

Strong growth and substantial rise in earnings in the year 2019 New VP Bank Group strategy cycle initiated Succession planning in the Presidium of the Board of Directors

Vaduz, 10 March 2020

Thanks to a strong operating performance and the positive development of financial markets, VP Bank Group recorded a 34.4 per cent rise in net earnings in 2019 and generated group net income of CHF 73.5 million. At CHF 2.3 billion, the inflow of net new money developed positively for the third time in a row. For the new 2025 strategy period, VP Bank is focusing on the profitable further development of its business and has defined a mix of measures based upon three main objectives:

1. Targeted further development of the operating business at the existing sites
2. Optimisation and scaling of interbank processes and structures
3. Development of additional income through new business opportunities

Overview of the most important financial highlights of 2019

- Thanks to consistently high inflows, **net new money** totalled CHF 2.3 billion. The net inflow of client assets, including the acquisition of the private banking activities of Catella Bank, amounted to CHF 3.2 billion (+7.7 per cent).
- **Client assets under management** rose 14.7 per cent to reach CHF 47.6 billion.
- **Group net income** rose 34.4 per cent to reach CHF 73.5 million (previous year CHF 54.7 million) and is the result of a positive operating performance combined with strict discipline in terms of costs.
- The **cost/income ratio** declined to 67.6 per cent (previous year 75.8 per cent).
- On the earnings side, **commission business and services** (+10.4 per cent) as well as **trading activities** (+10.9 per cent) performed strongly.
- Personnel expenses rose by 4.9 per cent in conjunction with the further expansion of the client serving units. **Operating expenses** rose by a below-average 5.4 per cent to reach CHF 244.8 million (2018: CHF 232.3 million).
- With CHF 14.3 million, **financial assets** accounted for around 19 per cent of the group result.
- The **tier 1 ratio** amounted to 20.2 per cent and the **leverage ratio** was 7.1 per cent.
- An unchanged **dividend of CHF 5.50** at the annual general meeting of 24 April is set to propose.

Operating earnings figures benefit from positive stockmarket sentiment

The 2019 financial year was characterised by the continuing low-interest environment. At the same time, financial markets saw a positive trend and key stockmarket indices posted significant gains over the past year. At the operating level, VP Bank achieved further advances in 2019 and generated a strong result. In

year-on-year terms **interest income** rose 3.7 per cent to reach CHF 115.1 million (previous year: CHF 111.0 million). **Income from commission business and services** increased 10.4 per cent to reach CHF 137.2 million and the **trading side** improved 10.9 per cent to CHF 61.0 million.

At CHF 327.8 million, **operating income** came in 12.7 per cent or CHF 36.9 million above the result for the previous year.

Disproportionately low increase in operating expenses

Operating expenses rose CHF 12.5 million relative to the previous year to reach CHF 244.8 million, corresponding to an increase of 5.4.

General & administrative expenses declined 10.5 per cent to reach CHF 56.3 million (previous year: CHF 62.9 million). The reduction was attributable mainly to the CHF 6.1 million lower cost of business premises. With the introduction of to the international accounting standards (International Financial Reporting, IFRS 16 Leases), depreciation and interest expenses will be recognised in the income statement from 2019 in place of rental expenses. The cost of information procurement was pushed higher by increased prices. The increase in other operating expenses is linked to higher regulatory charges. The biggest reductions were achieved in conjunction with fee and marketing expenses.

Personnel expenses rose CHF 7.7 million or 4.9 per cent to reach CHF 165.4 million. The increase in personnel expenses is due to the growth strategy, consisting of the initiative to recruit additional client advisors (RM hiring) as well as due to further growth initiatives. At the end of December 2019, VP Bank Group had 874 employees in full-time equivalent terms (previous year 868 employees). Within the context of the RM hiring initiative, 14 new client advisors were hired (2018: 24).

Depreciation and amortisation rose 16.8 per cent relative to the previous year to reach CHF 29.3 million. The increase is linked to the introduction of IFRS 16 (Leases), which resulted in a corresponding decrease in premises expenses.

In the year 2019, net CHF 6.2 million was dissolved from the **“valuation adjustments, provisions and losses”** item for the benefit of Group net income (previous year: reversal of CHF 13.4 million). This reversal relates to provisions formed after Hurricane Irma and individual value adjustments.

The **cost/income ratio** sank to 67.6 per cent (previous year: 75.8 per cent). With a **Tier 1 ratio** of 20.2 per cent (previous year: 20.9 per cent), VP Bank continues to have an extremely comfortable equity capital base on an industry comparison. **Total assets** rose relative to the end of December 2018 by CHF 1.0 billion to reach CHF 13.4 billion.

Disproportionate rise in client assets

The growth strategy of VP Bank Group saw further progress in 2019. This meant that **client assets under management** rose to CHF 47.6 billion. Relative to the previous year this corresponds to an increase of 14.7 per cent or CHF 6.1 billion respectively.

Net new money also developed positively in 2019. In overall terms, VP Bank Group recorded a high inflow of net new assets amounting to CHF 2.3 billion in the year 2019 (previous year: CHF +3.2 billion). All international sites contributed towards this positive result. This strong growth in net new money was the result of intensive market development and implemented growth initiatives as well as the recruitment of new client advisors.

Custody assets rose by CHF 1.7 billion to reach CHF 6.9 billion (previous year: CHF 5.2 billion). **Client assets** including custody assets as at 31 December 2019 amounted to CHF 54.5 billion (previous year: CHF 46.7 billion).

Strategy 2025 - seizing opportunities

For VP Bank, the 2025 strategy cycle begins at the start of the 2021 financial year. In this conjunction, the two pillars of intermediaries and private banking represent the foundation. The overriding objective of Strategy 2025 is to seize opportunities as they arise and to increase earnings to CHF 100 million. In future, VP Bank will be building on the **four strategic business units** of Retail & Commercial Banking, Wealthy Individuals, Intermediaries and Client Solutions.

Strategy 2025 encompasses a comprehensive package of measures aimed at making VP Bank's operating business more effective while opening up new sources of income.

The measures can be categorised under three strategic approaches:

Evolve: This focuses on the strategic development of the operating business in respect of the fields of business and the products offered at the current sites. Specifically, this involves the targeted growth of existing business, for example by further strengthening locations, exploiting potential in private banking or scaling up the intermediary side of the business.

Scale: This stands for productivity improvements to be achieved through process optimisation as well as standardisation and automation of the operating platform. This includes aspects such as the scaling and sourcing of services and standard services.

Move: The establishment and development of new business opportunities is the third strategic approach. Here, for example, the topics of sustainability, asset digitisation, private market solutions or the development of platform solutions open up attractive opportunities.

Medium-term **financial** goals are redefined in conjunction with the strategy, and controlled using the following parameters (KPI):

- Growth: at least 4 per cent net new money for assets under management per annum throughout the entire 2021-2025 cycle
- Profitability: Profit margin higher than 15 basis points (in bps of AuM) as at the end of 2025
- Profitability: Cost/income ratio of 70 per cent as at the end of 2025
- Stability: Tier 1 ratio higher than 20 per cent as at the end of 2025

"Our Strategy 2025 builds on the opportunities that open up for us thanks to our specialist know-how and outstanding networks. We use these to develop bespoke financial solutions for intermediaries and private clients," explains Paul H. Arni, CEO of VP Bank Group. "We will continue to build on this expertise and experience along three main approaches by developing our sites, increasing the responsiveness and efficiency of our operating platform and creating new investment opportunities for our clients." The measures will bolster client focus and productivity, lead to clear responsibilities and promote market-oriented cooperation within the group.

A special role in the new Strategy 2025 is played by the sustainable investment philosophy. Under the heading of "**Investing for Change**", this leads to the repositioning of the product range with its own sustainability funds and access to new solutions within the framework of impact investing.

Organisational changes

Within the context of Strategy 2025, the following organisational measures will be resolved to further strengthen VP Bank:

- The **front-related unit "Client Business"** will focus even more strongly on client support and market development, and will be renamed **"Intermediaries & Private Banking"**. As a consequence, functional management will be introduced at the international sites. In the wake of this reorganisation, all support functions at the international sites will be transferred to the respective group responsibility. For the coordination of international activities, a new "Local CEO Committee" will be created, comprising the local CEOs and the Head of Intermediaries & Private Banking under the leadership of the Group CEO.
- The business unit **"Investment Solutions"** is to be renamed **"Client Solutions"**. The main task of the unit is to facilitate access to new investment opportunities. For this business unit, which will include VP Fund Solutions as an integral component, a new management personality is to be sought who will also be a member of Group Executive Management. Moreover, VP Bank wants to position itself as a provider of innovative investment solutions and consistently develop its sustainability activities. The Board of Directors has decided to transfer responsibility for these strategic initiatives to Chief Investment Officer Dr Felix Brill. As of 1 July 2020, Felix Brill and the "Group CIO & Sustainability" division will therefore move to the CEO unit and he will leave the Group Executive Management. Together with his team, he will develop new investment solutions for changing client needs and will comprehensively integrate sustainability aspects into the investment products and advisory offering. Felix Brill's future remit also includes the management of other strategic projects.

"The organisational changes follow the principle 'structure follows strategy', but do not stop there. Rather, it was important to us to integrate core operational tasks – such as risk management – more effectively into the overall organisation. In addition, the new structure gives us the opportunity to develop new investment opportunities more effectively and to generate greater visibility within the investment field," said Paul H. Arni.

All organisational changes are to come into force on 01 July 2020.

Motions submitted to the annual general meeting - changes to the Board of Directors

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 24 April 2020. At 45 per cent of group net income, the proposed dividend payout ratio is within the long-term target range of 40 to 60 per cent defined by the Board of Directors.

Furthermore, the Board of Directors is proposing the launch of a share buyback programme to repurchase own registered shares class A and class B up to a maximum of 10 per cent of the share capital by 22 April 2025.

The Board of Directors is also proposing the re-election of Dr Beat Graf and Michael Riesen as members of the Board of Directors for a three-year term of office. Prof. Dr Teodoro D. Cocca has announced that he will not be standing for re-election and will be stepping down from the Board of Directors on 24 April 2020.

Subject to the approval of the Liechtenstein Financial Market Authority (FMA), the Board of Directors will also propose that Katja Rosenplänter-Marxer be elected to the Board of Directors. Katja Rosenplänter-

Marxer, representing the "Marxer Stiftung für Bank- und Unternehmenswerte" Foundation, is to succeed Dr Florian Marxer, who stepped down from the Board of Directors in August 2019. The attorney-at-law, who is admitted to the German bar, worked from 2012 to 2017 as an associate at the law firm Marxer & Partner Attorneys-at-law, Vaduz, and brings with her wide-ranging experience in the intermediary business, which is important for VP Bank. She is also on the Board of "Lebenswertes Liechtenstein" Foundation, a public benefit foundation established in 2019. The inclusion of Katja Rosenplänter-Marxer will make the composition of the Board of Directors more balanced as it will admit a representative of the younger generation to this body.

Succession planning for the Chairmanship of the Board of Directors

Within the context of the long-term succession planning on the Board of Directors, there will also be a change to the Chairmanship of the Board of Directors. The Board of Directors is planning to elect Dr Thomas R. Meier as its new Chairman with immediate effect at an extraordinary meeting following the Annual General Meeting of 24 April 2020. Thomas R. Meier has been a member of the Board of Directors since 2018, and has been its Deputy Chairman for the past twelve months. He has long-standing experience of international banking and management.

For Fredy Vogt, who has chaired the Board of Directors since 2012 and previously served for 16 years as Chief Financial Officer of VP Bank, now is the right time to oversee the transition: "On the one hand, a new strategy cycle is beginning for the bank, and on the other hand, the change of leadership at the operating level has been completed with the election of Paul Arni as Chief Executive Officer."

To ensure continuity, Fredy Vogt, who was elected by shareholders until the 2021 Annual General Meeting, will remain a full member of the Board of Directors. He will continue to head the Nomination and Compensation Committee as Chairman and will help his successor to familiarise himself with his new position. In addition, he will also continue to exercise a variety of foundation council mandates for the bank.

Outlook: 2020 - a transitional year in many respects

The year 2020 represents a transitional year for VP Bank Group: On the one hand, the current strategy cycle is coming to an end. On the other hand, financial markets are currently experiencing a significant slowdown, partly due to coronavirus. This will have an impact on our earnings performance on the client side of our business as well as in respect of financial investments. Of the three defined financial targets, consequently, the profit target of CHF 80 million will be particularly difficult to achieve.

Paul Arni is nevertheless looking to the future with optimism: "We now have the unique opportunity to shape our future with an ambitious strategy based on broad-based measures. I am confident that over the coming five years we will successfully develop the bank's profile and open up new and interesting fields of business."

This media release can be found on the internet under www.vpbank.com/Media.

For further information, please contact

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Agenda

Annual General Meeting 2020	24 April 2020
Round Table - 2020 Interim Results	18 August 2020

Facts & Figures VP Bank Group

VP Bank AG was founded in 1956 and is one of the largest banks in Liechtenstein with 943 employees at the end of 2019 (full-time equivalent 874). 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. As at 31 December 2019, assets under management at VP Bank Group totalled CHF 47.6 billion. VP Bank is listed on the Swiss stock exchange SIX, and has an "A" rating from Standard & Poor's.