

VP Bank Group · 18 August 2020

Semi-annual conference 2020



Programme

Welcoming address

Dr Thomas R. Meier, Chairman of the Board of Directors

2020 VP Bank Group semi-annual results

Roger Barmettler, Chief Financial Officer a.i.

Review and strategy update

Paul H. Arni, Chief Executive Officer

Questions and answers



Welcoming address

Dr Thomas R. Meier · Chairman of the Board of Directors



Sound business model in difficult times



2020 semi-annual results

Roger Barmettler • Chief Financial Officer a.i.





The most important **key figures** as at 30 June 2020

Good operating performance, sound capital base



Net group
income
CHF 14.4 million

CHF 35.3 million
(1H 2019)

Impacted by valuation
adjustments on
individual loan item

Profit before
valuation
adjustments and
taxes

CHF 41.5 million

CHF 36.5 million
(1H 2019)

Steady increase

Cost income
ratio

66.1%

68.6% (1H 2019)

Further improvement



Net inflow of new
money
CHF 1.0 billion

CHF 1.2 billion
(1H 2019)

**Continued strong inflow
in challenging market
environment**



**Extremely
stable key
balance sheet
figures**

Tier 1 ratio
20.1%

20.2% (end of 2019)

**Very good
capital base**

Rating:
Standard & Poor's
A/Stable/A-1

**Confirmed on 17 July,
outlook reduced to
negative**

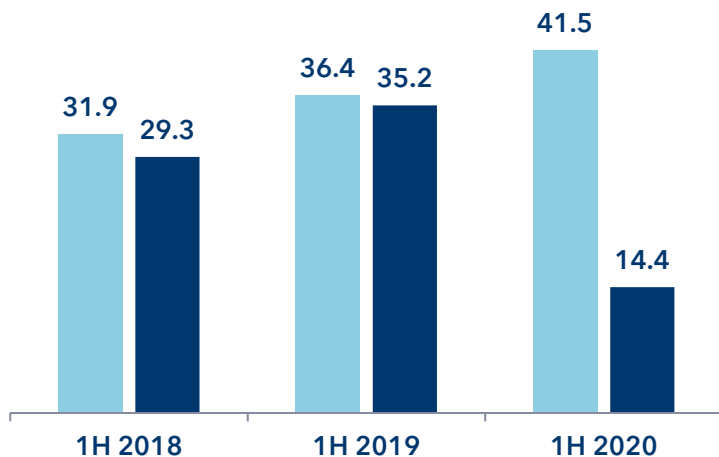
The background is a light blue gradient with two darker blue geometric shapes. One is a parallelogram in the top-left corner, and the other is a large triangle on the right side.

Income statement

Operating result improves in challenging environment

- 14% higher operating result in 1st half of 2020
- Higher earnings on commission business and services, while costs remain stable

Profit in CHF million

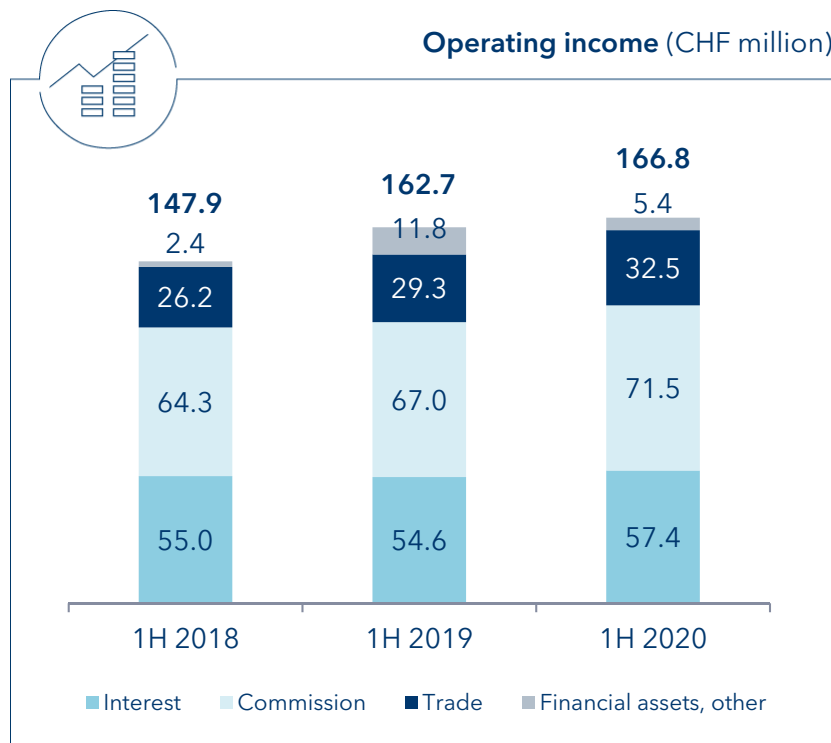


■ Profit before valuation adjustments and taxes ■ Net group income

Income statement in CHF million

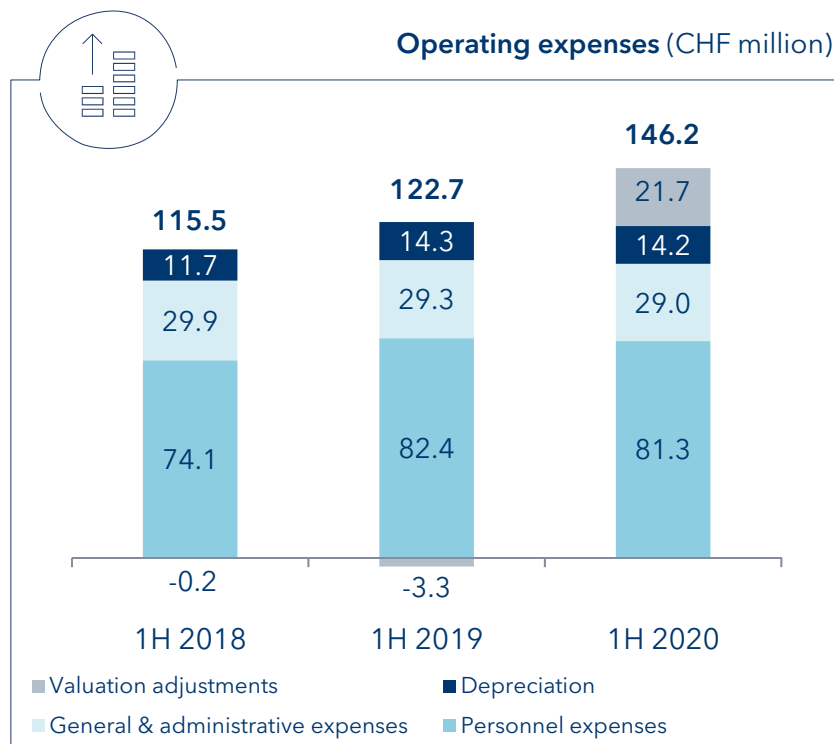
	1H 2018	1H 2019	1H 2020
Operating income	147.9	162.7	166.8
Operating expenses (excluding valuation adjustments on credit risks)	-116.0	-126.3	-125.3
Profits before valuation adjustments and taxes	31.9	36.4	41.5
Valuation adjustments	0.5	3.6	-20.9
Taxes	-3.1	-4.8	-6.2
Net group income	29.3	35.2	14.4

Earnings growth thanks to higher commission and trading activities



- Interest income CHF 2.8 million or 5.1% higher
 - Interest margin expanded
 - Interest income from treasury activities stable
- Commission income CHF 4.5 million or 6.7% higher
 - Higher transaction-dependent earnings due to higher volumes in Q1 2020
 - Lower recurrent earnings
- Trading profits CHF 3.2 million or 11.1% higher
- Financial assets minus CHF 6.4 million due to lower fair value impact

Costs remain stable

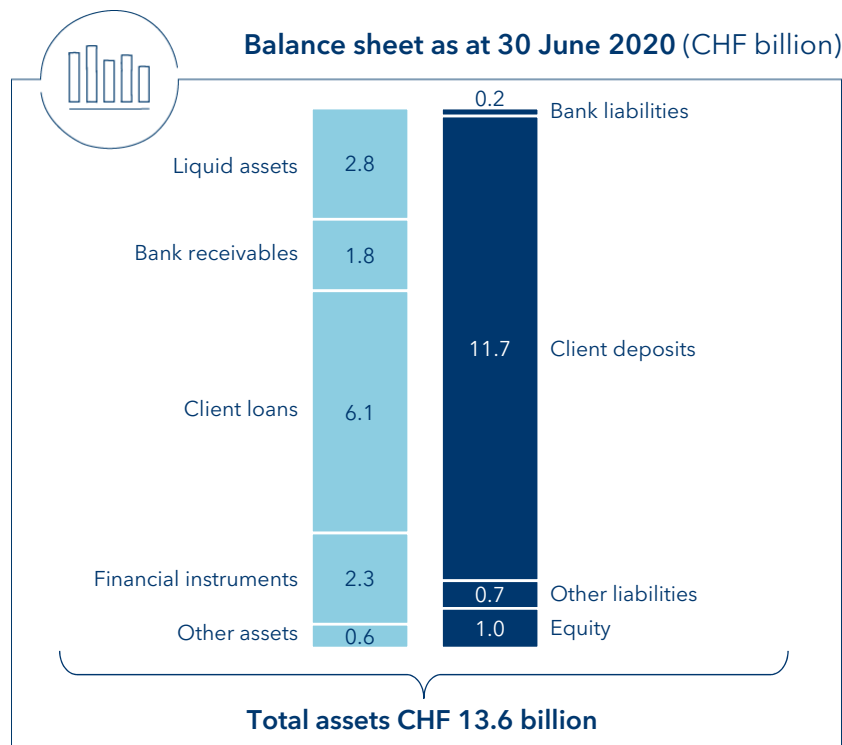


- Cost discipline
 - Personnel expenses CHF 1.1 million or 1.3% lower
 - General & administrative expenses CHF 0.3 million or 1.0% lower
- Valuation adjustments, provisions and losses CHF 25.1 million higher due to valuation adjustment on an individual item of around CHF 20 million and net releases of minus CHF 3.3 million in the previous year

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Balance sheet

Sound balance sheet structure



- Sound assets
 - High liquidity position
 - Client lending reduced by 10.9%
 - Receivables from banks 149% higher
- Stable refinancing
 - Client deposits account for 87% of total assets
 - Client deposits 3.5% higher
- Strong equity capital, tier 1 at 20.1%

Equity capital requirements comfortably exceeded

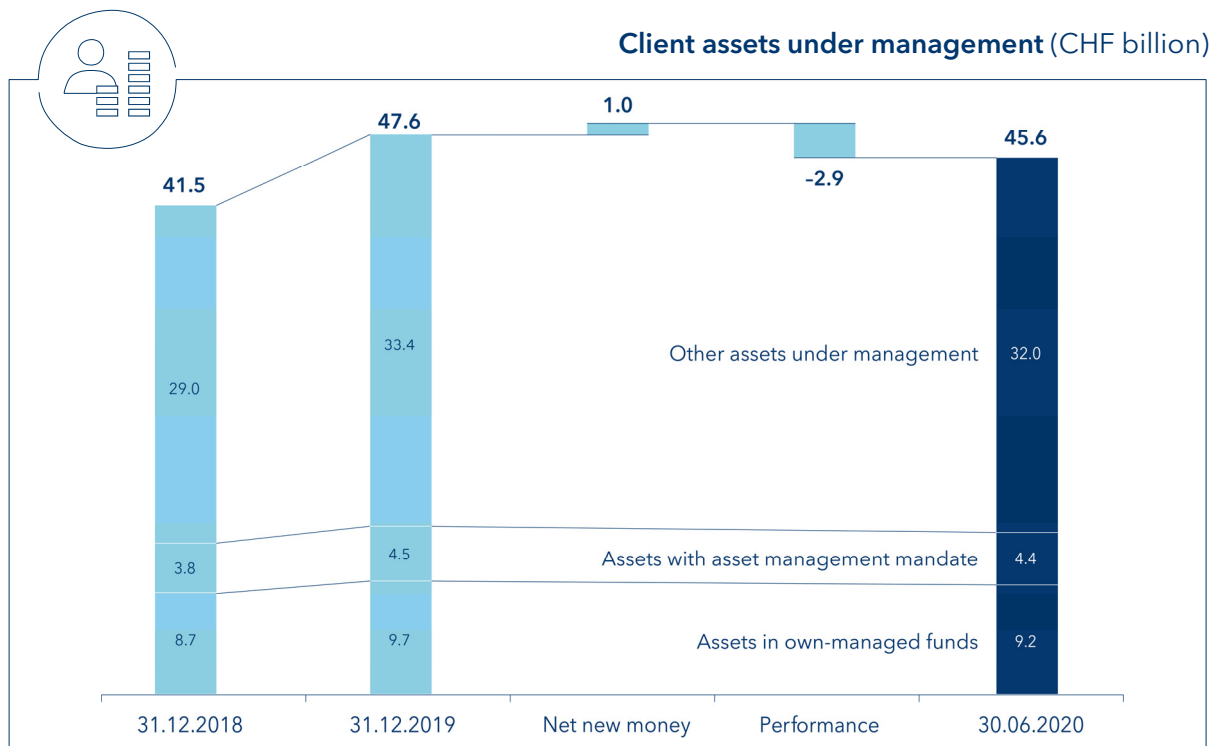
	31 December 2018	31 December 2019	30 June 2020
Risk-weighted assets in CHF billion	4.5	4.8	4.8
Core capital (CET 1) in CHF million	942.8	979.0	963.7
Tier 1 ratio (CET 1 ratio)	20.9%	20.2%	20.1%
Liquidity coverage ratio (LCR)	142.6%	213%	176.7%
Leverage ratio	7.3%	7.1%	7.0%
Loan to deposit ratio	58.6%	60.1%	51.7%
Non-performing loans	0.4%	0.8%	1.7%
S&P Rating	A/stable/A-1	A/stable/A-1	A/stable/A-1*

*S&P confirmed the good "A" rating on 17 July 2020, while at the same time changing the outlook to negative.

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Client assets under management

Client assets sink due to market performance



- Net inflow of new money CHF 1.0 billion
- 4.2% reduction in client assets under management due to COVID-19
- Client assets incl. custody assets of CHF 52.0 billion

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Segments

Geographically broad based

Segment overview as at 30 June 2020

	Client Business Liechtenstein	Client Business International	Corporate Centre	Group
Business volumes in CHF ¹	29.5 billion	22.2 billion	-	51.7 billion
Client assets under management in CHF	25.5 billion	20.1 billion	-	45.6 billion
Net new money in CHF	-0.1 billion	1.1 billion	-	1.0 billion
Pre-tax results in CHF	38.1 million	-0.3 million	-17.2 million	20.6 million
Gross margin in basis points ²	61.6	65.8	-	-
Workforce in FTE	193	336	379	908

¹ Client assets under management and client lending

² Operating income divided by average client assets under management

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Summary

Summary

Challenging market environment, good operating results

- Group earnings impacted by valuation adjustments on individual loan item
- Higher earnings before taxes and provisions
- Inflows of new money from new and existing client advisors
- Position strengthened in the Nordics market

Secure and stable bank

- High liquidity position
- Sound equity capital and strong Tier 1 ratio
- Excellent Standard & Poor's "A" rating



Paul H. Arni · Chief Executive Officer

Strategy 2025

Seize opportunities.



Steady Strategy 2025, rigorous implementation

Effects of Covid-19 on private banking operations

- AuM sank on account of declining markets
- Increased trading activities boosted the profit pool
- Short-term increase in earnings due to clients shifting from equities to cash
- Brokerage revenues dampened shrinking investment income
- High cash ratio could impose a considerable burden on income from investment mandates in the coming quarters

Impacts

The crisis is accelerating three trends:



Heightened pressure on revenues and profits



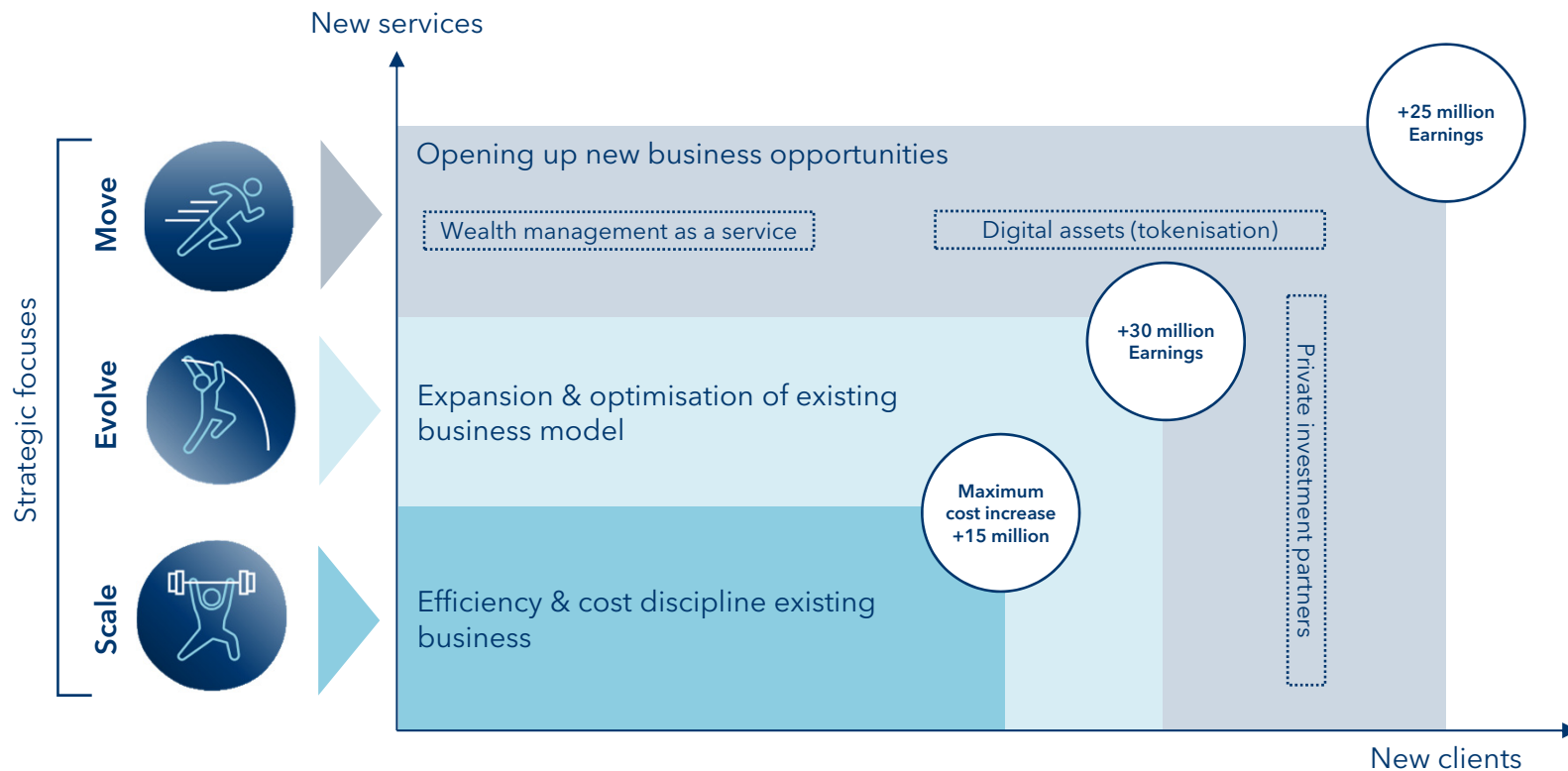
Increased client demand for digital services



Changes to the working models

- > Strategy 2025 remains the **right way forward** even in the **current environment**
- > Strategic priorities have been sharpened
- > Implementation postponed until 2026 as a result of Covid-19

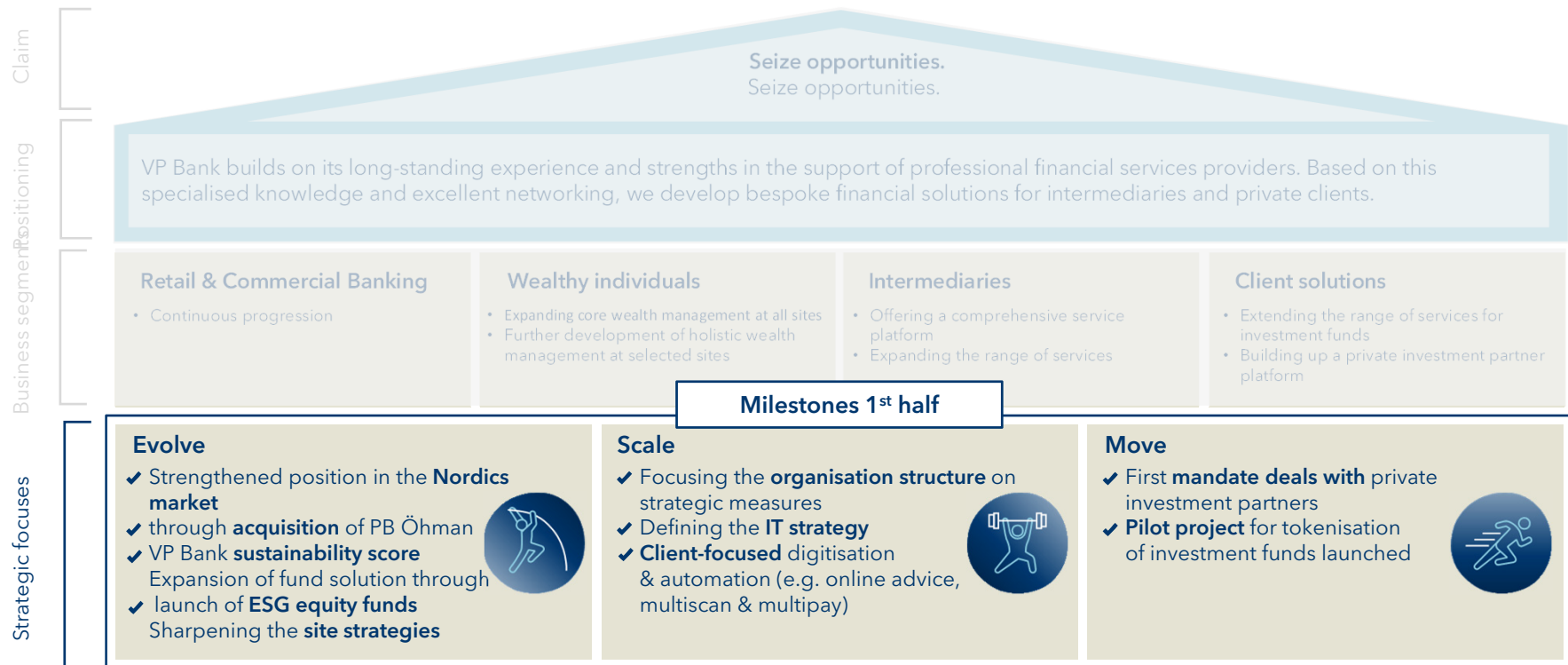
Profit target of CHF 100 million achieved by 2026



Strategy 2025/26 remains on track even in the current environment



Achieved milestones and developed concepts



Strategic priorities for the second half of the year

Evolve

- Finalising the site strategies
- Sharpening the client solution strategies and action plans
- Optimising VP Bank fund services, incl. mandates based on ESG criteria

Scale

- Strengthening risk and compliance governance, processes, directives and tools "Robusto"
- Completing the new organisation structures (incl. appointing GEM and functional leadership)
- Implementation planning IT Strategy 2025

Move

- Proof-of-concepts for tokenisation and data analytics
- Wealth management as a service
- First deals concluded in the field of private investment partners



Summary: Achieving the goal through three-fold measures

Seize opportunities.

- Targeted growth in the existing business
- With an added value service for intermediaries



Evolve

- By opening up new business fields



Move

- Thanks to effective strengths
- ... and scaling the operating model and sourcing standard services



Scale

The strategic objectives of CHF 100 million remain intact

A scenic view of a European city, likely Zurich, with a prominent church spire in the foreground. The spire is tall and slender, with a green patina on its upper section. The city below is densely packed with buildings, and the background features rolling green hills under a clear sky. The text "Questions and answers" is overlaid in the center of the image.

Questions and answers



Thank you very much!

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