Media release

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VP Bank Group increased its assets under management by 8.1 per cent in 2021, posted Group net income of CHF 50.6 million (+21.7 per cent) and proposes a dividend increase of 25 per cent.

Vaduz, 8 March 2022

Against the backdrop of substantial investments that were made in connection with the implementation of Strategy 2026, VP Bank Group generated Group net income of CHF 50.6 million in 2021, which corresponds to an increase of 21.7 per cent. Client assets under management rose by 8.1 per cent. The proposed dividend of CHF 5.00 represents an increase of 25 per cent and underscores the profitability of VP Bank and the aim to provide an attractive dividend yield over the long term, which as at the end of 2021 stood at 5.2 per cent.

The key financial results for 2021 in overview

- Against the backdrop of substantial investments that were made in connection with Strategy 2026, particularly for the purpose of taking advantage of new business opportunities, **Group net income** rose by 21.7 per cent to CHF 50.6 million.
- All **international locations** made a positive contribution to net income and posted profitable growth.
- Continuously positive inflows of new money, the acquisition of the client business of Öhman Bank S.A. and positive market performance led to an increase in **client assets under management** of 8.1 per cent to CHF 51.3 billion.
- The strong **new money inflow** in core business, which amounted to CHF 2.1 billion, or 4.3 per cent of the total, was impaired by the strategic repositioning and the corresponding outflow of the assets of an institutional fund client. The **net change in new money** amounted to CHF 0.3 billion.
- Owing to the solid **income from commission business and services**, which rose by 11.8 per cent to CHF 156.5 million, **operating income** increased year-on-year by 3.4 per cent to CHF 329.9 million despite the persistently difficult interest rate environment.
- As a result of the investments related to Strategy 2026, which were made mainly in staff and IT, **operating expenses** rose by 1.0 per cent to CHF 272.1 million.
- The **cost / income ratio** improved year-on-year from 84.5 per cent to 82.5 per cent. The **cost / income ratio excluding depreciation and amortisation, provisions, valuation adjustments and losses** stood at 71.7 per cent.
- With a **tier 1 ratio** of 22.4 per cent, VP Bank has an extremely strong capital base.
- In 2021, VP Bank posted **positive development toward all financial objectives** and continues to aim for Group net income of CHF 100 million by the end of 2026.
- The Board of Directors will propose to the annual general meeting on 29 April 2022 that a **dividend** be distributed in the amount of CHF 5.00 per registered share A and CHF 0.50 per registered share B, which corresponds to an increase of 25 per cent.

Positive change in net new money and further increase of client assets

VP Bank Group succeeded in pushing ahead with its growth strategy and further increasing client assets. For instance, the acquisition of the client business of Öhman Bank S.A. resulted in an inflow of client assets totalling CHF 1.0 billion. Moreover, the Group posted a continuously strong **new money inflow** in core business of CHF 2.1 billion in 2021. This positive trend was adversely affected by the previously announced strategic repositioning by an institutional fund client totalling CHF 1.8 billion, which resulted in a **change in net new money** of CHF 0.3 billion. The acquisition of Öhman Bank S.A., the net new money inflow and the positive market performance of CHF 2.6 billion led overall to a year-on-year increase in **client assets under management** of 8.1 per cent to CHF 51.3 billion. **Custody assets** rose to CHF 7.5 billion, an increase of 0.7 per cent compared to the previous-year period. **Client assets, including custody assets**, thus amounted to CHF 58.8 billion as at the end of 2021.

Rise in operating income owing to solid income from commission business and services

VP Bank recorded **operating income** of CHF 329.9 million in the year under review. Compared with the same period of the previous year, this corresponds to an increase of 3.4 per cent. Income from **commission business and services** rose by 11.8 per cent to CHF 156.5 million. This rise is mainly attributable to recurring commission income from wealth management, which increased by 18.4 per cent to CHF 121.2 million, and to income from fund management, which increased by 11.5 per cent to CHF 58.9 million. **Net interest income** fell year-on-year by CHF 3.6 million to CHF 110.0 million. **Income from trading activities** declined by CHF 6.6 million to CHF 50.0 million. These reductions were related to USD and EUR interest rates, which were further lowered by the central banks in 2020 in the course of the coronavirus pandemic.

Valuation changes in items measured at fair value are mostly credited by VP Bank to equity. Therefore, the volatility of valuation changes has only a marginal impact on operating income.

Substantial investments led to increase in operating expenses

Operating expenses increased by 1.0 per cent compared with the same period of the previous year to CHF 272.1 million, which is attributable to targeted investments and the development work in connection with the first phase of the implementation of Strategy 2026. **Personnel expense** rose by 7.3 per cent to CHF 174.0 million. This is attributable to investments in the new Client Solutions business segment and the Asia region, as well as to the acquisition of employees in the client business of Öhman Bank S.A. **General and administrative expenses** rose by 5.9 per cent to CHF 62.4 million, primarily as a result of investments in IT and higher supervisory fees. The **cost / income ratio** amounted to 82.5 per cent at the end of 2021, compared with 84.5 per cent in the previous year. The **cost / income ratio excluding depreciation and amortisation, provisions, valuation adjustments and losses** stood at 71.7 per cent.

Stable total assets and strong equity base

Compared with the end of 2020, **total assets** fell by 2.4 per cent and now stand at CHF 13.2 billion. With a **tier 1 ratio** of 22.4 per cent, VP Bank has an extremely strong capital base compared with the rest of the industry, and it significantly exceeds both the minimum regulatory requirements set by the Liechtenstein Financial Market Authority (FMA) and the strategic target of at least 20 per cent.

Existing business expanded further, including venturing into new business areas

In 2021, VP Bank pushed ahead with implementation of Strategy 2026 and reached important milestones on schedule. The business model is founded on the successful traditional business in the home market and at the five international locations. The clearly defined regional strategies aim to achieve sustainable, profitable growth at all locations. In the 2021 reporting year, all locations made a positive contribution to income. Owing in part to a positive trend in new money, the home market of Liechtenstein remained the most important pillar in the earnings mix. The Switzerland location also posted a very good year and likewise benefited from a strong new money inflow. The Luxembourg location also trended positively following the setback in the previous year, and as a result of the purchase of the client business of the private bank Öhman Bank S.A., it was able to further expand the important Nordics target market in 2021, which consists of Denmark, Norway and Sweden. In Asia, the signing of the memorandum of understanding with Hywin Holding and the acquisition of an equity stake in it, as well as the formation a new management organisation, created an ideal starting point in 2021 that will make it possible to benefit from the opportunities in this region, which is decisive for worldwide growth in wealth management. Initial results showing sustained profitable growth are expected in 2022. Asia's contribution to Group net income remained stable in 2021. In addition, VP Bank (BVI) Ltd continued to make a solid, stable contribution to Group net income.

The two fund management companies VP Fund Solutions (Liechtenstein) AG and VP Fund Solutions (Luxembourg) SA likewise made a positive contribution to net income with approximately CHF 6.0 million. These two companies were able to successfully launch further fund projects last year and acquire new clients. For the first time, more than 80 clients are booked on the two platforms. The strategic adjustment by a major institutional fund client in the amount of CHF 1.8 billion will be able to be offset by the successful expansion of the client base and the focus on new asset classes. In particular, the product offering in the area of illiquid investments was expanded and scaled, such as through new fund solutions in the area of venture capital.

VP Bank not only further developed its existing business, but also ventured into new business areas in 2021 and launched ORBIT. In this way, the Bank is offering professional clients convenient access to private market investments that is curated by VP Bank experts. Since it launched in August, ORBIT has registered a constantly increasing number of participants and has succeeded in acquiring important partners, such as Utopia Music, which enables participants to invest in the rapidly growing service sector of the music industry. As at the end of 2021, ORBIT had brokered three significant private market transactions, with a contribution to net income in the seven-figure range. Moreover, since last year, VP Bank has been able to register ownership claims over real assets digitally on the blockchain and to store them as tokens. In autumn, it became the first Liechtenstein bank to tokenise a work of art.

By developing into a leading Open Wealth Service provider, VP Bank is ensuring that it will continue to be a reliable partner for its clients in the future. The opening of the core banking system, meaning open IT interfaces for products and services of complementary third-party providers, is the technological basis for this. In addition to investments in its own IT, VP Bank also entered into a strategic collaboration with Swisscom in the past year for the operation of the IT infrastructure. The innovation partnership recently entered into with InvestCloud forms the basis for the provision of personalised wealth management services through ecosystems.

Focus on cost management in 2022

The first year of the strategy implementation was marked by development work and associated investments totalling roughly CHF 30.0 million. Following initial successes, and with a view to coming investments of approximately the same amount, the focus is now more strongly on the operational basis. In addition to growth, a supporting pillar of Strategy 2026 is increased productivity and efficiency. VP Bank is currently reviewing its strategic initiatives for the potential for optimisation and the possibilities for scaling, and derived from this, it will implement measures in the second quarter of 2022. This will increase the profitability over the long term by CHF 30.0 million, with about half of the savings becoming effective in 2022. In this way, VP Bank is laying the further groundwork for further investments and for achieving its strategic objectives in 2026.

Moreover, for the 2022 financial year, the focus will continue to be on developing business further in the home market of Liechtenstein and at the five international locations. In addition, VP Bank will systematically push forward with the activities on the private market that were started with ORBIT and further expand its existing fund business in Liechtenstein and Luxembourg. The key intention continues to be combining the benefits of technology with tangible added value for clients. Completing the outsourcing of the IT infrastructure to Swisscom and providing an open IT interface to the core banking system will also be important milestones. In addition, VP Bank will continue to explore options and innovations in the area of digital assets on a targeted basis.

Net zero by the end of 2026

The systematic consideration of sustainability criteria in both the business and the investment process is an important cornerstone of Strategy 2026. The inclusion of VP Bank in the two SIX sustainability indices "SPI ESG" and "SPI ESG Weighted" in February 2021 is proof that it is on the right track. Clients receive transparent information on the sustainability profile of their investments on the basis of the specially developed VP Bank Sustainability Score, which has been integrated into all discretionary mandates since January and has been shown on asset statements since March. VP Bank also launched the new Sustainable Plus product in October, and a commitment to sustainability is being implemented systematically at Bank level. VP Bank published a sustainability report for the first time in 2021 in conformity with the international standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). In addition, VP Bank is a new signatory to the UN Principles for Responsible Investment (PRI) and the UN Principles for Responsible Banking (PRB), and has joined the Net-Zero Banking Alliance (NZBA) to reaffirm its net-zero ambition, which it intends to meet by the end of the strategy cycle.

Confirmation of financial objectives

VP Bank is aiming to achieve Group net income of CHF 100 million by the end of the 2026 strategy cycle, with a profit margin of more than 15 basis points (bps) and a cost / income ratio of at most 70 per cent. Over the entire strategy cycle, it is pursuing the objective of having a tier 1 ratio in excess of 20 per cent and net new money growth of more than 4 per cent per year. In 2021, VP Bank posted positive development toward all financial objectives.

Paul H. Arni, CEO of VP Bank: "We are on track with the implementation of our Strategy 2026 and the achievement of our financial objectives. The result after the first year of implementation is confirmation to me and my management team that the combination of our traditional business with the advantages of digital ecosystems provides us with attractive opportunities for profitable and sustainable growth."

Motions proposed by the Board of Directors to the annual general meeting

The Board of Directors proposes that the annual general meeting of 29 April 2022 approve a dividend payout of CHF 5.00 per registered share A and CHF 0.50 per registered share B. At 60 per cent of Group net income, the envisaged dividend payout ratio is at the upper end of the long-term target range of 40 to 60 per cent set by the Board of Directors. The proposed dividend underscores VP Bank's profitability and stability, as well as the aim to provide a dividend yield that is attractive over the long term, which for this year is 5.2 per cent based on the exchange price on 31 December 2021.

The Board of Directors also proposes the re-election of lic. iur. Ursula Lang, whose term of office is set to expire, for a further term of office of three years as a member of the Board of Directors. In addition, subject to approval by the FMA, the Board of Directors nominates Dr Mauro Pedrazzini for election to the Board of Directors. Dr Pedrazzini was Minister of Health and Social Affairs of the Government of the Principality of Liechtenstein from 2013 to 2021. The Liechtenstein native has as PhD in Physics and is familiar with Liechtenstein's financial industry from his many years of work, most recently as head of equities management at LLB Asset Management AG. He also brings with him an outstanding network outside of the financial industry in VP Bank's important home market.

Lic. oec. Markus Thomas Hilti has declared that he does not intend to seek re-election. "For thirty years, I have helped to shape VP Bank as representative of the U.M.M. Hilti-Stiftung foundation. My decision not to stand for re-election does not change the foundation's long-term commitment as anchor shareholder of VP Bank. We are also enthusiastic about the Bank's new strategic orientation," says Hilti. Dr Gabriela Maria Payer also declared that she does not intend to seek re-election.

Dr Thomas R. Meier, Chairman of the Board of Directors: "I regret the decisions by Gabriela Maria Payer and Markus Hilti and would like to thank them wholeheartedly for their collaboration, which at all times has been congenial and professional. I am pleased to learn that the affiliation of the U.M.M. Hilti-Stiftung foundation with our Bank will not change when Markus Hilti steps down and that, as in the past, we can count on a stable anchor shareholder with a long-term perspective."

The detailed presentation of results will take place at 10.30 a.m. on 8 March 2022. The live stream can be viewed at: www.vpbank.com/en/media-and-analyst-conference

The Sustainability Report 2021 can be downloaded from the VP Bank website at www.vpbank.com/en/about-us/responsibility/group-sustainability

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Calendar

Annual general meeting	29 April 2022
Dividend payment	5 May 2022
Presentation of semi-annual results	17 August 2022

Facts and figures of VP Bank Group

VP Bank Ltd was established in 1956 and, with around 1,000 employees, is one of the largest banks in Liechtenstein. VP Bank has an international presence, with offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong and Road Town (British Virgin Islands). Its core competencies include the development of customised financial solutions for intermediaries and private persons, as well as access to private market investments via a curated ecosystem. In addition, the Group has an international fund competence centre. As of 31 December 2021, client assets under management of VP Bank Group amounted to CHF 51.3 billion. VP Bank is listed on the SIX Swiss Exchange and has an "A" rating from Standard & Poor's.