

Policy & Strategy

Measurable and long-term oriented

VP Bank – for intelligent solutions.

Strengths in client dialogue and advice, networked with the best partners, globally linked, and at home in Liechtenstein.

VP Bank has not altered its strategic precepts. However, the Bank has put into motion many initiatives aimed at implementing that strategy in a better way: it has defined new medium-term goals, focused the management structure and – by logical extension – the process of market cultivation more sharply on the needs of clients, launched growth campaigns and developed a transformation plan.

Fundamental strategic principles

VP Bank orients its activities toward four strategic precepts:

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- **Market cultivation:** VP Bank is expanding its business and, in doing so, concentrates on the markets in which it is already operating successfully or where it recognizes growth potential. Apart from Liechtenstein and Switzerland, those markets include Germany, Central and Eastern Europe, as well as the Asia-Pacific region.
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- **Private banking:** VP Bank has established itself as a successful, independent, high-quality private banking institution and wants to strengthen that position.
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- **Intermediaries:** Ever since its founding, VP Bank has been a tried-and-true partner for external asset managers and fiduciaries. It has adapted its business with financial intermediaries in a professional and quality-insistent manner to the new circumstances in the Liechtenstein financial center. Moreover, VP Bank is adhering even more resolutely to its success model of catering to the needs of intermediary clients and is now broadening it to embrace other European and Asian countries.
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- **Regional business:** VP Bank nurtures the market in Liechtenstein and the eastern Switzerland region for commercial and retail clients as well as the lending business. It wants to exploit the potential of this traditional business to an even greater extent.

Medium-term goals

In November 2010, VP Bank formulated and communicated new medium-term targets for key performance indicators.

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- Net new money growth – based on client assets under management – should amount on average to 5 percent per year.
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- The cost/income ratio should not exceed 65 percent for any extended amount of time.
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- The proportion of core capital, expressed as tier 1 ratio, should be 16 percent.

Effective market cultivation

In the private client business, VP Bank perceives the greatest growth potential in the Asia-Pacific region as well as in Central and



Eastern Europe. Private banking has changed dramatically in recent years: clients are more demanding and well informed than in years gone by. They seek products and services that are tailored to their individual circumstances in life, and they expect their investments to be in harmony with the norms of the given jurisdictions.

This increases the requirements in terms of client care. The advisors must approach the clients proactively and accompany them with understanding and specific know-how, for example in transnational investment strategies and tax matters. Demanded today is a comprehensive approach to advice. Going forward, the advisors at VP Bank will draw increasingly on the skills of specialists from the individual units of the Bank.

The quality of advice is a pivotal factor in client satisfaction and loyalty. VP Bank will therefore make targeted investments into the acquisition and training of advisors and advisory teams. For example, in the summer of 2011, a high-profile private banking specialist will take over responsibility for the Private Banking Asia/Pacific business unit. His primary task will be to attract qualitatively outstanding client advisors for the Bank's offices in Singapore and Hong Kong, to fortify cultivation of the Asian markets and to achieve the Bank's growth goals in the Far East.

Another milestone in the Bank's market cultivation efforts lies in the coordinated manner in which that process is handled. The new management structure is already set up in such a way that the markets in which VP Bank is active can be approached in a well-orchestrated manner. In late November 2010, Group Executive Management also decided to appoint a coordinator for each market. As of the 2011 financial year, there will be a specific coordinator for each of the following regions: Liechtenstein, Switzerland, Germany and Austria, other countries in Western Europe, Eastern Europe, Near and Middle East, Asia-Pacific and the Americas.

Central elements of this coordination concept are the institutionalization of a platform for exchanging best practices, as well as the focus on a structured approach to cultivating the respective markets, which is aligned across all of the Bank's locations. Above all, in terms of the Eastern European market, VP Bank hopes that this coordinated course of action will result in a spurt of growth.

That market will be addressed by the Zurich branch, not least of all due to the close connections many Russian citizens maintain with Switzerland. Targeted investments will also be made in the Bank's Munich and Zurich affiliates. In future, the Zurich location will be placing greater emphasis on clients who are domiciled in Switzerland.

Growth initiatives & Transformation

The private clients business remains the commercial area that offers the largest growth potential. The growth initiatives of VP Bank are therefore aimed primarily at attracting new money and, in turn, broadening the base of client assets under management. Apart from its new approach to market cultivation, VP Bank has launched further initiatives in an effort to meet clients' changing needs to an even greater extent: it will augment its competence in international tax law and wealth structuring, as well as expand its fund business.

With Fund Solutions, VP Bank has at its disposal a Group-wide competence center that will place increased emphasis on coordinating fund establishment services throughout the Bank and offering investment fund structures that meet the specific needs of clients.

With additional growth initiatives, VP Bank intends to reinforce its intermediaries and regional business areas.

In the fall of 2010, VP Bank entered into a three-year transformation phase. Four tasks represent the heart of this process:

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- incorporating the market-oriented management structure throughout the Group
 - implementing the growth initiatives and strengthening the distribution structure
 - heightening efficiency
 - acquiring client advisors and advisory teams in a targeted manner
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This transformation process starts by introducing leaner management structures and enhancing the efficiency of processes.

At the end of the 2013 financial year, VP Bank will stand on a broader and more profitable business foundation.

Value-oriented management

Management at VP Bank is oriented toward key performance indicators. The paramount yardstick for value-oriented management is "economic profit" – invested shareholders' equity, multiplied by the difference between the total return on shareholders' equity and the total cost of shareholders' equity – at the enterprise level. On a monthly basis, Group Executive Management tracks the quantitative development of the Bank's medium-term targets.

In order to measure operating earnings more precisely, the set of key performance indicators will be revamped in the coming two years. The main focus in this regard will be on the relationship of recurring revenues to total revenues as well as on the return on assets of the individual client segments. The stock ownership plan for first- and second-level managers is based on the economic profit of the company.

The long-term incentive plan (LTI) centers on the measurement of strategy realization over a five-year period and is aimed at sustainably increasing the Bank's enterprise value).

For the 2011 financial year, one key figure has the highest priority: net new money. It is the indicator of the growth that VP Bank strives to achieve.

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