



Acceleration of growth in the second half of the strategy.

Dear Shareholders, Ladies and Gentlemen

After a difficult previous year marked by geopolitical uncertainties, the initial months of the 2023 investment year were also fraught with uneasiness. Moreover, the fastest rise in interest rates in recent history posed new challenges for investors and changed the status quo for banks. All things considered, however, the economy proved to be astonishingly robust in 2023. The recession expected by a number of market observers failed to materialise, which led to considerable gains on the equity market. VP Bank shares got off to a positive start in the 2023 stock market year, but then had to give up some their gains before closing practically unchanged at the previous year's level. However, owing to the dividend payment, VP Bank shares posted a performance comparable to that of the Swiss market as a whole.

VP Bank earns 10 per cent more than in previous year

On account of its diversified business model, VP Bank once again succeeded in increasing its profitability. Operating income increased by 8.3 per cent to CHF 364.4 million. This increase was driven primarily by interest income and income from trading activities, whereas income from commission business and services came in roughly at the previous year's level. Operating expenses increased in line with expectations by 7.7 per cent to CHF 313.5 million. They include extraordinary compliance expenses for adjustments made to the client portfolio, as well as the announced increase in depreciation and amortisation due to investments that were made. In all, higher corporate earnings and normalised cost growth resulted in net income for the year of CHF 44.2 million, which represents an increase of 10.1 per cent compared with the previous year. The significant appreciation of the Swiss franc affected the result: VP Bank makes less than 30 per cent of its corporate earnings in Swiss francs, whereas almost 80 per cent of its costs are in this currency. If exchange rates had remained constant, net income for the year would have grown by around 30 per cent.

In 2022, Russia's war of aggression against Ukraine and the related sanctions on persons with a Russian background led to a withdrawal from business with Russian clients. This strategic business decision, together with the revision of client documentation, resulted in broader adjustments being made to the client portfolio, which in 2023 is reflected in the development

of new money. However, new money inflows compensated for initiated outflows, such that the Group's net new money inflow stood at CHF 27 million at the end of 2023. VP Bank Group's client assets under management were roughly at the previous year's level, coming in at CHF 46.4 billion as of the end of 2023. Compared to its competitors, VP Bank continues to demonstrate excellent financial stability and high liquidity. The tier 1 ratio was 24.9 per cent, and the liquidity coverage ratio was 305.8 per cent.

New offerings for clients

We launched a number of important products and services in 2023. The investments made in an Open Wealth-ready IT and service architecture will now enable us to more easily integrate innovative third-party providers and to develop new services in a quick and agile manner. Our clients also benefited from this in the previous year. For example, we expanded our range of services to include digital client onboarding for intermediary clients and digital lombard lending for private clients. In addition, time deposits can now be fixed with just a click of the mouse. In the Liechtenstein home market, we introduced VP Bank Nova, a range of products for young adults, which closed a significant gap in the existing offering. The package solutions for payment transactions and for wealth planning and creation will in future play an important role in appealing to and winning over the young generation. Moreover, the further expansion of wealth planning capacities enables us to provide clients with advice that is even more comprehensive.

Strategy cycle at halfway point and on course

VP Bank started the new strategy cycle in 2021 and is now at the halfway point. Although the geopolitical and interest rate environment continued to be challenging, VP Bank stayed on course and systematically pushed ahead with strategy implementation. It made the necessary investments in the future and laid the foundation for an Open Wealth-ready IT and service architecture. The quality of the risk management system was markedly improved, which also proved robust in a changed interest rate environment. In addition, VP Bank transitioned its organisation to a regional target structure, which will further support the growth path in the regions.

In the second half of the strategy, we will now work to further accelerate growth by increasing the profitability of our strong existing core business over the long term. In line with the regional market cultivation plans, we will further enhance our value proposition in 2024. Cost growth will normalise through active cost management and the drop-off in depreciation and amortisation. We are confident that this will allow us to achieve our financial goals, namely annual income growth of between 4 and 6 per cent, annual net new money growth of at least 4 per cent, a tier 1 ratio of more than 20 per cent and a cost/income ratio of less than 75 per cent by 2026.

Changes to the Board of Directors and the Executive Board

The Executive Board and the Board of Directors experienced changes in 2023. In April, Stephan Zimmermann and Stefan Amstad were elected to the Board of Directors at the annual general meeting. Michael Riesen declared his intention not to seek re-election and stepped down from his position on the Board of Directors after nine years in office. In addition, after a total of six years in office and two terms as Chairman of the Board of Directors, Dr Thomas Meier decided not to stand for re-election at the annual general meeting. The early announcement should ensure a seamless passing of the baton. The Board of Directors plans to elect Stephan Zimmermann as its new chairman, with the handover scheduled to take place after the 2024 annual general meeting. Furthermore, the Board of Directors proposes that the annual general meeting elect Dr Dirk Klee as a new member of the Board of Directors and re-elect Philipp Elkuch for a term of office of three years.

In April 2023, the Board of Directors appointed Dr Mara Harvey, Head of Region Europe, and Dr Rolf Steiner, Head of Group Products & Solutions, to the Executive Board of VP Bank Group. The appointment of Mara Harvey represents VP Bank's commitment to its international orientation; Rolf Steiner's appointment represents its commitment to Group Products & Solutions, a key division for VP Bank Group. At the beginning of August, Adrian Schneider, Head of Region Liechtenstein & BVI, became the final new member to round out the Executive Board.

Proposed dividend

The Board of Directors proposes that the VP Bank annual general meeting of 26 April 2024 approve an unchanged dividend pay-out of CHF 5.00 per registered share A and CHF 0.50 per registered share B. At 69.5 per cent of Group net income, the envisaged dividend pay-out ratio is above the long-term target range of 40 to 60 per cent set by the Board of Directors. VP Bank is extremely well capitalised and has completed most of the investment cycle. The Bank's profitability and stability make it possible to aim for a dividend that is as stable as possible.

Thank you

We would like to thank our clients and shareholders for the loyalty they continue to show to VP Bank. We also owe our employees a special debt of gratitude. Thanks to their commitment and extraordinary effort, we were able to complete the first half of our strategy with success. On behalf of the Board of Directors and the Executive Board, we would like to take this opportunity to expressly thank all of our employees for this. Our employees are VP Bank's most valuable and decisive competitive advantage. The promotion of our employees and their talents is therefore an important concern for us. This is also highlighted by this Annual Report, which is dedicated to the topic of talent.



Dr Thomas R. Meier
Chairman of the Board of Directors



Paul H. Arni
Chief Executive Officer