

Statement by the Chairman of the Board and the Chief Executive Officer

Dear Shareholders, Ladies and Gentlemen

The first half of the year remained characterised by the geopolitical situation and was dramatic for the banking sector. While the collapse of three regional banks in the US raised concerns about the stability of the American banking system, the state-ordered emergency takeover of Credit Suisse by UBS shaped the market and industry activity in Europe. In this context, the issue of trust took on a crucial role. However, given the quick and effective actions in the case of Credit Suisse, it became clear how important it is for Switzerland and Liechtenstein to have a strong, stable banking system. While the banking sector experienced pressure due to restrictive monetary policy, the institutions - with few exceptions - proved to be well equipped and resilient. The fact that the markets remained astonishingly relaxed given the circumstances could be seen as an expression of trust. Bonds, equities and even gold recorded significant gains in the first half of the year. However, given the rapid tightening of monetary policy, we feel it is still too early to give the all-clear. Higher financing costs will result in lower investment levels, which in turn will impact the overall economy. This increases the likelihood of the economy sliding into a recession. Recessions are a common result of central banks increasing key short-term interest rates. We remain

cautious and recommend that our clients take a defensive stance.

After solid development at the start of the year, VP Bank shares have come under pressure in May and June. In addition to daily trading volumes, which are traditionally very low, we believe this is primarily due to the conservative outlook of market participants with regards to the banking sector.

Increasing corporate earnings and profitability

In this market environment, which is particularly challenging for banks, VP Bank once again demonstrated a high level of resilience and was able to generate added value for its clients thanks to its diversified business model. VP Bank's total operating income increased in the first half of the year by 17 per cent to a total of CHF 188.3 million. VP Bank has thus once again steadily increased its profitability despite the headwinds facing the financial markets and the geopolitical crises of recent years. This profitability has enabled us to invest further in Strategy 2026 and in our target organisation. The investments that we have already made and announced entail delayed depreciation and amortisation costs, which are reflected in the increase in write-downs. Coupled with higher running costs associated with IT infrastructure and investments in skilled professionals, this resulted in a 14 per cent increase in operating expenses to CHF 158.2 million. Also worth mentioning are the increased credit provisions as of 30 June 2023, which were created as a result of the changing economic environment.

Nevertheless, the cost / income ratio improved from 85.7 per cent to 84.0 per cent. The overall increase in profitability resulted in a semi-annual profit of CHF 25.5 million, which represents an increase of 19 per cent compared to the previous year. Furthermore, compared to its competitors, VP Bank demonstrated excellent financial stability and high liquidity. Accordingly, its tier 1 ratio is 23.4 per cent, and its liquidity coverage ratio is 202.2 per cent.

Quality growth in all regions

VP Bank's profitability is built on the successful existing business in its three regions: its home market of Liechtenstein (incl. the British Virgin Islands) as well as Europe and Asia at a total of six locations. Development plans tailored to the individual regions aim to achieve further growth with both new and existing clients. Continued positive new money inflows in the first half of the year compensated for forced outflows due to adjustments to client portfolios for strategic reasons as well as outflows from clients with a connection to Russia. Net new money inflow nevertheless amounted to CHF 0.1 billion. Furthermore, we were able to further increase the number of new client relationships opened, which helped to improve the quality of our client portfolio on the whole, or rather which reflects a growing focus on target markets and target segments. The organisation is now rigorously



focused on marketing and sales activities, and as a result, we are in a very good position to grow further. In the second half of the year, a continued focus on our strengths and on growth in our target markets will remain our top priority.

Expansion of services for clients

VP Bank's traditional strength and expertise are based on its business with professional financial service providers, the intermediaries. When developing new services, the focus is therefore placed on individual – and sometimes complex – client needs. The investments made in an Open Wealth-ready IT and service architecture 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 first half of the year. For example, we expanded our range of services to include digital client onboarding for intermediaries and digital Lombard lending for private clients. In addition, time deposits can now be fixed with just a click of the mouse. In the second half of the year, we will focus on the needs of young adults, in particular in our home market of Liechtenstein. We will be introducing new banking packages for payment transactions and long-term, sustainable wealth planning and financial education for this target group.

Changes to the Board of Directors and the Executive Board

In the first half of the year, we welcomed new members to the Executive Board and the Board of Directors. 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. Group Executive Management also welcomed new members. In April, 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. 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.

Strategy implementation is on track

VP Bank started the new 2026 strategy cycle in 2021. Today, the cycle is nearly halfway complete. The pandemic, the war in Ukraine, the energy crisis, inflation and rising interest rates have been challenging; however, VP Bank

remained on track. Our risk and process management system has improved significantly and has proven itself to be robust, the organisation has transitioned to a regional target structure, and the necessary investments in the future have been made. The foundation for an Open Wealth-ready IT and service architecture has been laid. Now it is time to further accelerate growth and increase the profitability of our strong existing core business over the long term. In the second half of the year, we will focus on the further expansion of innovative digital services for clients, the widespread introduction of our wealth planning service and the creation of new services for young adults in our home market of Liechtenstein. Scaling and efficiency of processes and procedures will be of equal importance. We are confident that this will allow us to achieve our financial goals, namely an 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.

Thank you

We would like to thank our employees for their day-to-day dedication and for their commitment to constantly creating added value for our clients and shareholders. Our employees are the foundation of VP Bank's success. Therefore, we would like to sincerely

thank them on behalf of the Board of Directors and Group Executive Management. We would also like to take this opportunity to thank our clients and shareholders for their trust and loyalty.



Dr Thomas R. Meier
Chairman of the Board of Directors



Paul H. Arni
Chief Executive Officer

