

VP Bank Group · 10 March 2020

Media and Analyst Conference



Programme

Welcoming address

Fredy Vogt, Chairman of the Board of Directors

2019 VP Bank Group annual results

Siegbert Näscher, Chief Financial Officer

Status quo strategy implementation 2019

Paul H. Arni, Chief Executive Officer

Presentation of Strategy 2025

Fredy Vogt and Paul H. Arni

Questions and answers

2019 annual results

Significantly higher
group net income

Strong growth in
net new money

Impressive rise in
client assets under
management

Sound equity
capital

AGM 2020 motions of the Board of directors

- Unchanged dividend of CHF 5.50 proposed
- Share buyback programme
 - Purchase of up to 10 percent of our own shares
- Reappointment elections
 - Dr iur. Beat Graf
 - Michael Riesen
- Prof. Dr Teodoro D. Cocca is not standing for re-election
 - 9 year Board membership
 - Chair Strategy & Digitalisation Committee



Additional appointment to the Board of Directors



KATJA ROSENPLÄNTER-MARXER

- Katja Rosenplänter-Marxer
- Representative of the "Marxer Stiftung für Bank- und Unternehmenswerte" foundation
- Lawyer admitted to the bar in Germany
- Experience in the intermediary business, which is important for VP Bank
- Membership of the foundation council of the common benefit foundation "Lebenswertes Liechtenstein"

Change to the chairmanship of the Board of Directors – Dr Thomas R. Meier to succeed Fredy Vogt



DR THOMAS R. MEIER

- Dr Thomas R. Meier
- Election by the Board of Directors following the Annual General Meeting of 24 April 2020
- Member of the Board of Directors since 2018
- Deputy Chairman of the Board of Directors for the past 12 months
- International banking and management experience

An aerial, top-down view of a large, empty stadium seating bowl. The seats are arranged in concentric, oval-shaped tiers, creating a strong sense of depth and perspective. The central area of the stadium is a light gray oval, which serves as the background for the text. The overall color palette is monochromatic, consisting of various shades of gray and white.

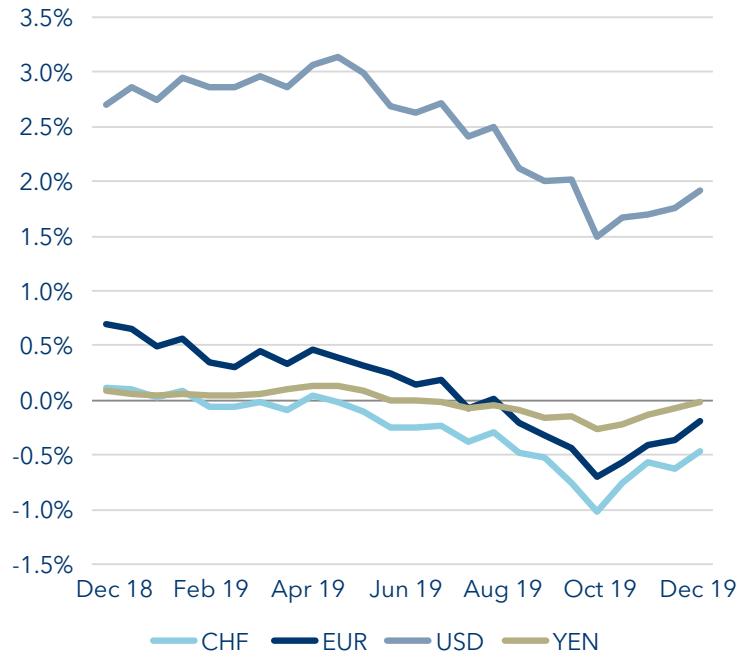
2019 annual results

Siegbert Näscher · Chief Financial Officer

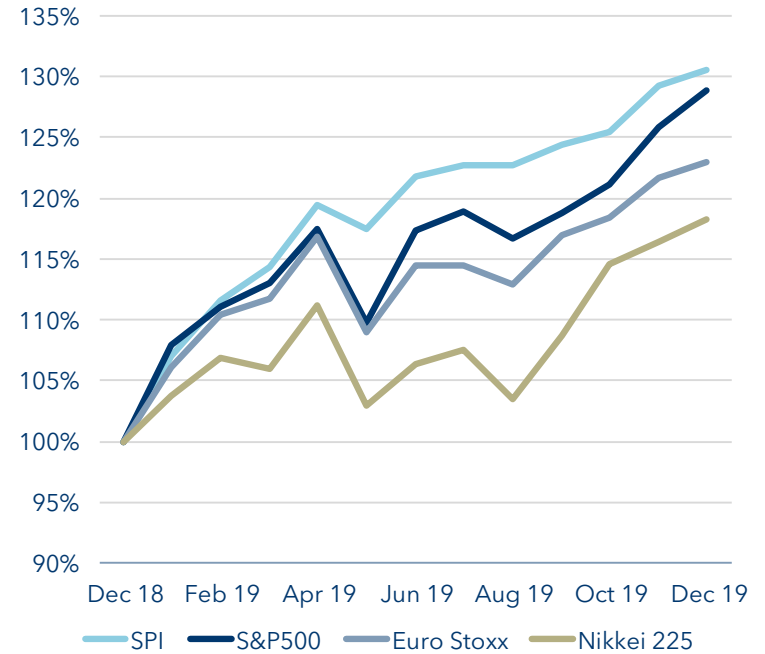
This presentation has been prepared with the greatest possible care. All data has been checked. Rounding, typesetting or printing errors cannot, however, be excluded.

Review 2019: Interest rates fall - equity markets rise

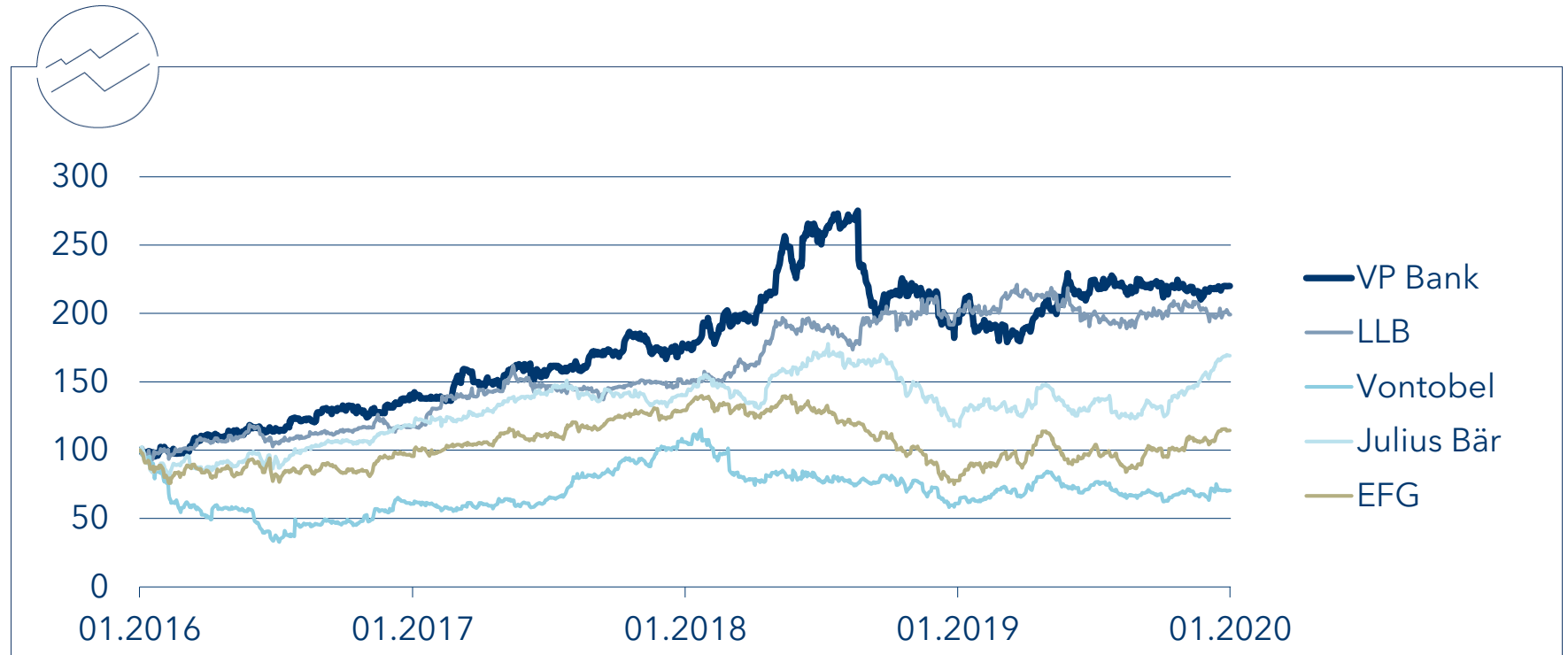
10-Year capital market returns: Focus on interest rate cuts



Equity markets: Made up for lost ground



VP Bank share price performance in comparison



Strong growth – positive financial market momentum



Growth initiatives and good operating performance as well as positive market environment

Net group income
CHF 73.5 million

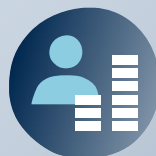
CHF 54.7 million in 2018

Strong commission and trading income

Cost income ratio
67.6%

75.8% in 2018

Below-average development of costs



Continued strong net inflow of new money
CHF 2.3 billion

CHF 3.2 billion in 2018

Consistent, high inflows, larger outflows



Extremely stable key balance sheet figures

Tier 1 ratio
20.2%

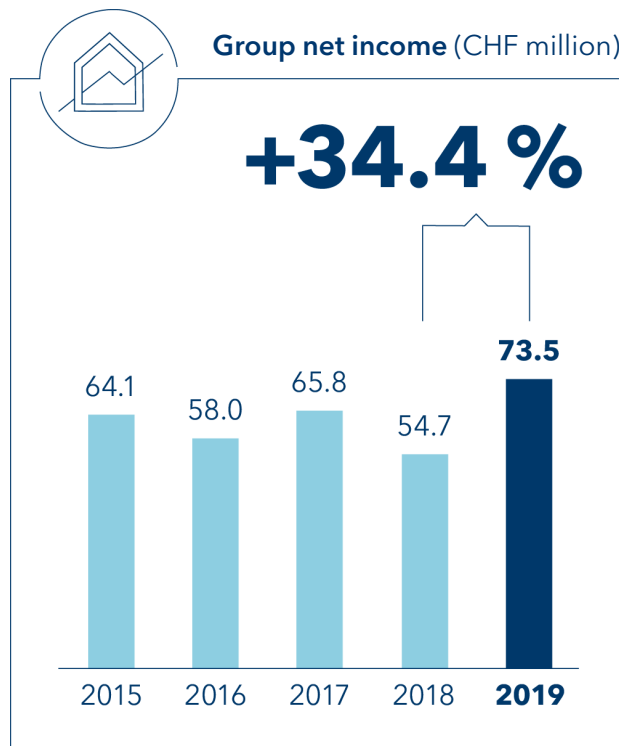
20.9% in 2018

Comfortable capital provisioning

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

Excellent rating

Strong rise in earnings, 34% higher



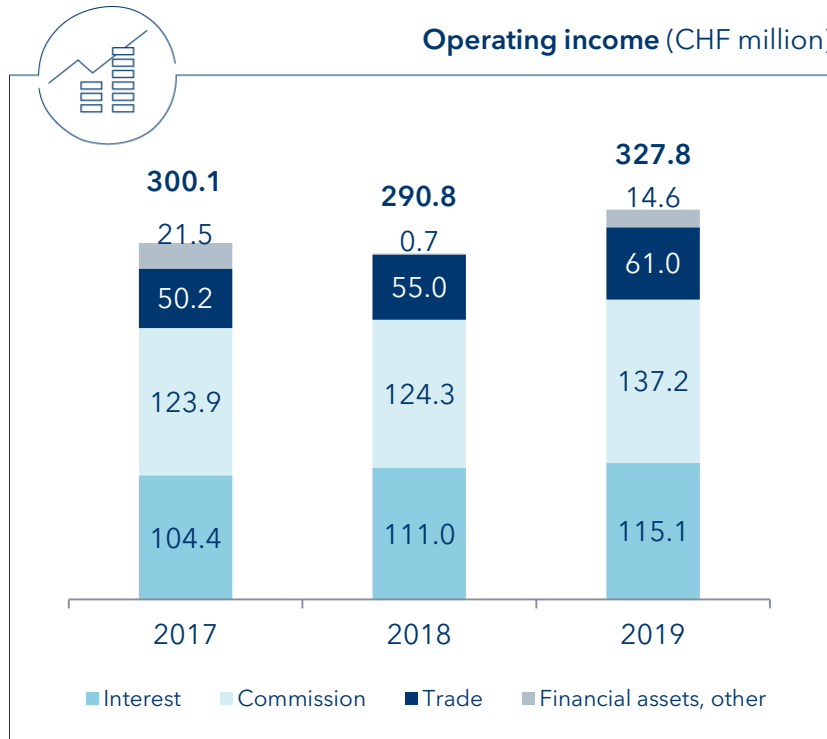
Income statement (CHF million)

	2017	2018	2019
Operating income	300.1	290.8	327.8
Operating expenses	-229.7	-232.3	-244.8
Taxes	-4.6	-3.8	-9.4
Net group income	65.8	54.7	73.5
One-off effects	0.8 ¹	0.0	0.0
Adjusted group net income	66.6	54.7	73.5

¹ One-off effect from provision NRW and IAS 19

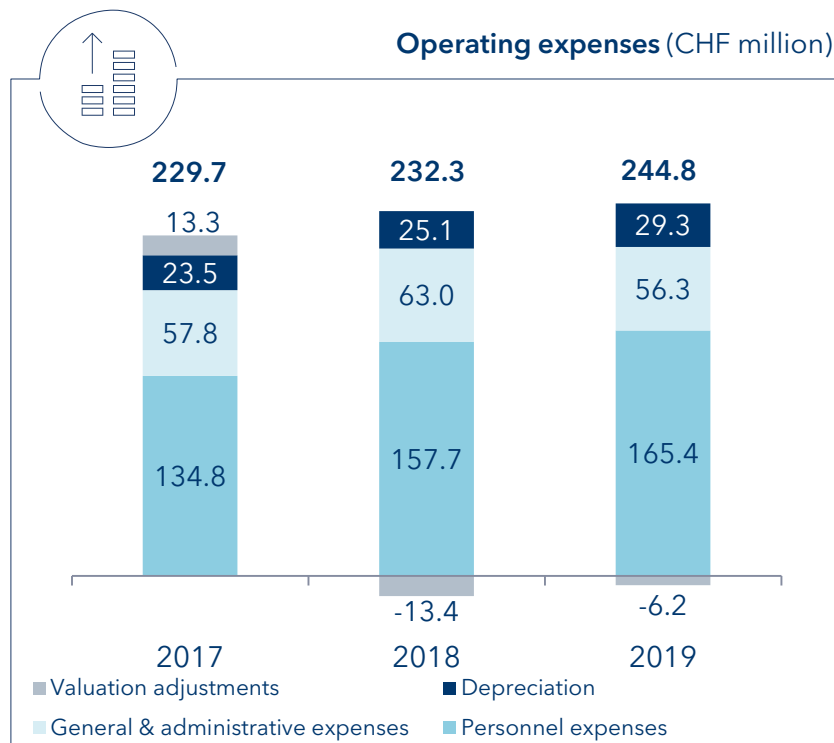
- Strong operating earnings growth as well as good result from financial assets
- Below-average increase in costs

Operative income figures show gains



- Interest income CHF 4.1 million or 3.7% higher
 - Interest income from customer loans significantly increased, but also higher interest expenses
 - Interest income from the treasury edged lower
- Commission income CHF 12.9 million or 10.4% higher
 - Good result from transaction-related earnings due to more client activities
 - Higher repeat earnings thanks to higher average assets
- Trading income CHF 6.0 million or 10.9% higher due to increased activities and price adjustments
- Financial assets CHF 15.9 million higher due to the positive performance of stock markets

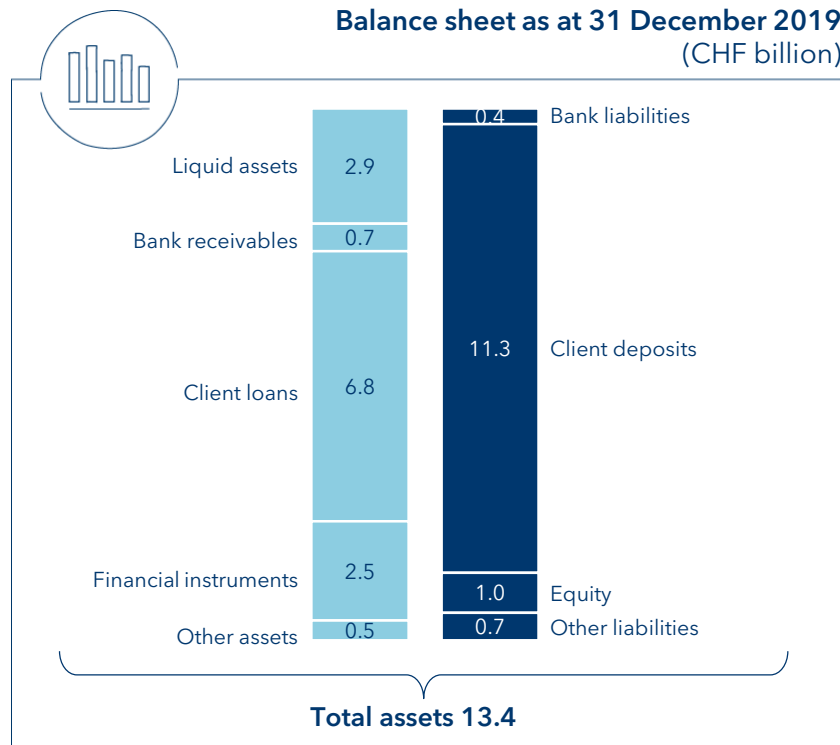
Higher personnel expenses – reversal of valuation adjustments



- Personnel expenses CHF 7.7 million or 4.9% higher
 - Higher average workforce
- General & administrative expenses CHF 6.6 million or -10.5% lower
 - Rise in the cost of information procurement
 - Cost of premises¹⁾ significantly lower
- Depreciation & amortisation¹⁾ CHF 4.2 million or 16.8% higher
- Valuation adjustments CHF 6.2 million lower due to reversal of loan provisions

1) From 01 January 2019 pursuant to IFRS 16 rental expenses was posted separately under interest expenses and depreciation, previously general & administrative expenses

Rise in total assets through organic and acquisition-driven growth

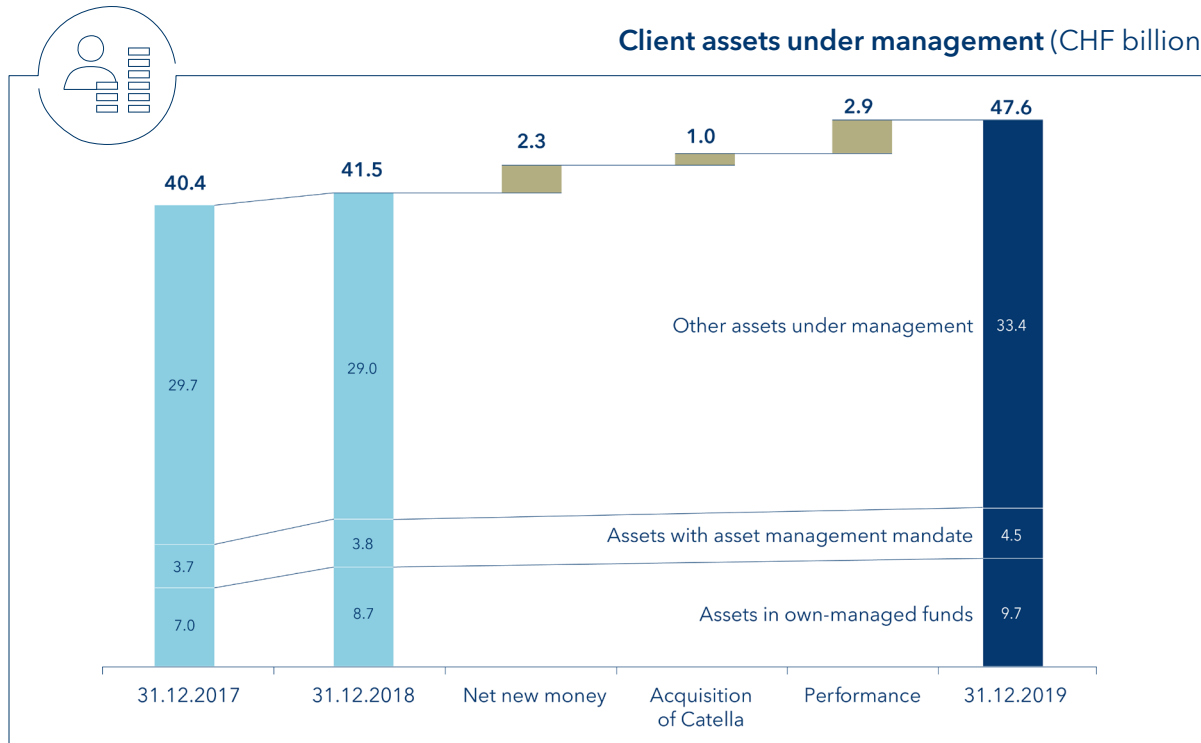


- Sound assets
 - High liquidity position
 - 9.7% rise in client lending, above all Lombard loans
- Stable refinancing
 - Client deposits account for 84% of total assets
 - Client deposits 7.0% higher
- Good equity capital base

Equity capital requirements comfortably exceeded

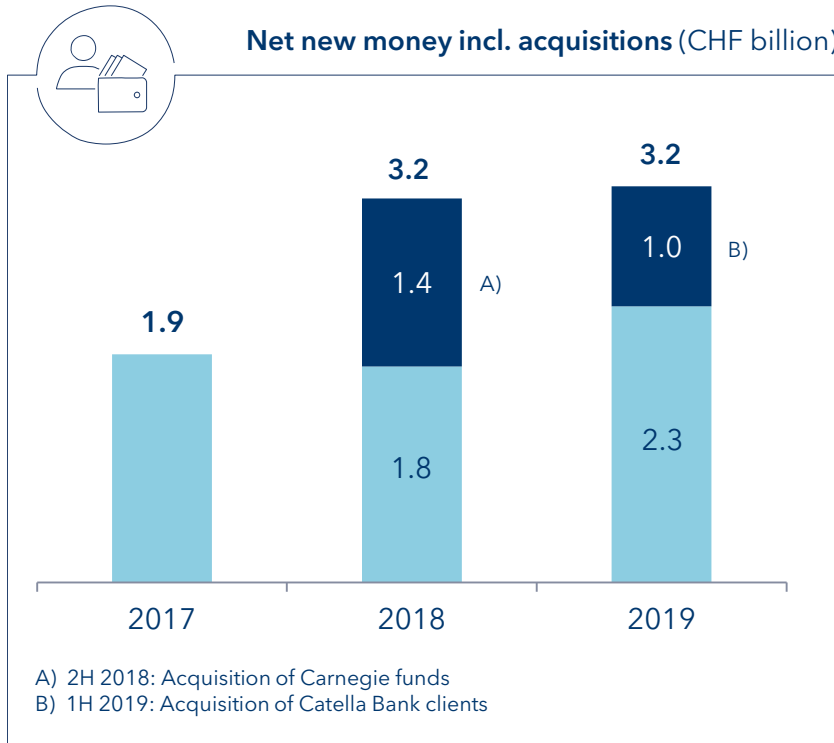
	31 December 2017	31 December 2018	31 December 2019
Risk-weighted assets in CHF billion	3.8	4.5	4.8
Core capital (CET 1) in CHF million	976.6	942.8	979.0
Tier 1 ratio (CET 1 ratio)	25.7%	20.9%	20.2%
Liquidity coverage ratio (LCR)	161%	143%	213%
Leverage ratio	7.5%	7.3%	7.1%
Loan to deposit ratio	52.2%	58.6%	60.1%
Non-performing loans	1.1%	0.4%	0.8%
“Standard & Poor’s” rating	A-/positive/A-2	A/stable/A-1	A/stable/A-1

Client assets rise thanks to new money and market performance



- Client assets under management increase by 14.7%
- Net inflow of client assets total CHF 3.2 billion or 7.7%
- Positive market performance

International activities as engine of growth



- Strong inflow during the first half of the year - both organic as well as through acquisitions
- Good inflows thanks to recruitment of new client advisors
- Good net inflow from existing clients, despite larger outflows
- Catella acquisition brought VP Bank client assets totalling CHF 1 billion

Geographical diversification continues apace

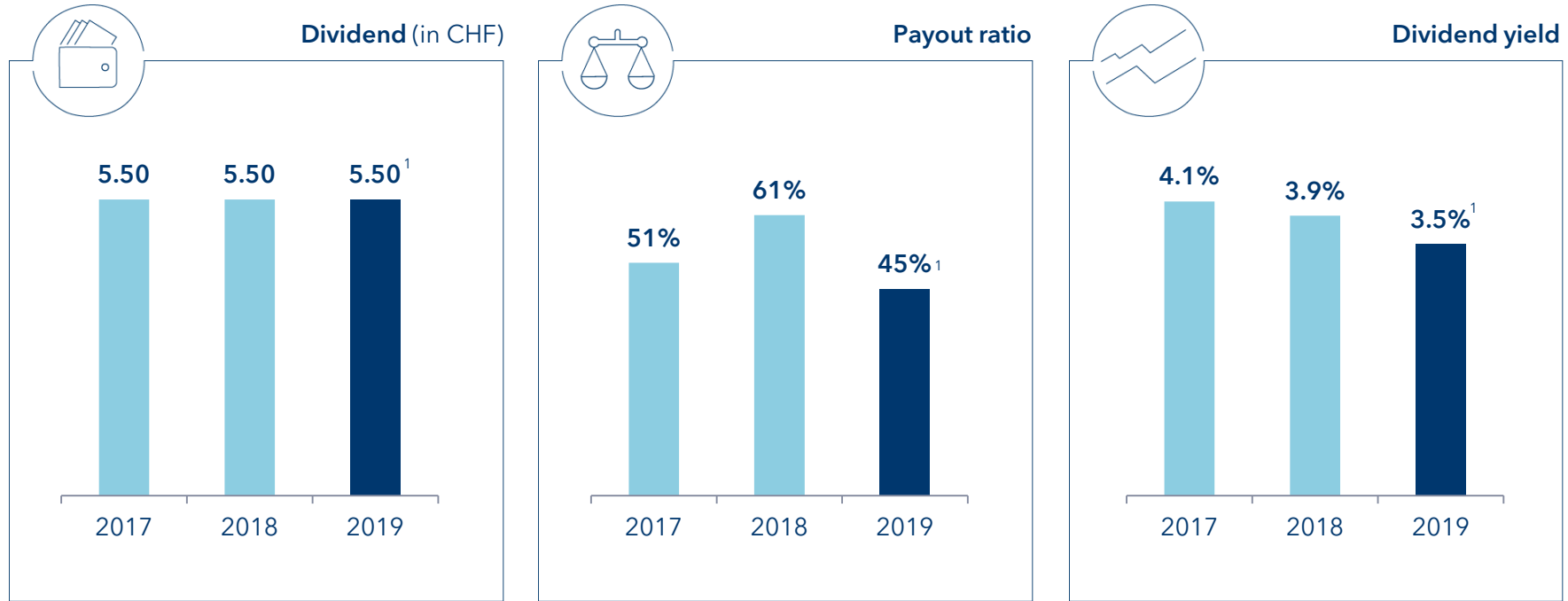
Segment overview as at 31 December 2019

	Client Business Liechtenstein	Client Business International	Corporate Center	Group
Business volumes in CHF ¹	31.1 billion	23.3 billion	-	54.4 billion
Client assets under management in CHF	26.9 billion	20.7 billion	-	47.6 billion
Net new money in CHF	-0.6 billion	2.9 billion	-	2.3 billion
Pre-tax results in CHF	84.2 million	38.8 million	-40.1 million	82.9 million
Gross margin in basis points ²	65.5	68.6	-	-
Workforce in FTE	180	326	368	874

¹ Client assets under management and client lending

² Operating income divided by average client assets under management

Long-term dividend within target range



Summary

Growth in line with strategy

- Front-office recruitment initiative
- Strong net inflows of new money

Robust operating performance

- Higher revenues (interest, commission and trade)

Two positive factors of influence

- Very good result from financial assets and reversal of valuation adjustments

Secure and stable bank

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



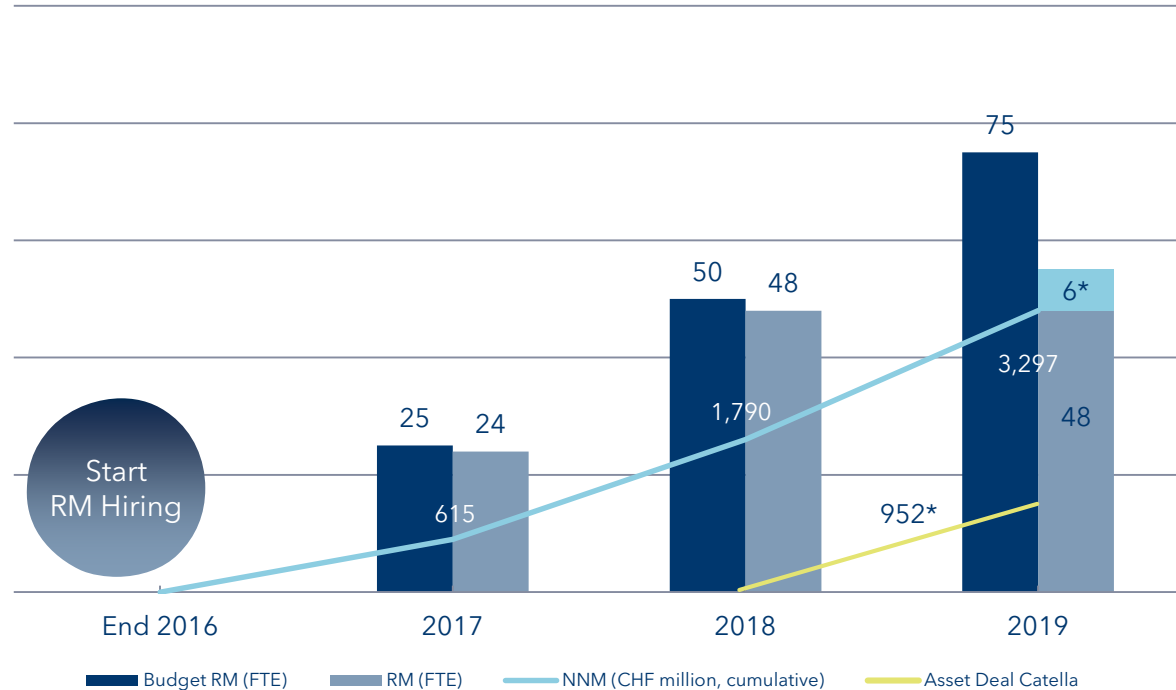
Status quo strategy implementation 2020

Paul H. Arni, Chief Executive Officer



Growth thanks to recruitment campaign and acquisition

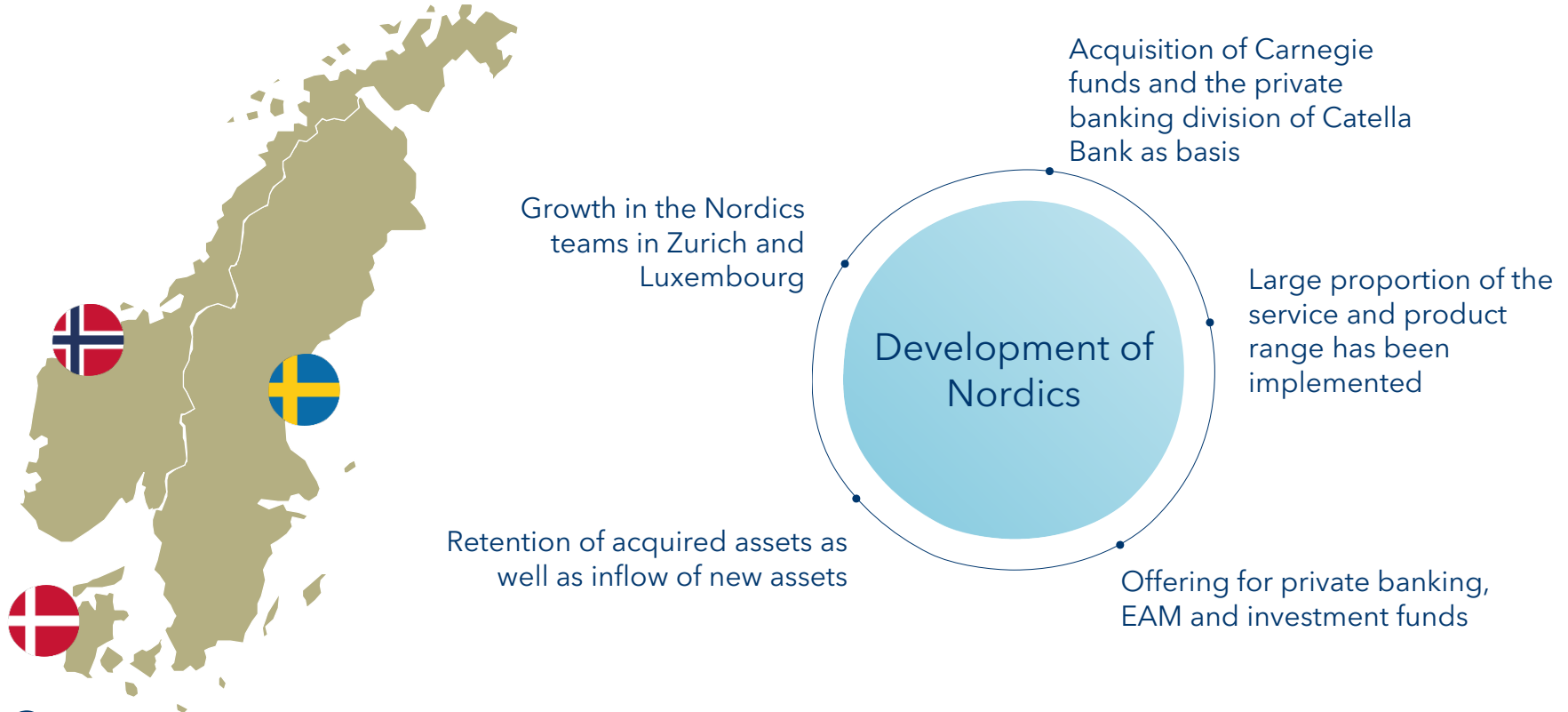
Relationship managers (FTE), net new money (CHF million) 2016-2019



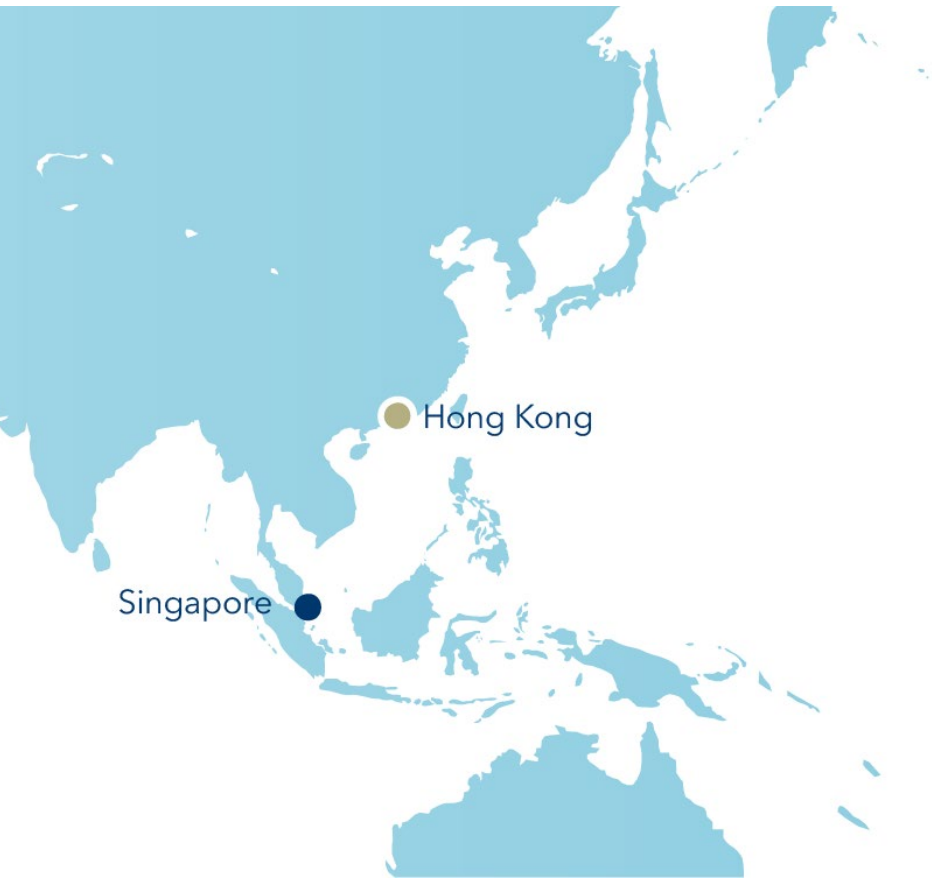
- Strong growth in net new money in the year 2019
- RM hiring initiative has been successfully completed
- To be continued within the context of the normal front initiatives

* Relationship managers and asset deal Catella acquisition CHF 952 million

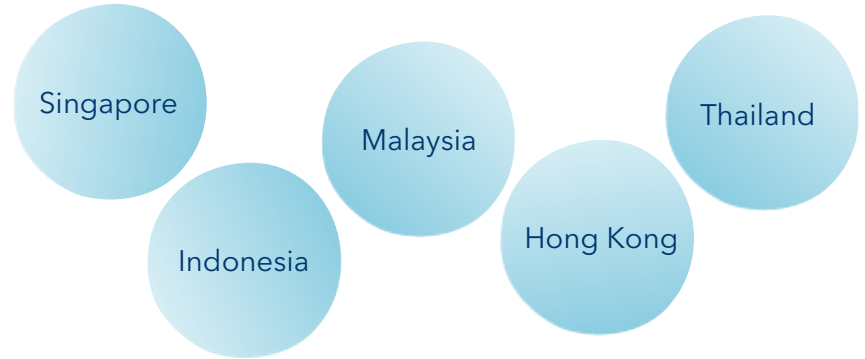
Integration of the “Nordics” target market is exceeding expectations



Strong growth of VP Bank in Asia



Target markets:



- Additional evaluation of **opportunities** in **China** in collaboration with **Hywin Wealth**
- **Awards** from WealthBriefingAsia



Medium-term goals 2020 on track – profit is a challenge



Client assets under
management
CHF 50 billion

- Assuming a positive market environment within grasp
- Growth at the international sites



Group net income
CHF 80 million

- Difficult to achieve without acquisition
- Earnings on financial assets hard to predict



Cost/income ratio
BELOW 70%

- Target achieved in 2019
- Remain on course in medium term

Outlook 2020: A transitional year in many respects



Strategy 2025

Seize opportunities.

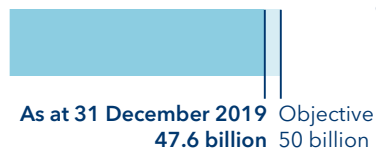
Fredy Vogt, Chairman of the Board of Directors
and Paul H. Arni, Chief Executive Officer



Successful Strategy 2020 – starting point for Strategy 2025

Strategy 2020 – strengthening the business model Strategy 2020 building on three pillars

Client assets



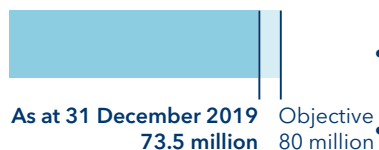
- Within grasp, assuming a positive market environment

Cost/income ratio



- Target achieved in 2019
- Remain on course in medium term

Profit



- Difficult to achieve without acquisition
- Earnings on financial assets hard to predict



Growth

- Strengthening the international sites
- Expanding the investment fund business



Focus

- IT centralisation
- Optimising the front organisation



Culture

- Stable shareholder structure
- Optimising group-wide cooperation
- Satisfied clients and motivated employees

Building on healthy and strong foundations



Strong operating performance, financial strength and healthy balance sheet

Expert and dedicated employees

Progressive financial centre with forward-looking regulations

Proven business model with focus on private banking, intermediaries and fund solutions



**Our DNA:
Consultancy
expertise and
professional
services for
intermediaries and
discerning private
clients**

Close client relationships and satisfied clients

Strong position in respect of Liechtenstein domestic market and important financial centres

Sustainability as key strategic pillar



Established digital services for intermediaries and private clients

System-relevant, listed bank with long-term shareholder base and attractive dividend



Sustainability principles have characterised VP Bank since its foundation

1

Sustainability as an integral part of corporate operations since 1956

- Corporate responsibility through commitment of the anchor shareholders
- Corporate sustainability in the form of project-related activities
- Sustainability reporting

2

Focus on sustainable investment topics and products

- Consideration of sustainability in portfolio management and investment products

3

Holistic integration

- Evaluation of sustainability criteria throughout the entire range of services and at the consultancy level

VP Bank serves clients, employees and society

Our bank

We are a profitable and independent private bank

Stable group of shareholders

Combination of local roots and targeted international presence

We exercise our social responsibility

We specialise in intermediaries and private clients

We create and nurture long-term relationships based upon trust

We support our clients in an expert, personal and straightforward manner

Our clients

Our culture

Our cooperation is characterised by mutual respect, trust and esteem

Culture of commitment, entrepreneurship and personal responsibility

We are a coveted employer for our dedicated employees.

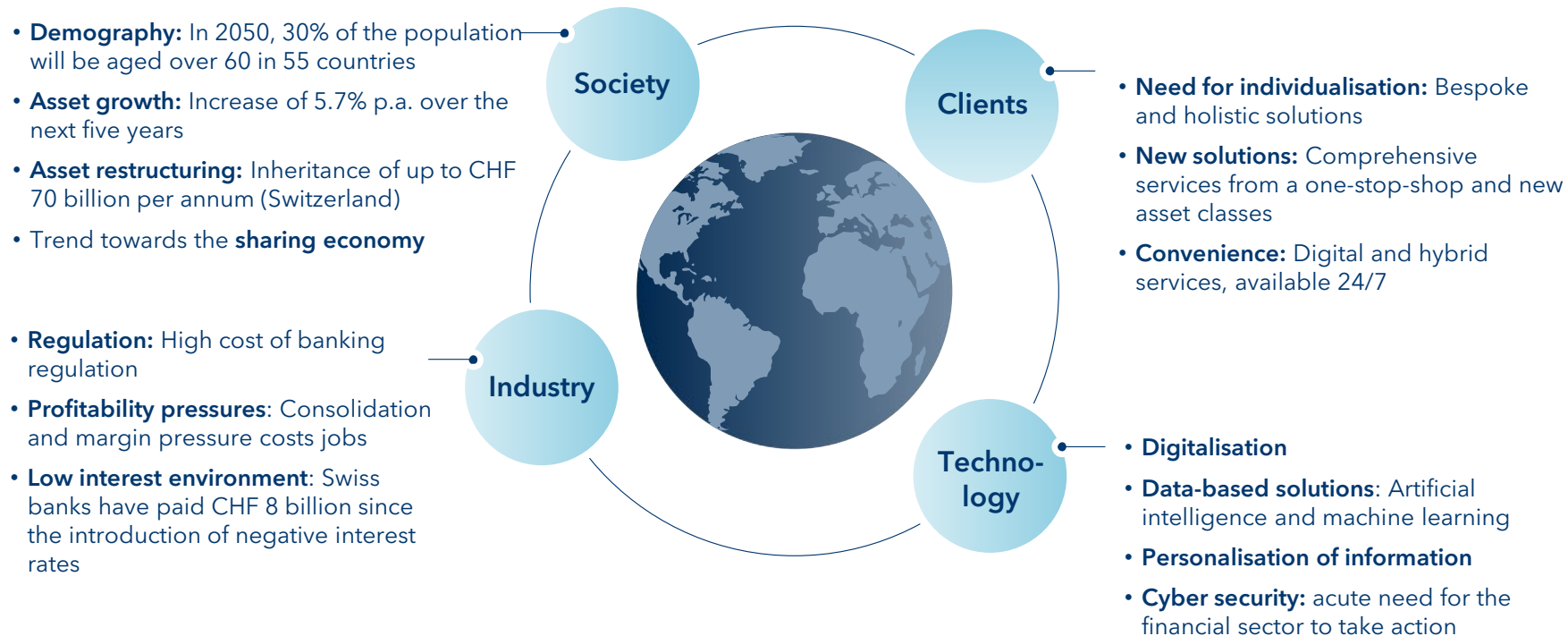
We approach challenges jointly, rigorously and with innovation

We lead with clear objectives, and provide open feedback.

Seize opportunities.



Financial sector is getting more challenging and also offers opportunities



Ten basic assumptions for Strategy 2025

Industry

- 1 **Clear positioning** is increasingly important in a fragmented market
- 2 **New asset classes** offer new investment opportunities
- 3 ALM and securities custody are provided by **licensed banks**
- 4 **Geographic/legal restrictions** as barriers to entry for new competitors

Clients

- 5 **Trust-worthy partnership** and **individual consultancy** are elementary
- 6 **Individualised services** (24/7) thanks to an integral channel mix

Employees

- 7 **Highly-qualified employees** with social and management skills in demand

Technology

- 8 **New technologies** will shake up existing processes (e.g. blockchain)
- 9 **Data analysis** and **artificial intelligence** to improve client comprehension
- 10 Use of scale effects thanks to outsourcing of **standard services**

The positioning of VP Bank – what we offer for whom

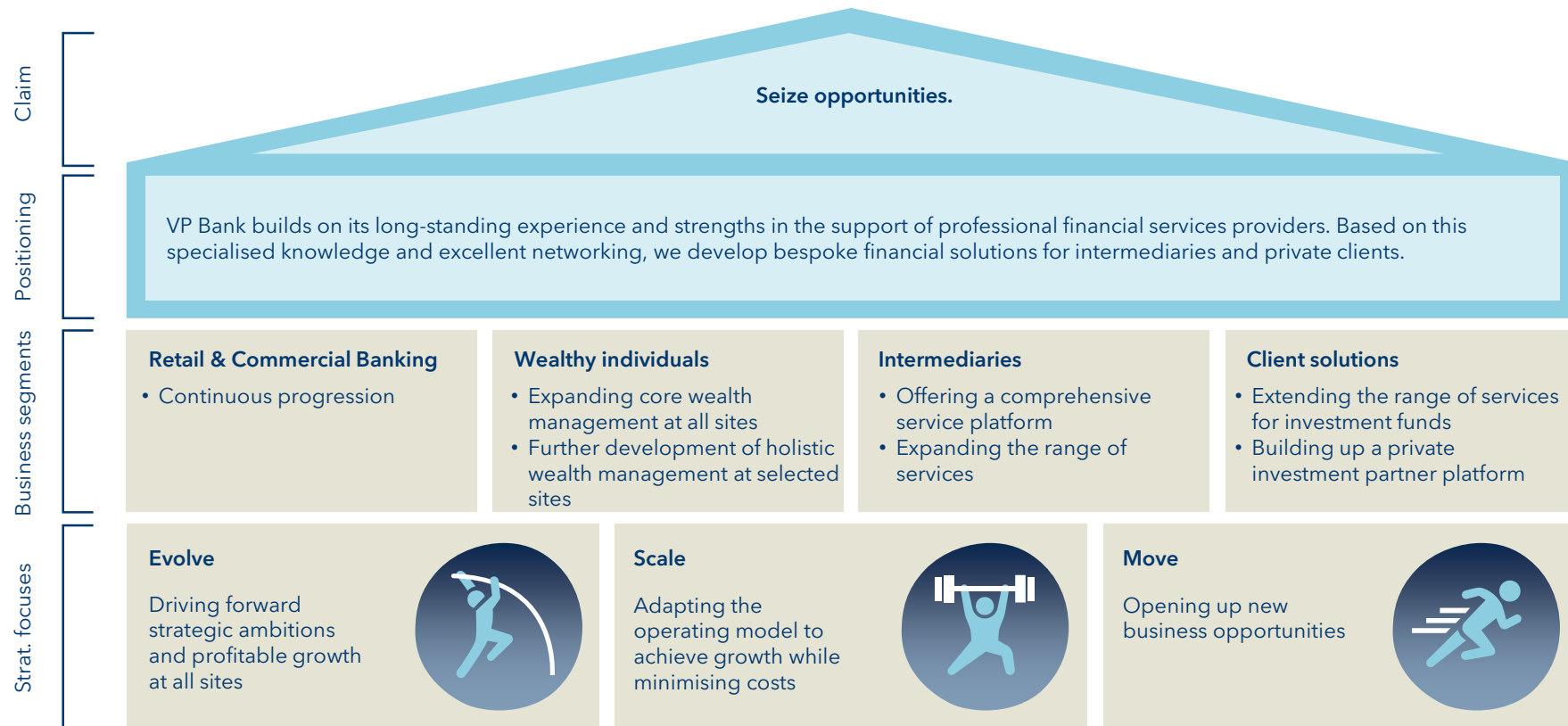
We develop **bespoke financial solutions** for **intermediaries** and **private clients** thanks to **specialist expertise** and **excellent networks**. To do this, we build on our **long-standing experience** and strengths in the support of **discerning clients**.

Established business fields and targeted geographic presence

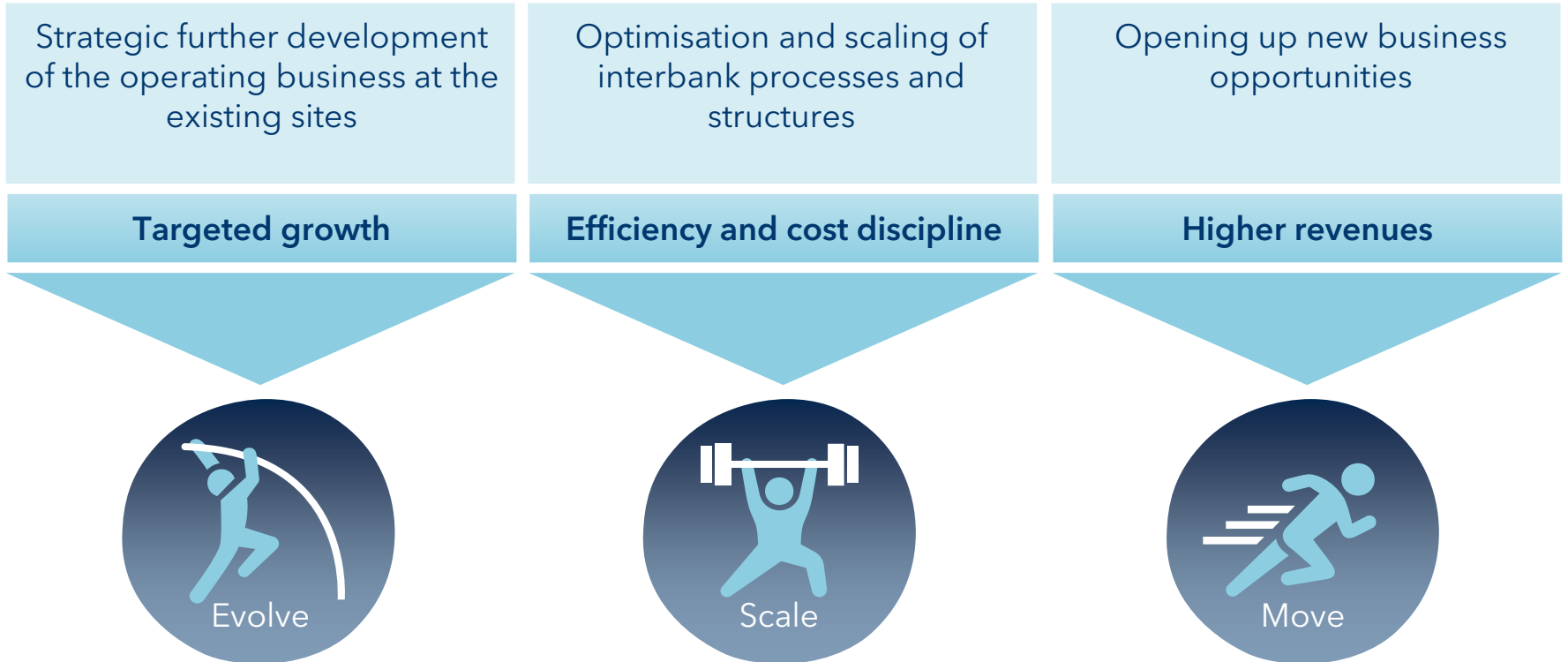
Business fields	Markets Europe	Markets Asia
Retail & Commercial Banking	<ul style="list-style-type: none"> • Liechtenstein 	
Wealthy Individuals	<ul style="list-style-type: none"> • Liechtenstein • Switzerland • Germany • Luxembourg • Russia • Ukraine • Nordics 	<ul style="list-style-type: none"> • Singapore • Hong Kong • Indonesia • Malaysia • Thailand
Intermediaries	<ul style="list-style-type: none"> • Liechtenstein • Switzerland • Luxembourg • Nordics 	<ul style="list-style-type: none"> • Singapore • Hong Kong
Client Solutions	<ul style="list-style-type: none"> • Liechtenstein • Luxembourg 	



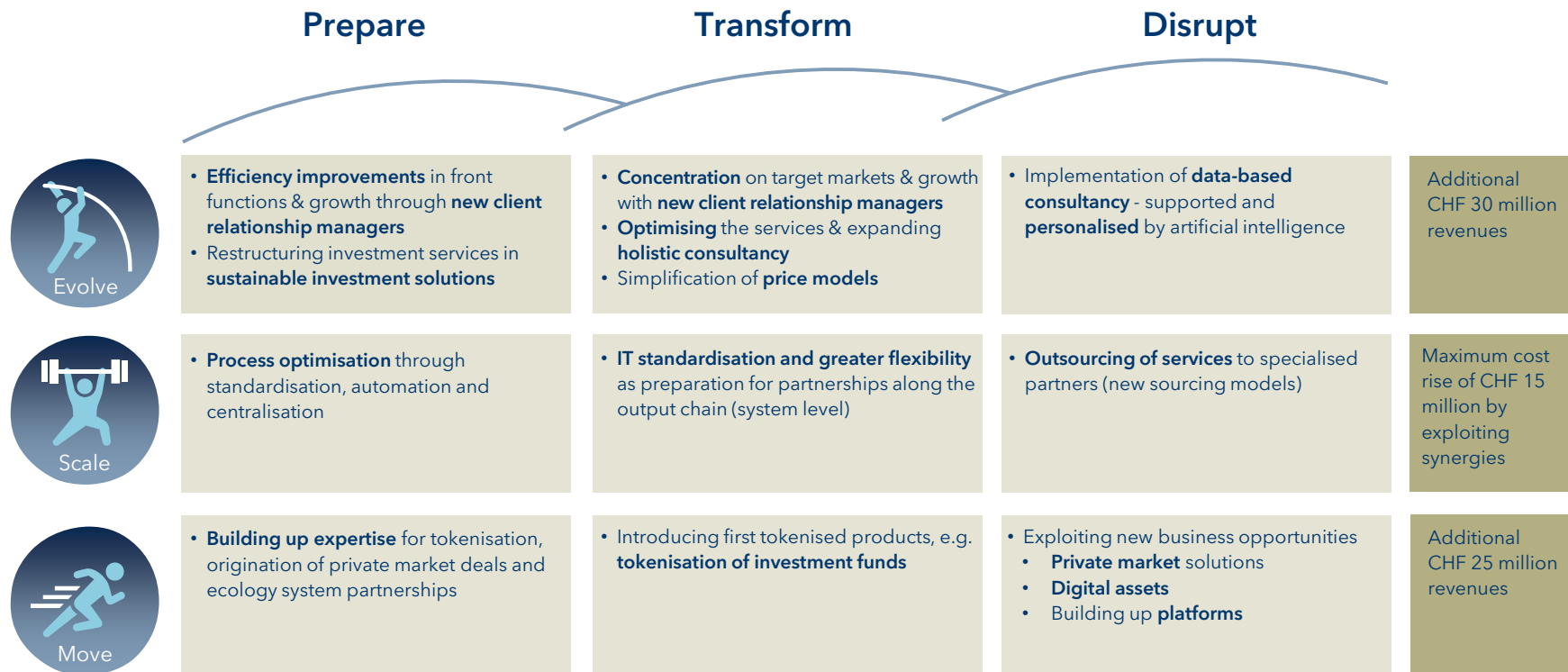
Individual solutions for professional financial services providers and private clients



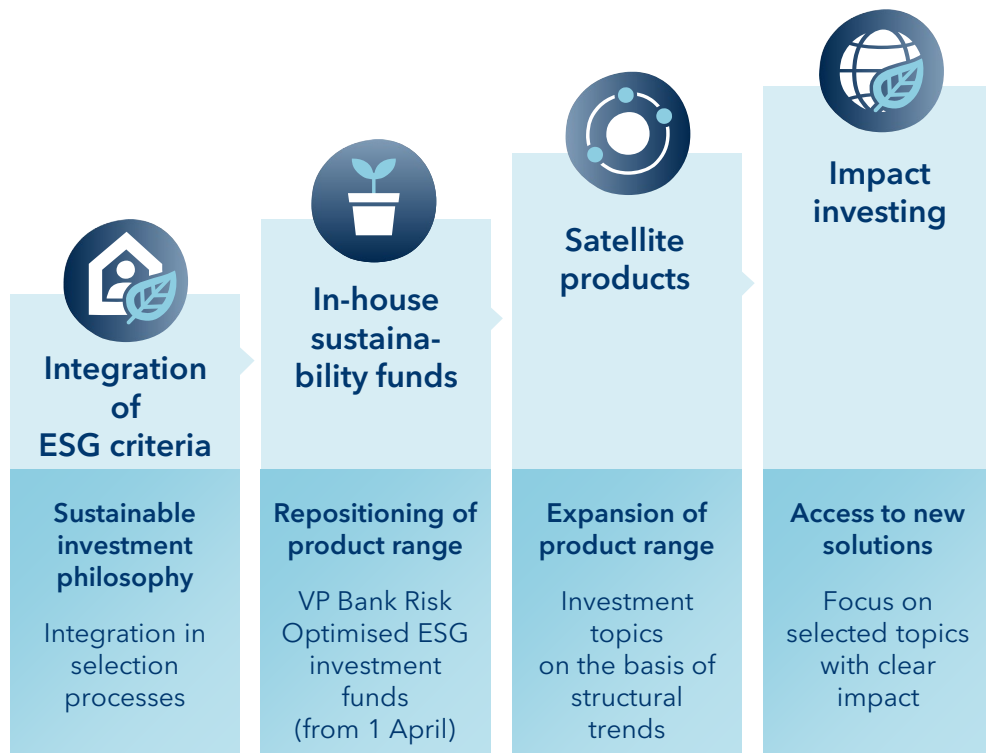
Strategic focuses for 2025: Growth - efficiency - new income



Strategic measures with short-term, medium-term and long-term perspectives



Opportunity evolve: Integration of sustainability in the entire product range



Benefits for clients

- High transparency in relation to ESG
- Added value not just for investors with sustainability focus
- Improved risk/return ratio
- Topic-based investment opportunities

Benefits for VP Bank

- Broadening the range of services
- Clear positioning
- New revenue sources with higher share of added value
- Net new money from investors with sustainability focus thanks to credible services

Chance scale: Simplified client processes for client onboarding & KYC



Opportunity move: New investment opportunities based on existing expertise of VP Fund Solutions

Concept	Investment and co-investment platform
Purpose	“Match making” of investors with investment opportunities
Target clients	Professional investors (private & institutional)
Investment topics	Sustainability, real estate, own topics of our investors
Role of VP Bank	Origination, structuring, execution, distribution

Benefits for clients

- New investment opportunities with low correlation
- International networking
- Exclusivity and confidentiality
- Opportunity to choose own structure

Benefits for VP Bank

- New revenue sources with attractive margins
- Addressing new potential clients and exploiting networks
- No new balance sheet risks

Opportunity move: Digitalisation of assets

Funds & SPVs



- Tokenisation of fund units and their custody
- Issue of classic portfolio structures that invest in tokens (SPVs, funds)
- Structuring a “portfolio token” that invests in tokens

Bonds & equities



- Tokenisation of bonds and equities
- Tokenised equities and bonds as granular portfolio components
- Use of tokens as underlying security and collateral

Special assets



- Tokenisation of real estate, valuables and intellectual property
- Tokenisation of private market assets

Benefits for clients

- New marketplace for assets that are traditionally difficult to transfer
- Democratisation of private market assets

Benefits for VP Bank

- Efficiency gains from new technologies on the structuring side of the business
- Opening up new business models

Financial goals 2025: Raising group net income to CHF 100 million



Growth

Net new money
(in % AuM)

> 4% p.a.¹⁾



Profitability

Profit
margin
(in bp AuM)

> 15 bp

Cost/
income
ratio²⁾

70%



Stability

Tier 1
ratio

> 20%

Already initiated evolve, scale and move measures 2020



- Integration of **ESG criteria** with additional **in-house sustainability rating** in all investment processes as well as launch of in-house **sustainability funds** on 1 April
- Introduction of a **professional client advisor position** around the middle of the year for more effective market development



- Preparatory work for **compliance suite** has been completed; goal: Implementation of phase 1 (inter alia AML)
- Process for simplified **client onboarding** was launched in February; goal: Substantial reduction of documents and signatures



- New **Private Investment Partners** team began its work at VP Bank on 1 March
- Pilot project for **fund digitalisation** has been initiated, business case to be presented by the end of June

Next steps: Organisational adjustments to implement Strategy 2025



Intermediaries &
Private Banking



Client
solutions

Structure follows strategy...

- Concentrating the front-related business unit on client support and market development
- Integrating the Group Product Centre in the front-related business unit
- Introducing functional management at the international sites to boost efficiency

- Investment Solutions business unit to become Client Solutions business unit. Fund Solutions to be made an integral part of the new unit
- Outsourcing secondary parts of Investment Solutions to the function assigned to the CEO

... with the following consequences

- Local CEOs to be included in the International CEO Committee
- Establishing a Product & Service Committee to systematise and coordinate product development

- New Head Client Solutions and member of Group Executive Management (GEM) will be sought
- Previous Head Investment Solutions to move as CIO with his team to the CEO field and will be stepping down from Group Executive Management

Summary: Achieving the goal through three-fold measures

Seize opportunities.

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



- By opening up new business fields



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



With the goal of achieving group net income of CHF 100 million by 2025



Questions

A panoramic view of a city, likely Zurich, featuring a prominent green spire and a clock tower. The text "Invitation to lunch" is overlaid in the center. The background shows a dense urban area with various buildings and a forested hillside under a clear sky.

Invitation to lunch

Disclaimer

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