

Media Release

Sharp rise in net new money at VP Bank – strategy-compliant, international growth squeezes Group earnings

Vaduz, 05 March 2019

In accordance with its long-term growth strategy, VP Bank Group recorded a net inflow of new money totalling CHF 3.2 billion in 2018. The international sites contributed in particular to this favourable result. At the same time, higher investment caused Group net income to decline 16.8 percent to CHF 54.7 million. An unchanged dividend of CHF 5.50 per class A registered share and CHF 0.55 per class B registered share will be proposed to the annual general meeting.

Overview of the most important facts

- One of the cornerstones of VP Bank Group's growth strategy is to increase client assets – whether through organic growth or through acquisitions. Thanks to the steady expansion of client supporting units, **net new money** totalled CHF 3.2 billion.
- **Assets under management** rose to reach CHF 41.5 billion.
- VP Bank's growth strategy as well as the negative market development impacted profitability: **Group net income** declined 16.8 percent to reach CHF 54.7 million (previous year: CHF 65.8 million).
- The **cost/income ratio** rose to 75.8 percent (previous year: 64.2 percent)
- On the earnings side, **interest income** (+ 6.3 percent) as well as **trading activities** (+9.4 percent) performed particularly well. **Commission business and services** rose only slightly (+ 0.3 percent).
- On the overheads side, higher personnel costs (relationship manager hiring), investment in digitalisation as well as in expanding the international sites had an effect on profitability. **Operating expenses** amounted to CHF 232.3 million (2017: CHF 229.8 million).
- Dissolution of **valuation adjustments** boosted the result by net CHF 13.4 million.
- **Financial assets** produced a loss of CHF 1.6 million, which contrasts with the profit of CHF 19.2 million recorded in 2017. The CHF 20.9 million reduction was attributable to non-realizable valuation losses on financial instruments.
- The **tier 1 ratio** amounted to 20.9 percent and the **leverage ratio** to 7.3 percent.
- The annual general meeting of 26 April 2019 will be asked to leave the **dividend** unchanged.

Operating earnings figures positive – despite difficult market environment

Even though the past financial year was difficult due to the persistently low interest rate environment and weak performance on international financial markets: in operating terms VP Bank performed well, particularly on the earnings side, and the most important earnings figures developed decidedly positively: **Earnings from interest income** rose by 6.3 percent in year-on-year terms to reach CHF 111.0 million. **Income from commission business and services** increased 0.3 percent in 2018 to reach CHF 124.3 million, while **earnings from trading activities** rose by an impressive 9.4 percent to reach CHF 55.0 million.

The fact that in overall terms **operating income** fell 3.1 percent to CHF 290.8 million, CHF 9.3 million lower than in the previous year, is due to a loss on **financial assets**, which resulted in a loss of CHF 1.6 million. In the previous year, a profit of CHF 19.2 million was recorded on this item.

Operating expenses characterised by special factor

Operating expenses rose CHF 2.6 million relative to the previous year, from CHF 229.8 million to reach CHF 232.3 million (an increase of 1.1 percent). General and administrative expenses increased 8.8 percent in the year 2018 to reach CHF 62.9 million. This increase was primarily brought about by information procurement costs and IT systems and is mainly attributable to the expansion of personnel resources with correspondingly higher maintenance and license fees. In addition, the cost of office premises rose in conjunction with new buildings and conversion work by CHF 1.2 million.

In accordance with IAS 19, **personnel expenses** were cut by CHF 10.1 million in 2017 as a result of the reduction in the conversion rate. Excluding this one-off effect, personnel expenses actually increased by 8.8 percent in the year 2018 to reach CHF 157.7 million. This increase resulted predominantly from the 8.6 percent increase in the size of the workforce of 868 full-time positions as at the end of 2018. The relationship manager hiring programme is one of the main reasons for this.

Amortisations were 6.6 percent higher in year-on-year terms, and amounted to CHF 25.1 million. In 2018, net CHF 13.4 was dissolved from the **valuation adjustments, provisions and losses** item for the benefit of Group net income. It proved possible to reduce the impact of hurricane Irma on the default risk of the credit portfolio of VP Bank (BVI) Ltd., triggering a corresponding dissolution of valuation adjustments.

The **cost/income ratio** rose to 75.8 percent (previous year: 64.2 percent). With a **tier 1 ratio** of 20.9 percent (previous year: 25.7 percent), VP Bank Group continues to have an extremely comfortable equity capital base on an industry comparison. Relative to the end of December 2017, **total assets** declined by a modest 0.3 billion Swiss francs or 2.7 percent.

Welcome increase in client assets under management

Client assets under management at VP Bank Group totalled CHF 41.5 billion as at the end of 2018. Relative to the previous year's figure of CHF 40.4 billion, this constitutes an increase of CHF 1.1 billion (plus 2.8 percent). The negative market trend - in particular during the fourth quarter - prevented an even more marked rise in the volume of client assets under management: At CHF -2.1 billion (CHF +2.7 billion in the previous year.) the performance contribution was decidedly negative.

In comparison to the development in the year 2017, there was a marked improvement in **net new money** during the year under report. In overall terms, VP Bank Group recorded a very high inflow of net new assets amounting to CHF 3.2 billion in the year 2018 (previous year: a rise of CHF 1.9 billion). All international sites contributed towards this positive result. The inflows of client assets were achieved thanks to intensive market development, inflows from existing clients and the recruitment of new client advisors.

Custody assets rose CHF 0.9 billion (15.3 percent) to reach CHF 7.0 billion (previous year: CHF 6.1 billion). **Client assets** including custody assets as at 31 December 2018 amounted to CHF 48.5 billion (previous year: CHF 46.4 billion).

"The renewed rise in net new assets beat expectations and underscores the effectiveness of our growth strategy. We are confident that we will be able to generate additional income from our numerous investments over the coming years," stated Dr Urs Monstein, Chief Executive Officer ad interim of VP Bank Group.

Two new members at Group management level

In 2018, VP Bank further adjusted its management structure in terms of personnel and expanded its authorities. On 1 March 2018, Dr Felix Brill joined VP Bank as the new Chief Investment Officer and Head of the "Investment Solutions" unit formed the previous year. With Felix Brill, the number of members of the Group Executive Management rose to a total of six. Dr Urs Monstein joined the Group Executive Management on 1 May in the capacity of Chief Operating Officer. Both new appointments were actually announced in the year 2017. Following the announcement of the departure of Alfred W. Moeckli as Chief Executive Officer, Urs Monstein was also made head of Group Executive Management on 1 February 2019 on an interim basis.

Annual general meeting

The Board of Directors is set to propose paying an unchanged dividend of CHF 5.50 per registered share A and of CHF 0.55 per registered share B to the general meeting of 26 April 2019. At 61 percent of consolidated net income, the planned dividend payout ratio is at the upper end of the target range defined by VP Bank. The generous distribution not only reflects the Bank's extremely solid capital position, but is moreover a sign that shareholder interests are taken into account.

The Board of Directors also proposes the re-election of Markus Thomas Hilti, Ursula Lang and Dr Gabriela Maria Payer as members of the Board of Directors for a period of office of three years. The Board of Directors furthermore resolved to appoint Dr Thomas R. Meier as the second Vice President of the Board of Directors. In this function he is also a member of the Nomination & Compensation Committee. Dr Christian Camenzind is no longer standing for election. Following completion of the three-year term of office, he has decided to step down from the Bank's most senior management body.

For corporate governance reasons and in view of the introduction of the rotation requirement, the Board of Directors decided to propose to the Annual General Meeting that PricewaterhouseCoopers be elected as the new auditors for the 2020 financial year. The audit of the 2019 financial year is to be conducted again by Ernst & Young AG.

Outlook

Growth will remain a key topic for VP Bank Group: This means rigorous continuation of the qualitative strengthening of the client support side, continued success in the investment fund field, the promotion of growth at the international sites and expansion of activities within the Scandinavian market. Investments are moreover planned in products and services in 2019, in particular within the context of VP Bank's digitalisation strategy as well as in respect of new asset management solutions. At the same time, it is important to keep focusing on systematic cost controls during the current year.

"VP Bank is in a good position to profit from the synergies presented by the Group as a whole and successfully to master the coming challenges. We shall continue rigorously to pursue our path of growth, focus and culture in the future," concludes Fredy Vogt, Chairman of the Board of Directors of VP Bank.

This Media Release can be found on the internet under www.vpbank.com / Investors & Media.

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Agenda

Annual General Meeting 2019	26 April 2019
Round Table - 2019 Interim Results	20 August 2019

Facts & Figures VP Bank Group

VP Bank AG was founded in 1956 and is one of the largest banks in Liechtenstein with 933 employees at the end of 2018 (full-time equivalent 868). It currently has offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong and Road Town on the British Virgin Islands. VP Bank Group offers bespoke asset management and investment consultancy for private individuals and intermediaries. Due to the open architecture, clients benefit from independent advice. The products and services of leading financial institutions as well as in-house investment solutions are included in client recommendations. VP Bank is listed on the Swiss stock exchange SIX, and has an "A" rating from Standard & Poor's. The bank has a sound balance sheet and capital base. Its anchor shareholders take a long-term view, guaranteeing continuity, independence as well as sustainability.