Media release

Solid group net income for the first half of 2018, continued growth and investments in the future

Vaduz, 21 August 2018

In the first half of 2018, VP Bank Group recorded solid group net income of CHF 29.3 million. Client assets under management increased by 1.3 per cent. The tier 1 ratio was above average at 22.6 per cent. VP Bank shares recorded strong gains.

VP Bank Group recorded group net income of CHF 29.3 million in the first half of 2018. Although this result was 6.9 per cent below that of the previous year, the forward-looking strategy continues to bear fruit. Net new money inflows totalled CHF 603.1 million, adding to the gains recorded in 2017. With a 22.6 per cent tier 1 ratio, VP Bank continues to enjoy a very strong capital position.

Summary of key figures

- Group net income: CHF 29.3 million
- Client assets under management: CHF 40.9 billion (+ 1.3 per cent)
- Net new money inflows to client assets: CHF 603.1 million
- Cost/income ratio: 70.3 per cent
- Tier 1 ratio: 22.6 per cent
- VP Bank registered shares A: First-half 2018 gains of 41.9 per cent, including dividends

Solid consolidated net income

In the first half of 2018, VP Bank Group recorded **consolidated net income of** CHF 29.3 million (2017: CHF 31.5 million). **Operating income** fell by 2.2 per cent to CHF 147.9 million, compared with CHF 151.1 million the previous year. Compared to 30 June 2017, **net interest income** rose by 6.9 per cent to CHF 55.0 million. **Income from commission business and services** increased by 5.2 per cent to CHF 64.3 million in the first half, while **income from trading activities** rose by 4.0 per cent to CHF 26.2 million. **Financial investments** generated income of CHF 0.9 million (2017: CHF 12.0 million).

Reduced operating expenses

Operating expenses fell by CHF 1.7 million from CHF 117.2 million to CHF 115.5 million (a 1.5 per cent decrease relative to the previous year). **Personnel expenses** increased by 6.0 per cent during the period to CHF 74.0 million. Compared to 30 June 2017, the number of employees rose by 9.3 per cent to 890 (or 828 full-time-equivalent employees). This increase was mainly due to the recruiting offensive implemented as part of the growth initiatives. **General administrative expenses** rose by 7.6 per cent to CHF 29.9 million, mainly due to the increase in Other general and administrative expenses from CHF 3.5 million to CHF 5.1 million in the first half of 2018, which in turn involved an accrued expense for the regulatory investor protection foundation. The 13.4 per cent increase in **depreciation and amortisation** to CHF 11.7 million pertained to investments for regulatory projects and growth initiatives, which upon completion are amortised over several years. A net reversal of **valuation allowances, provisions and losses** totalling CHF 0.2 million was recorded in the first half of 2018, compared with a charge of CHF

9.2 million the previous year, which was mainly due to the agreement with the authorities in North Rhine-Westphalia and the establishment of a corresponding provision.

The **cost/income ratio** was 70.3 per cent in the first half of 2018 (2017: 64.6 per cent). With a 22.6 per cent **tier 1 ratio** (25.7 per cent at 31 December 2017), VP Bank Group has a very sound capital basis. **Total assets** fell by a modest 1.4 per cent to CHF 12.6 billion compared to 31 December 2017.

Continued increase in client assets under management

At 30 June 2018, VP Bank Group's **client assets under management** totalled CHF 40.9 billion, up 1.3 per cent (CHF 0.5 million) from CHF 40.4 billion at 31 December 2017. The increase resulted from the combined effects of CHF 0.6 billion in net new money and a CHF 0.1 billion drop in the market valuation (performance) of client assets.

In the first half of 2018 as in the three semesters that preceded it, VP Bank Group recorded substantial **net new money inflows**, with CHF 0.6 billion in the first half of this year (compared with CHF 1.1 billion in the first half of 2017). Another positive development was that these inflows were recorded in both business segments: "Client Business Liechtenstein" and "Client Business International". They were made possible by sustained market development efforts, the recruitment of new client advisors and new money from existing clients.

Assets held in custody totalled CHF 5.9 billion at 30 June 2018, down CHF 0.2 billion from 31 December 2017. **Client assets** including custody assets totalled CHF 46.8 billion at 30 June 2018 (CHF 46.4 billion at 31 December 2017).

"With CHF 603 million in net new money during a turbulent first half, we maintained the positive inflows trend of 2017. This increase improves our earnings situation in a sustainable manner and demonstrates that we have taken the necessary steps to drive our growth forward as planned and continue to invest in the operating business," notes Alfred W. Moeckli, Chief Executive Officer of VP Bank Group.

Share buy-back

On 26 June 2018, under the authorisation granted to it by the 24 April 2015 Annual General Meeting, VP Bank announced that it would increase its treasury share position through another share buy-back programme of up to 10% of the share capital. VP Bank is thus building on the three successful share buy-back programmes in 2015 and 2016. The repurchased registered shares are to be used for future acquisitions or treasury management purposes. The repurchase period for registered shares A lasts through 28 June 2019 at the latest and will be carried out using the standard trading line on the SIX Swiss Exchange. At 30 June 2018, VP Bank AG directly or indirectly holds a total of 495,285 registered treasury shares A.

The buy-back offer price for the unlisted registered shares B was CHF 21.30 per share. This buy-back was successfully completed in August 2018. At the end of the offering period, a total of 173,067 registered shares B with a par value of CHF 1.00 were tendered to VP Bank. In all, the bank now owns 316,929 registered treasury shares B, corresponding to 0.48 per cent of the outstanding share capital and 2.64 per cent of the voting rights.

As the repurchased shares will not be cancelled, both capital structure and voting rights will remain unchanged.

Outstanding rating from Standard & Poor's confirmed

On 18 May 2018, the rating agency Standard & Poor's upgraded VP Bank's already very good "A-" rating to "A" and assessed its outlook as "stable". The ratings upgrade took into account net new money inflows in 2017, operational gains and the continued strong capital ratios. VP Bank therefore now has an "A/Stable/A-1" rating.

This outstanding rating and the stable outlook were confirmed by Standard & Poor's on 9 August 2018.

VP Bank share price posts strong gains

VP Bank shares recorded a substantial gain of 41.95 per cent (including dividends) in the first half of 2018, thereby outperforming both the broader Swiss equity market as well as the Swiss banking sector. During this period, VP Bank shares outperformed the SIX banking index (which fell by 10.82 per cent) by 52.77 per cent, and the SMI (which fell by 8.23 per cent) by 50.18 per cent. Once again, VP Bank shares proved to be a solid investment during the course of the year.

Outlook

The groundwork has also been laid for growth in the second half. VP Bank's forward-looking strategy is bearing fruit, and a further bump in growth is expected in the second half of 2018, building on the gains achieved in 2017. VP Bank is supporting this growth by actively recruiting new client advisors, with an emphasis on the Singapore, Hong Kong, Luxembourg, Zurich and Vaduz sites.

The upgraded status of the Singapore subsidiary to a branch and wholesale bank underscores the growing importance of the Asia business.

With the planned move to a new, state-of-the-art office building in November 2018, VP Bank is affirming its commitment to the Luxembourg funds and financial centre and investing in the future.

VP Bank will combat the persistent pressure of rising costs and sinking margins through the continued development of digital services, online products and services and new client service bundles.

"VP Bank Group enjoys a successful business model. Thanks to our considerable financial leeway, we are well positioned to overcome existing challenges and play an active role in the banking industry consolidation process in Europe," concludes Fredy Vogt, the Chairman of the Board of Directors of VP Bank.

This press release is available online at www.vpbank.com/Investors & Media

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Agenda

Media and analysts conference – 2018 Annual Results	5 March 2019
2019 Annual General Meeting of Shareholders	26 April 2019
Round Table – 2019 Semi-annual Results	20 August 2019

Facts & Figures VP Bank Group

VP Bank Ltd was founded in 1956 and is one of the largest banks in Liechtenstein with 892 employees at mid-year 2018 (full-time equivalent 828). It currently has offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong, Moscow 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.