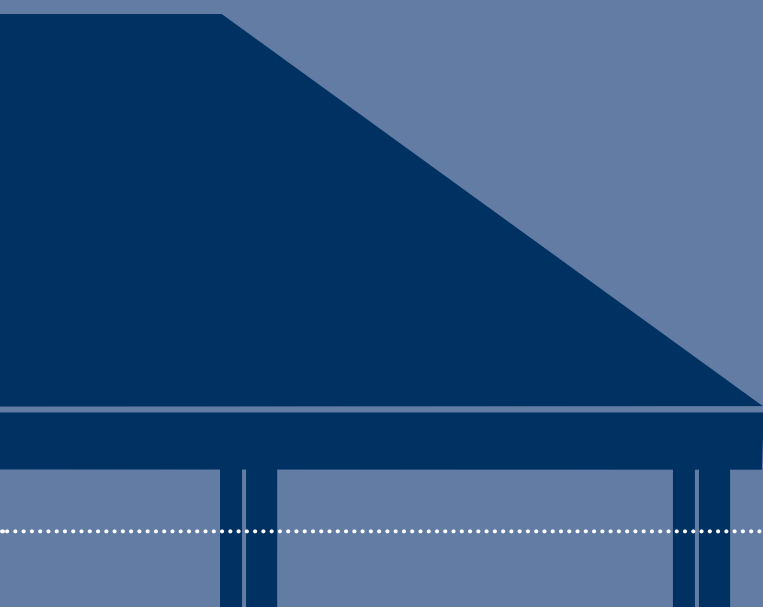
Regulatory capital consists of Tier I and Tier II capital, less certain deductions. Tier I Capital comprises common stock, retained earnings and other deductions. Tier II Capital principally comprises hybrid capital instruments such as subordinated debt and general provisions.

	31.12.2016	31.12.2015
Tier I	39.4%	35.9%
Tier I & Tier II	39.7%	36.3%
Total risk weighted assets	137,500	143,356

25. Subsequent events

The financial statements for the year ended 31 December 2016 were authorised for issue by the Directors on 4 April 2017.

There have been no events between 31 December 2016 and 4 April 2017 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 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, Singapore, Hong Kong, Russia and the British Virgin Islands.

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 Fürstl. Kommerzienrat Guido Feger" foundation, "U.M.M. Hilti-Stiftung" foundation and "Marxer Stiftung für Bank- und Unternehmenswerte" foundation – a guarantee for continuity, independence and sustainability.

VP Bank's workforce of about 800 employees administer clients assets totalling almost CHF 42.0 billion. Its client advisors are supported by a global network of partner firms that contribute to the outstanding international know-how of VP Bank Group.

Tradition and quality for more than 60 years

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

The 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 six decades.

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 Fürstl. Kommerzienrat Guido Feger" foundation.

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.

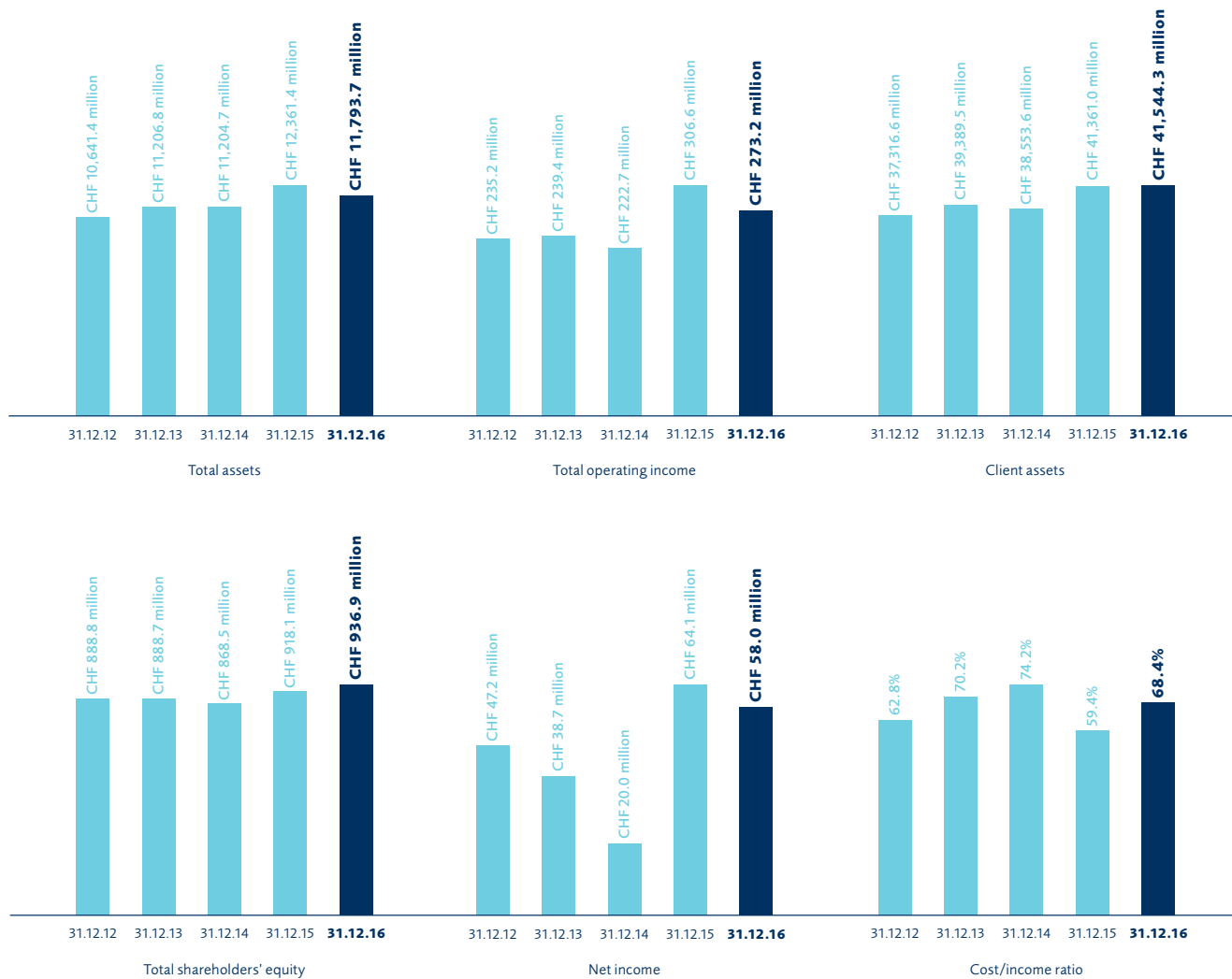
One of the strengths of VP Bank is its independence in terms of providing financial advice. The Bank's investment solutions are based on the principle of "open architecture", an approach that also takes into account the best-in-class products and services of third-party providers. The result: conflicts 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 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 more than 800 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



Key figures of VP Bank Group

	2016	2015	Variance in %
Key income statement data in CHF million^{1,2}			
Total operating income	273.2	306.6	-10.9
Total net interest income	102.4	88.4	15.8
Total net income from commission business and services	118.8	126.4	-6.0
Income from trading activities	44.5	42.2	5.5
Operating expenses	212.2	246.4	-13.9
Group net income	58.0	64.1	-9.5
Key balance-sheet data in CHF million^{1,2}			
Total assets	11,793.7	12,361.4	-4.6
Due from banks	660.8	2,060.3	-67.9
Due from customers	5,248.7	5,007.0	4.8
Due to customers	9,838.9	10,546.4	-6.7
Total shareholders' equity	936.9	918.1	2.0
Equity ratio (in %)	7.9	7.4	7.0
Tier 1 ratio (in %)	27.1	24.4	10.9
Leverage ratio in accordance with Basel III (in %)	7.8	7.0	11.4
Client assets in CHF billion^{2,11}			
On-balance-sheet customer deposits (excluding custody assets)	9,712.2	10,062.1	-3.5
Fiduciary deposits (excluding custody assets)	612.9	512.7	19.6
Client securities accounts	25,428.8	24,193.8	5.1
Custody assets ¹¹	5,790.4	6,592.3	-12.2
Business volume¹²	41,002.6	39,775.7	3.1
Net new money	7.4	6,045.5	-99.9
Key operating indicators²			
Return on equity (in %) ^{1,3}	6.3	7.3	
Cost/income ratio (in %) ⁴	68.4	59.4	
Total operating expenses / total net operating income (in %)	77.7	80.4	
Headcount (expressed as full-time equivalents, excluding student apprentices) ⁵	738.3	734.4	
Total operating income per employee (in CHF 1,000)	370.1	417.4	
Total operating expenses per employee (in CHF 1,000) ⁶	253.3	248.0	
Group net income per employee (in CHF 1,000)	78.5	87.2	
Key indicators related to shares of VP Bank in CHF^{1,10}			
Group net income per registered share A ⁷	9.61	10.17	
Group net income per registered share B ⁷	0.96	1.02	
Dividend per registered share A ⁸	4.50	4.00	
Dividend per registered share B ⁸	0.45	0.40	
Dividend yield (in %)	4.2	4.9	
Payout ratio (in %)	46.8	39.3	
Total shareholders' return on registered shares A (in %)	36.59	0.0	
Shareholders' equity per registered share A on the balance-sheet date	157.14	154.01	
Shareholders' equity per registered share B on the balance-sheet date	14.47	14.18	
Quoted price per registered share A	108.00	82.00	
Quoted price per registered share B	10.80	8.20	
Highest quoted price per registered share A	111.90	87.50	
Lowest quoted price per registered share A	78.05	71.15	
Market capitalisation (in CHF million) ⁹	714	542	
Price/earnings ratio per registered share A	11.24	8.06	
Price/earnings ratio per registered share B	11.24	8.06	
Rating Standard & Poor's	A-/Positive/A-2¹³	A-/Negative/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 (without depreciation and amortisation, valuation allowances, provisions and losses) / total operating income.

⁵ In accordance with legal requirements, apprentices are to be included in headcount statistics as 50 per cent of equivalent full-time employees.

⁶ Operating expenses excluding depreciation and amortisation, valuation allowances, provisions and losses / gross income less other income and income from financial instruments.

⁷ Based on the weighted average number of shares (registered share A) (note 11, Annual Report 2016 of VP Bank Group).

⁸ Subject to approval by the annual general meeting.

⁹ Including registered shares B.

¹⁰ Conversion of bearer shares into registered shares A (note 30, Annual Report 2016 of VP Bank Group).

¹¹ Adjusted (custody assets, see also note client assets).

¹² Assets under management and due from customers.

¹³ As of 2 March 2017.

The organisational structure of VP Bank Group

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

Changes to the organisational structure in the 2016 financial year

Effective as of 1 January 2016, the new organisational unit "Chief Operating Officer" was established. Martin C. Beinhoff was named Chief Operating Officer and head of this unit.

Also on 1 January 2016, the Group Finance & Risk operating unit was divided into two discrete units: Group Finance, and Group Risk. Hanspeter Kaspar remains in charge of the former, and Marcel Beutler was newly appointed as Head of Group Risk on that date.

The former Head of Group Treasury, Patrick D. Businger, left VP Bank in January 2016. The unit was supervised temporarily by COO Martin C. Beinhoff until 1 March 2016, when Claus Hug assumed the post of Head of Group Treasury & Execution.

Antoine Baronnet, Head of Client Business and Executive Board member at VP Bank (Luxembourg) SA, left VP Bank on 27 April 2016. His function is being performed on an interim basis by Thomas Steiger, CEO of VP Bank (Luxembourg) SA.

Following the effort spearheaded by Martin C. Beinhoff to conduct a comprehensive examination of the fundamental metrics Group Executive Management relies on when determining its lending policy and credit strategy, the GEM decided to separate the Front- and Mid-/Backoffice activities of the Group Credit unit. In this connection, the Mid- and Backoffice departments were shifted to the Chief Operating Officer unit. The Commercial Banking Domestic department was kept in the Client Business Liechtenstein segment until 30 April 2016. In order to augment the important Intermediaries business with a wider array of offerings and make it a one-stop source of advisory services, the Commercial Banking department was then integrated into the Intermediaries operating unit on 1 June 2016. The Group Credit unit was streamlined as of 1 May 2016 by combining the Credit Risk Management and Commercial Banking International departments to create the Credit Risk department headed by Michael Curschellas. Michael Curschellas was then appointed Head of Group Credit on 1 September 2016.

Upon the merger with Centrum Bank AG in 2015, the Intermediaries II unit of that bank was integrated into VP Bank's existing Intermediaries organisation. In a second step completed on 1 June 2016, the respective VP Bank and Centrum Bank teams were combined to realise the intended segment-specific organisational structure.

In effort to reinforce VP Bank's client business and generate added revenues by means of new services, Hendrik Breitenstein – the Head of Group Investment, Product & Market Management – built up a Group-wide Active Advisory Desk. Since 1 May 2016, Stefan Schwitter has been responsible for the Group Investment, Product & Market Management unit.

On 1 May 2016, Anne Guidi was named member of the Executive Board of VP Fund Solutions (Luxembourg) SA and is mainly in charge of risk and compliance at that firm. Its Executive Board now comprises three members: Eduard von Kymmel, Ralf Funk and Anne Guidi.

On 2 November 2015, Antony Lassanianos took over as interim Chief Executive Officer of VP Bank (Switzerland) Ltd and was definitively appointed CEO of this Zurich-based subsidiary, effective as of 1 June 2016. On the same date, Stephan Wernli, formerly Head of Legal, Compliance & Tax, was named to the Executive Board of VP Bank (Switzerland) Ltd. As a result, the subsidiary's Executive Board once again consists of three members: Antony Lassanianos, Thomas Westh Olsen and Stephan Wernli.

Alex Boss, CEO of VP Fund Solutions (Liechtenstein) AG, decided to leave that company in October 2016. His successor, Ralf Konrad, assumed that post as of 1 December 2016. Going forward, the Executive Board of VP Fund Solutions (Liechtenstein) AG will comprise two members: Ralf Konrad as CEO, and Reto Grässli as Chief Operating Officer.

Changes to the organisational structure subsequent to 31 December 2016

In conjunction with the implementation process for VP Bank Group's Strategy 2020, the function of General Counsel will be combined with that of the Chief Risk Officer. The investment competency of the Bank will also be reinforced in a targeted manner. This reorientation and the greater emphasis placed on these areas of activity are reflected in VP Bank Group's adapted organisational and management structure, which took effect as of 1 January 2017.

Monika Vicandi, General Counsel and Head of Group Legal, Compliance & Tax, will now oversee the "General Counsel & Chief Risk Officer" organisational unit at the Group Executive Committee level. The future head of "Investment Solutions", whose recruitment is currently under way, will also become a member of Group Executive Management. As of 1 January 2017, the Investment Solutions organisational unit now includes the Group Investment, Product & Market Management and VP Fund Solutions operating units, which were previously part of the Client Business organisational unit.

Katharina Vogt-Schädler, Chief Executive Officer of VP Bank (BVI) Ltd, has opted not to prolong her secondment to the British Virgin Islands. As of 1 February 2017, Nicholas A. Clark took over as Chief Executive Officer of VP Bank (BVI) Ltd. At that point, the Executive Board of VP Bank (BVI) comprised Nicholas A. Clark (CEO) and Sjoerd Koster as General Manager for Client Business.

Rajagopal Govindarajoo, Managing Director of VP Bank (Singapore) Ltd, decided in September 2016 to step down from his operative function. On 13 March 2017, Bruno Morel took over as Chief Executive Officer of VP Bank (Singapore) Ltd.



VP Bank, Vaduz, Head Office

Segment	Area	Head
Board of Directors	Group Internal Audit	Nikolaus Blöchlinger
Chief Executive Officer	Group Communications & Marketing Group Human Resources Management Group Legal, Compliance & Tax Group Business Development	Tanja Muster Rita Becker Monika Vicandi Alfred W. Moeckli
Chief Financial Officer	Group Finance Group Risk	Dr Hanspeter Kaspar Marcel Beutler
Client Business	Private Banking Intermediaries Group Investment, Product & Market Management	Martin Engler Tobias Wehrli Stefan Schwitter
Chief Operating Officer	Group Operations Group Information Technology Group Treasury & Execution Group Credit	Jürg Mühlethaler Dr. Andreas Benz Claus Hug Michael Curschellas

Subsidiaries with bank status

Company	Country	City	Head
VP Bank Ltd	Liechtenstein	Vaduz	Alfred W. Moeckli, Siegbert Näscher, Christoph Mauchle, Martin C. Beinhoff
VP Bank (Switzerland) Ltd	Switzerland	Zurich	Antony Lassanianos, Thomas Westh Olsen, Stephan Wernli
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 Chan

Fund management companies

Company	Country	City	Head
VP Fund Solutions (Liechtenstein) AG	Liechtenstein	Vaduz	Ralf Konrad, Reto Grässli
VP Fund Solutions (Luxembourg) SA	Luxembourg	Luxembourg	Eduard von Kymmel, Ralf Funk, Anne Guidi

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 Chan

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, Liechtenstein, www.fma-li.li

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Imprint

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

This annual report includes information and forecasts relating to the future development of VP Bank Group. Those forecasts represent estimates based on all information available at the time of publication.

Any such forward-looking statement is subject to risks and uncertainties that could lead to significant variances in actual future results.

No guarantee can be made as to the reliability of the prognoses, planned quantities or forward-looking statements contained herein.

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