VP Bank Group · 5 March 2019

2018 annual results

Programme

- **Welcome**
  Fredy Vogt, Chairman of the Board of Directors
- **VP Bank Group 2018 annual results**
  Siegbert Näscher, Chief Financial Officer
- **Status quo strategy implementation**
  Dr Urs Monstein, interim Chief Executive Officer
- **Questions and answers**

Welcome

Fredy Vogt · Chairman of the Board of Directors

Topics from the Board of Directors

- 2018 annual results
- Successor to CEO
- 2019 AGM – proposals made by the Board of Directors
- Appointment of a second Vice Chairman of the Board of Directors
- Outlook

2018 annual results

High level of investments in growth

No change to dividends

Very good growth in net new money

Solid annual results

Successor to CEO

- Separation from Alfred W. Moeckli by mutual accord
- Search process launched for successor
  - Internal and external candidates permitted
- Dr Urs Monstein appointed as interim CEO
- Successor to be clarified promptly

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2019 AGM – proposals made by the Board of Directors

- Succession planning in the Board of Directors (no election of new members at the 2019 AGM)
- Re-elections
  - lic. oec. Markus Thomas Hilti
  - lic. iur. Ursula Lang
  - Dr Gabriela Maria Payer
- Dr Christian Camenzind not standing for re-election
- Change in auditors
  - E&Y for 2019
  - PwC as of 2020

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Election of a second Vice Chairman of the Board of Directors

- Dr Thomas R. Meier
- Member of the Board of Directors since 2018
- International experience in the banking sector (in particular Asia)
- Additional member of the NCC with immediate effect

Outlook

- Market environment very challenging
- Ambitious targets for 2019 (profits, new money)
- Strategy 2020 (50/80/70)
- Future of banking
- Sound equity base
- Stability and predictability thanks to anchor shareholders

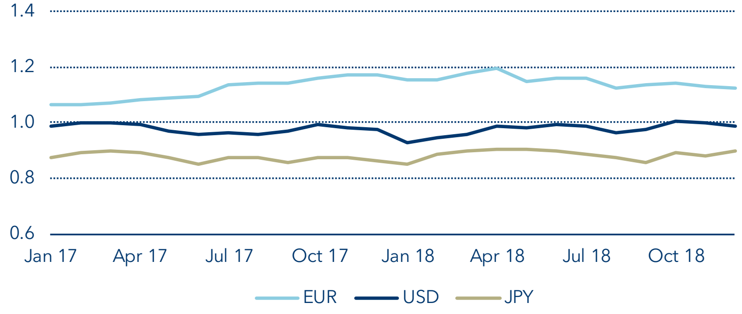
2018 annual results

Siegbert Näscher • Chief Financial Officer

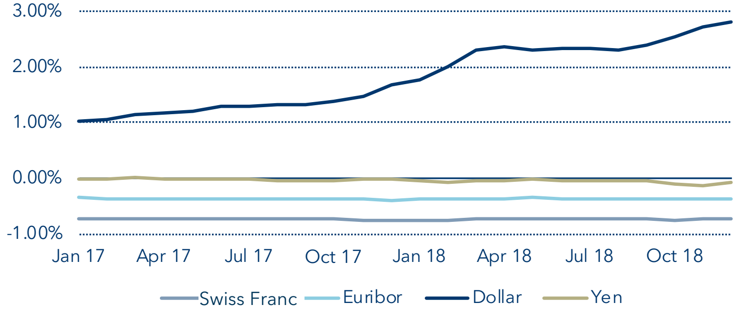
This presentation has been prepared with the greatest possible care. All data has been checked. However, rounding, typesetting or printing errors cannot be ruled out.

Review of 2018: challenging environment on the financial markets

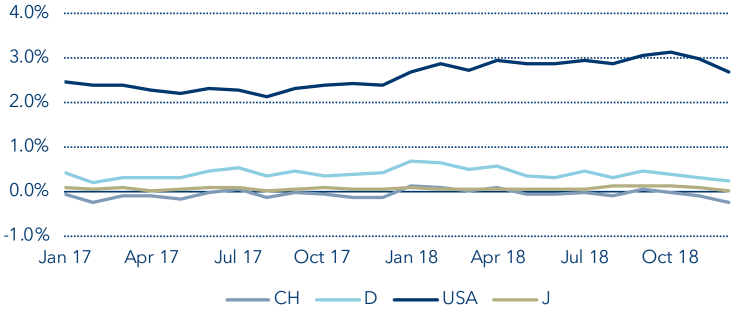
Exchange rates



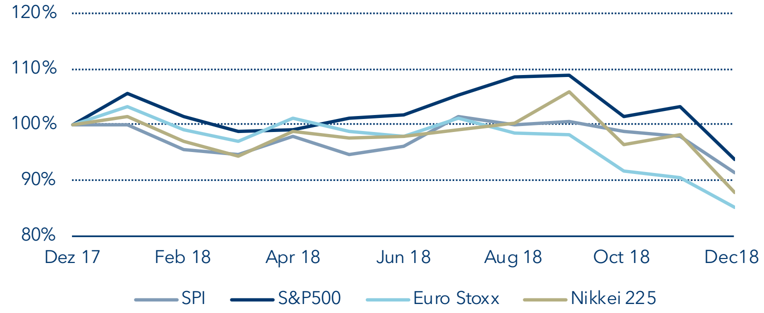
Money market



Capital market



Equity market



The most important **key figures** as of 31 December 2018

Growth strategy impacts on profitability

Difficult market environment results in fall in profits

Group net income: **CHF 54.7 million** (–16.8%)	Lower income from financial investments
Cost / income ratio: **75.8%** (previous year: 64.2%)	Investments in further strategic development

Net new money above average

Net new money: **CHF 3.2 billion** (previous year: 1.9 billion)	Strong second half of year

Comfortable balance sheet ratios

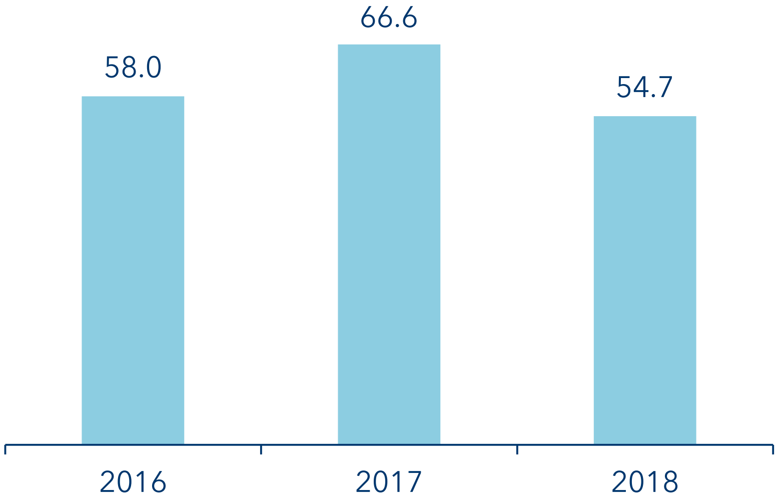
Tier 1 ratio: **20.9%** (previous year: 25.7%)	Solid capitalisation
Rating: Standard & Poor's **A/Stable/A–1**	Rating increase in May 2018

Income statement

On track despite a dent in profits

- Operating income increased, profit from financial investments lower
- Cost performance in line with strategy, valuation adjustments released

Adjusted Group net income in CHF million



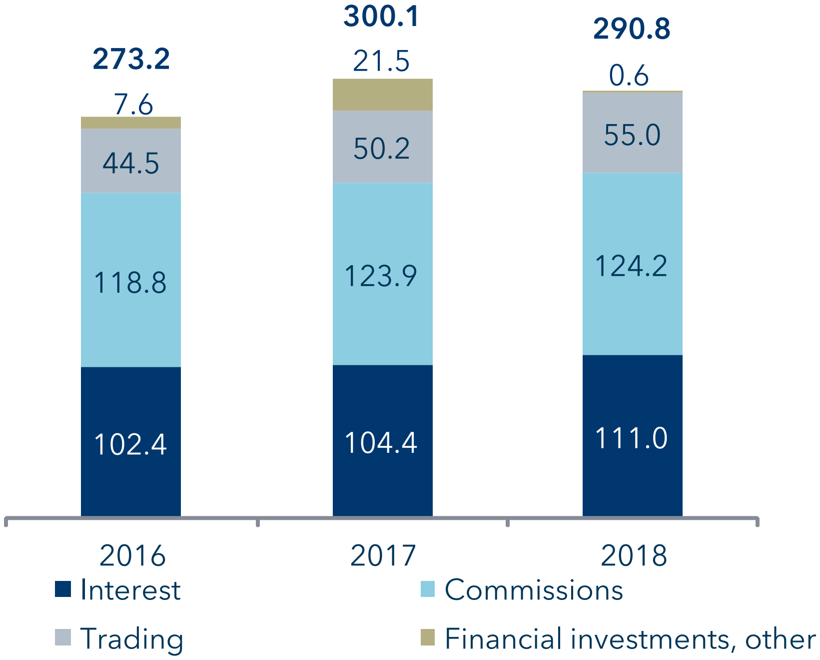
Income statement in CHF million

	2016	2017	2018
Operating income	273.2	300.1	290.8
Operating expenses	–212.2	–229.7	–232.3
Taxes	–3.0	–4.6	–3.8
Group net income	**58.0**	**65.8**	**54.7**
One-off effects	0.0	0.8[1]	0.0
Adjusted Group net income	**58.0**	**66.6**	**54.7**

[1] One-off effect due to the NRW provision and IAS 19.

Key operating earnings up

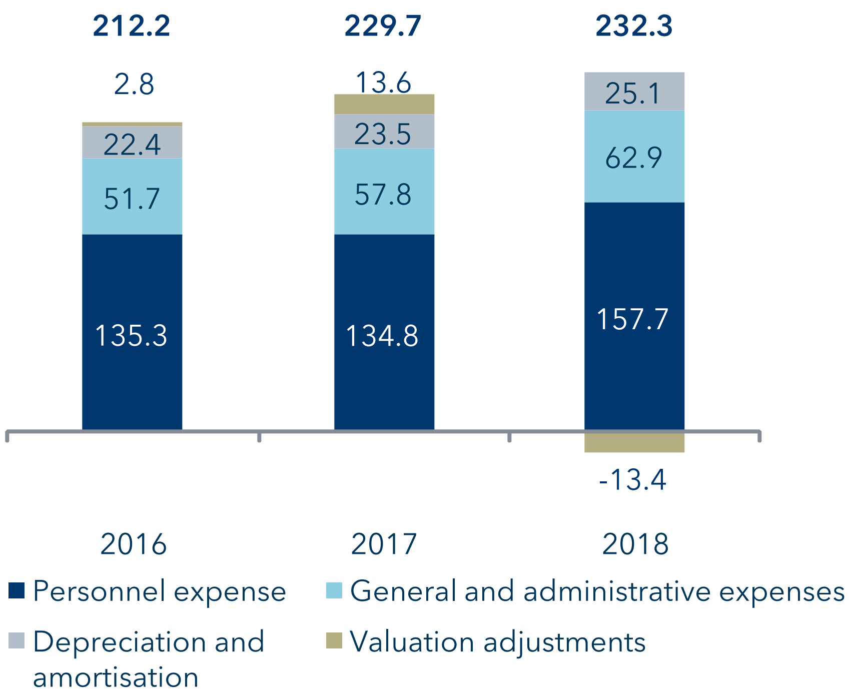
Operating income in CHF million



- Interest gains up CHF 6.5 million, or 6.3%
  - Interest income increased from clients, although interest expense significantly higher
  - Interest gains from Treasury increased substantially
- Commission income up CHF 0.4 million, or 0.3%
  - Transaction-based income lower despite more transactions
  - Higher portfolio-based income thanks to increase in average volumes
- Trading profit up CHF 4.8 million, or 9.4%
- Financial investments down CHF 20.9 million on account of the market environment

Expansion in client support units and digitalisation costs

Operating expenses in CHF million

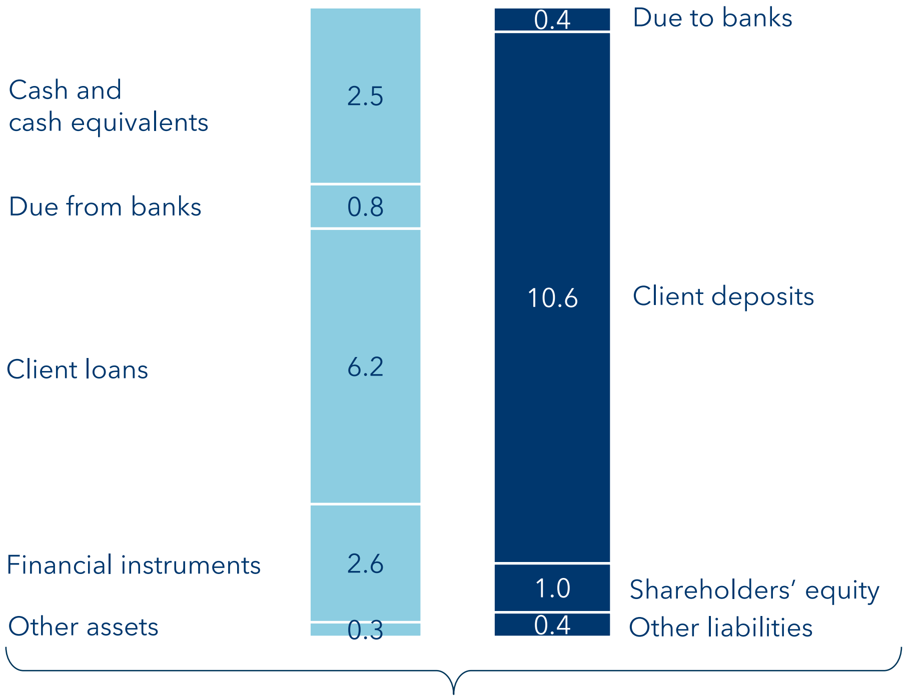


- Personnel expense up CHF 22.9 million, or 17.0%
  - The increase amounts to CHF 12.8 million, or 8.8%, once adjusted for one-off effects in 2017
  - Headcount increased by 8.6% to 868 full-time employees
- General and administrative expenses up CHF 5.1 million, or 8.8%
  - Increase in costs of acquiring information and computer systems
- Depreciation and amortisation up CHF 1.6 million, or 6.6%
- Valuation adjustments down CHF 13.4 million on account of the release of credit provisions

Balance sheet

Slight reduction in total assets

Balance sheet as of 31 December 2018 in CHF billion



Total assets: 12.4

- Stable assets
  - High level of liquid assets
  - Increase of 9.7% in client loans, primarily Lombard loans
  - Financial instruments up 10.5%
- Stable refinancing
  - Client deposits 85% of total assets
  - Fall in client deposits: 2.2%
- Strong shareholders' equity
- Rating increase to "A" by Standard & Poor's as of 18 May 2018

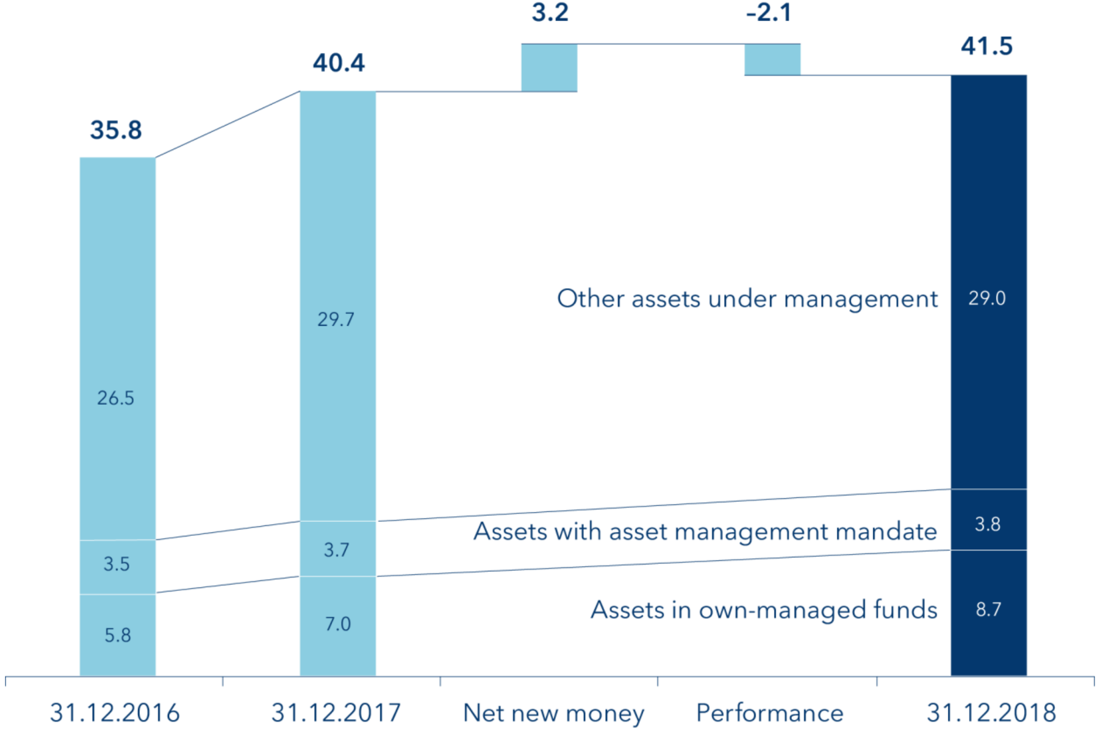
Capital adequacy requirements exceeded significantly

	31.12.2016	31.12.2017	31.12.2018
Risk-weighted assets in CHF billion	3.5	3.8	4.5
Core capital (CET 1) in CHF million	938.5	976.6	942.8
Tier 1 ratio (CET 1 ratio)	27.1%	25.7%	20.9%
Liquidity coverage ratio (LCR)	109.8%	161.0%	143%
Leverage ratio	7.8%	7.5%	7.3%
Loan-to-deposit ratio	52.2%	52.2%	58.6%
Non-performing loans	0.9%	1.1%	0.4%
S&P rating	A–/Positive/A–2	A–/Positive/A–2	A/Stable/A–1

Client assets under management

Client assets under management increase despite negative market environment

Client assets under management in CHF billion



- Increase in client assets under management of 2.8%
- Increase in net new money of CHF 3.2 billion
- Market performance negative
- Client assets including custody assets at CHF 48.5 billion

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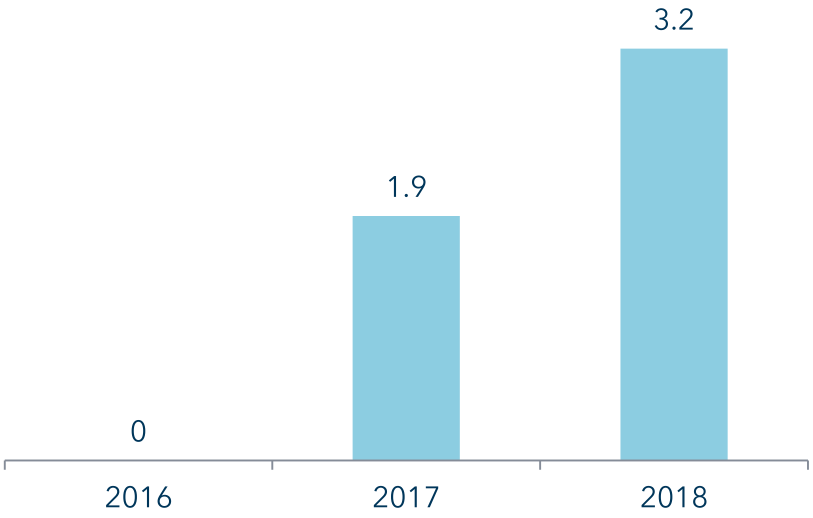
International business as driver of growth

Net new money in CHF billion



- Increase in net new money of 7.9%
- Continuous improvement over the last three years
- Solid inflows thanks to recruitment of new client advisors
- Inflows from taking over funds
- Net inflows from existing clients

Segments

Geographic diversification proceeding

Segment overview as of 31 December 2018

	Client Business Liechtenstein	Client Business International	Corporate Center	Group
Business volume in CHF[1]	29.1 billion	18.7 billion	–	47.8 billion
Client assets under management in CHF	25.0 billion	16.5 billion	–	41.5 billion
Net new money in CHF	–0.2 billion	3.4 billion	–	3.2 billion
Pre-tax net income in CHF	106.2 million	12.8 million	–60.4 million	58.5 million
Gross margin in basis points[2]	73.0	59.6	–	–
Headcount in FTEs	183	313	372	868

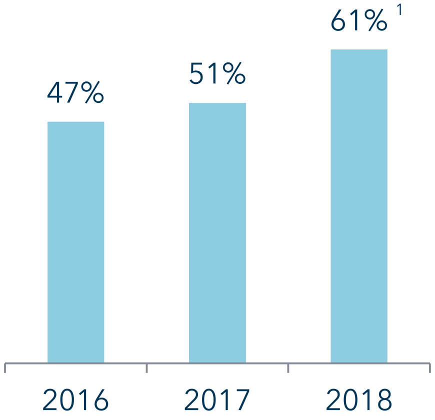
[1] Client assets under management and client loans.
[2] Operating income divided by average client assets under management.

Dividends

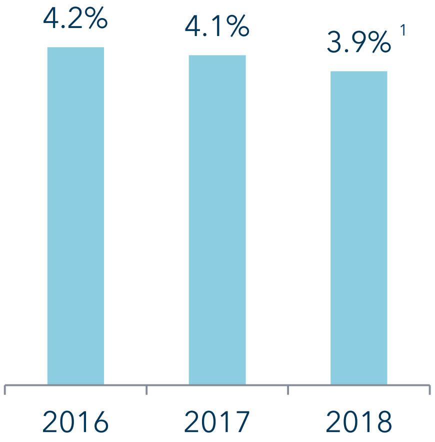
Dividend payments remain unchanged

Dividends in CHF

Payout ratio

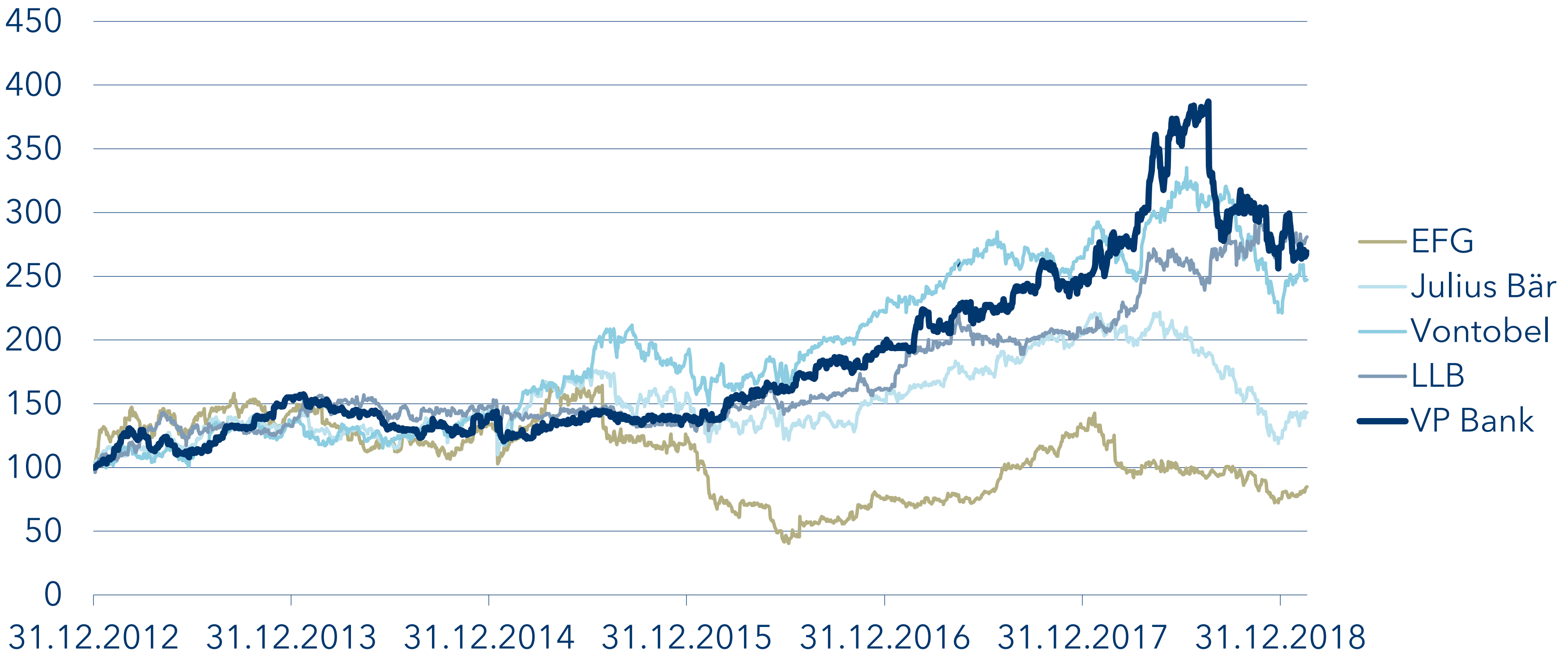


Dividend yields



[1] Proposal to the annual general meeting.

Comparison of VP Bank share price performance



Summary

Summary

Growth in line with strategy

- Recruitment campaign in the front-office area
- Strong increase in net new money

Convincing operative performance

- Increase in income (interest, trading and commission business)

Two major influencing factors

- Release of valuation adjustments and poor results in financial investments

Secure and stable Bank

- High level of liquid assets
- Solid equity and strong tier 1 ratio
- Excellent Standard & Poor's rating

Status quo strategy implementation

Dr Urs Monstein · interim Chief Executive Officer

Strategy 2020: actions along three dimensions

GROWTH

1. Internationalisation
2. Recruitment campaign
3. VP Fund Solutions

FOCUS

4. Advisory at VP Bank
5. Boost in investment business
6. Digitisation

CULTURE

7. Employer of Choice

Diversified and focused business segments

Intermediaries	**Europe:** Liechtenstein, Switzerland, Luxembourg	**Asia:** Singapore, Hong Kong
Private banking	**Europe:** Liechtenstein, Switzerland, Germany, Luxembourg, Russia, Ukraine	**Asia:** Singapore, Hong Kong, Indonesia, Malaysia, Thailand
Fund services	**Europe:** Liechtenstein, Luxembourg	

International business: substantial expansion in Luxembourg and Zurich

Luxembourg

- Integration of Catella and Carnegie
- New Head of Client Business
- New premises
- Expansion in markets
- Two anniversaries

Zurich

- Strong growth (hiring of RMs)
- New premises
- 30th anniversary

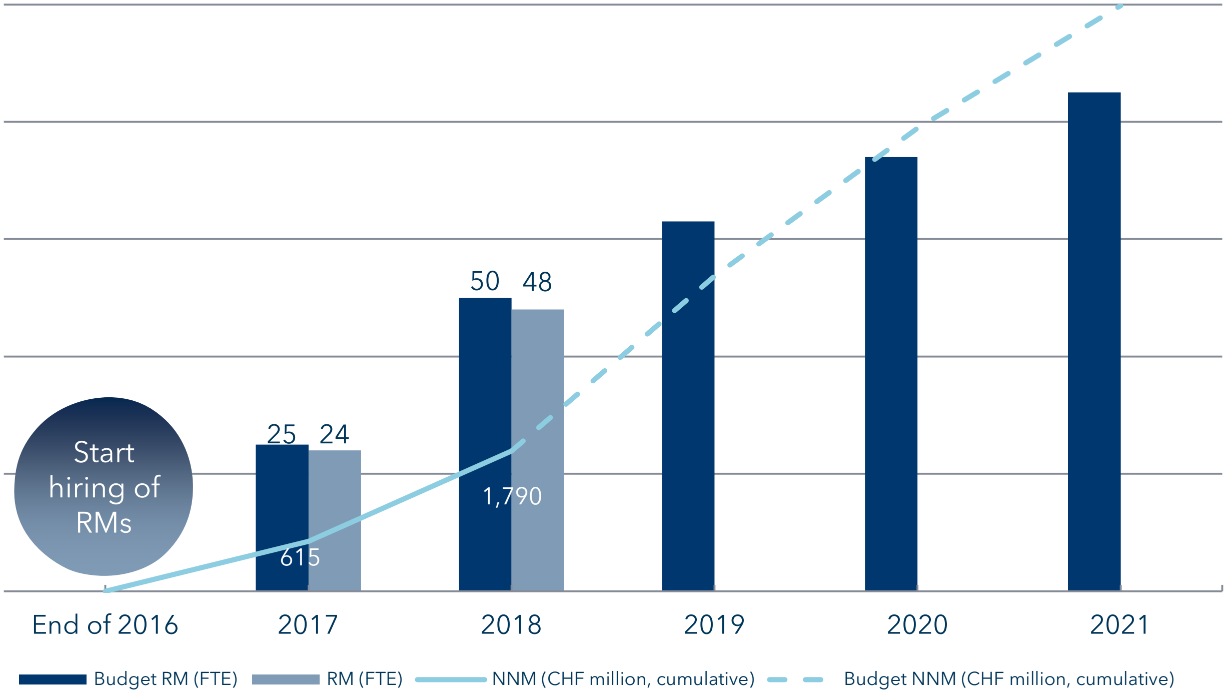
International business: target-group-specific growth in Singapore and BVI

Singapore
- Strong growth (hiring of RMs)
- Market-compliant service offering
- New Head of Client Business
- Expansion into Wholesale Bank
- 10th anniversary

British Virgin Islands
- Normalisation after hurricane Irma
- Successful business model

Organic growth thanks to recruitment campaign

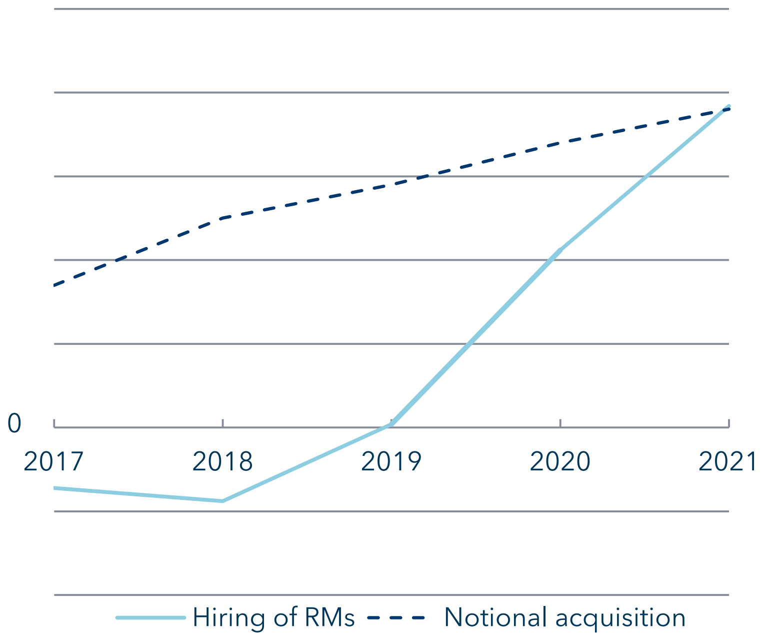
Relationship Manager (FTE), net new money (CHF million) 2016–2021



- RM recruitment campaign on track
- Growth for 2019 focused on Asia and Luxembourg
- Strong growth in net new money in 2018
- Increase in earnings expected in 2019

Two strategies: organic growth versus growth through acquisitions

Comparison of profit performance: hiring of RMs versus acquisition (notional, illustrative)



Hiring of RMs

- Negative incision into P/L as investment in future additional earnings
- Currently with loss, positive contribution towards profits expected as of 2019
- Increased flexibility in process control

Acquisition

- Generally an immediate contribution towards profits
- Increased contribution towards profits as a result of using synergies
- Use of capital with corresponding costs required
- Risk of synergies failing to materialise

VP Fund Solutions with record high in assets under administration

Assets under administration: Liechtenstein and Luxembourg CHF 11.6 billion

Strong **asset growth** in Luxembourg

Successful expansion of Private Equity and Real Estate team

New **private label fund** clients in Liechtenstein

Strategy 2020: actions along three dimensions

GROWTH

1 Internationalisation

2 Recruitment campaign

3 VP Fund Solutions

FOCUS

4 Advisory at VP Bank

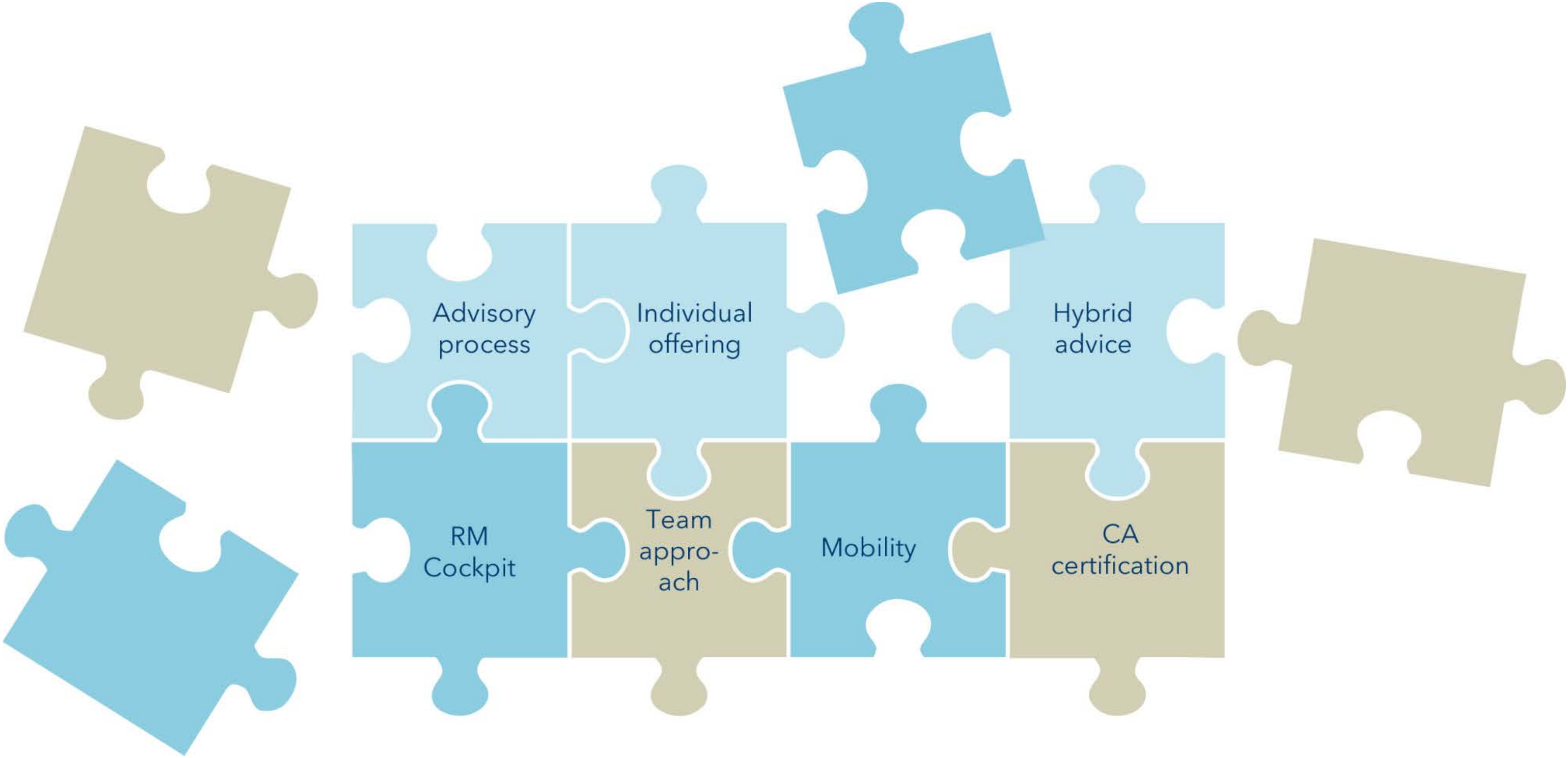
5 Boost in investment business

6 Digitisation

CULTURE

7 Employer of Choice

Investment in increasing our advisory expertise



Boost in investment business

Strategic goal: clear **positioning** and greater **awareness** of VP Bank in the **area of investments** in order to support **growth**

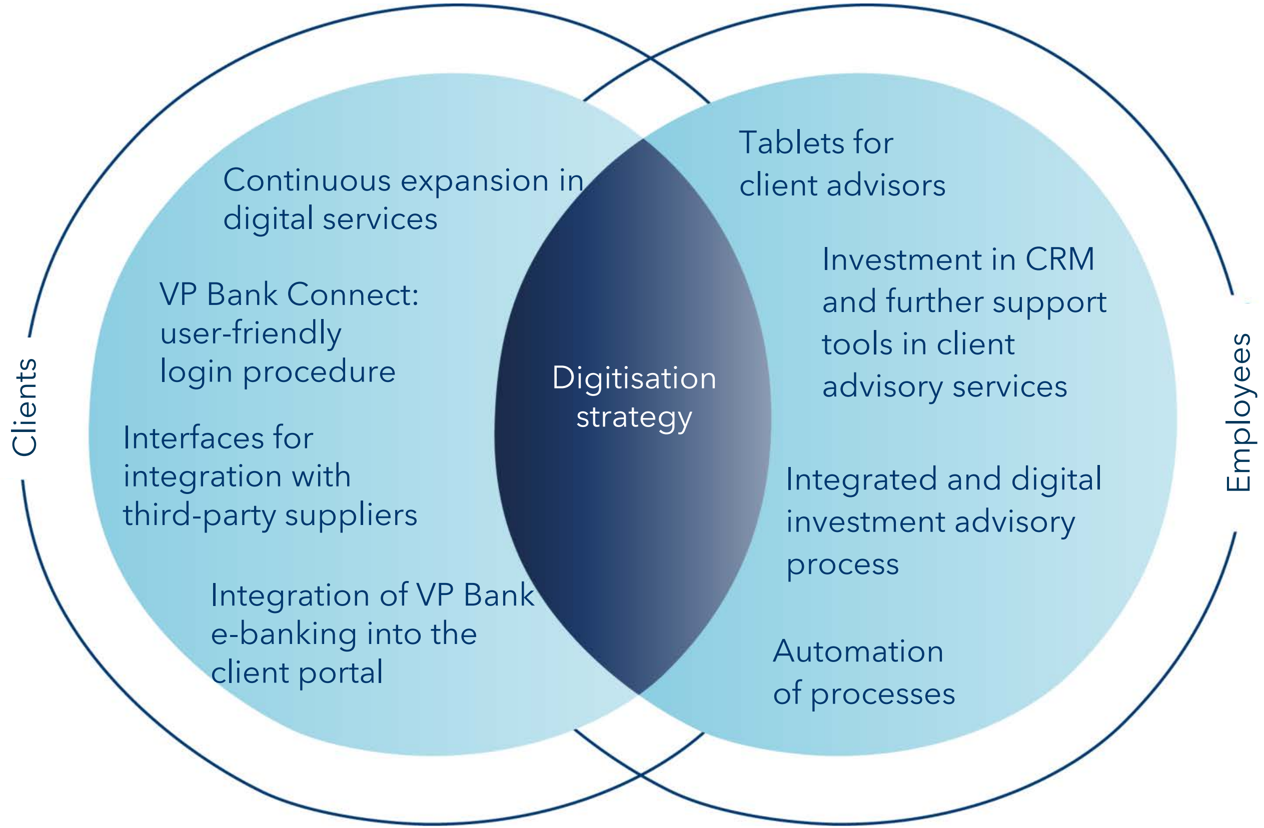
Focus for 2019

- Momentum in investment strategy and tactics
- Alternative risk premiums / private markets portfolio
- Sales support
- Pay for advice
- Investment communications / publications / media

Secure
Conservative
Expert
Professional

Flexible
Long-term
Entrepreneurial
Tailored solutions
Innovative

Digitisation – expansion in the front and back offices



Status of medium-term objectives

Client assets under management

CHF 50 billion

- Achievable based on a positive market environment
- CA hiring programme remains on track

Group net income

CHF 80 million

- Only possible with consistent cost controls
- Acquisition would make positive contribution towards profits

Cost / income ratio

BELOW 70%

- Impacted in the short term by hiring of CAs
- On target in medium term


Questions

Thank you!