

## Stable 2020 result achieved by VP Bank Group in challenging market environment, continued growth in new money, lower group net income and strong equity base

Vaduz, 9 March 2021

VP Bank achieved a stable result for the 2020 financial year in line with the performance of the market as a whole. Due to the valuation adjustment on an individual item in the loan portfolio reported in spring 2020 and the lower interest rate environment, group net profit eased to CHF 41.6 million. At CHF 1.4 billion, net new money developed positively for the fourth consecutive year. Thanks to a strong capital and liquidity base, supported by the stable earnings situation, VP Bank is starting the new strategy cycle on very healthy foundations.

### Overview of the most important financial highlights of 2020

- **Group net income** declined 43.4 per cent to reach CHF 41.6 million (previous year CHF 73.5 million). This was largely due to the one-off valuation adjustment reported in March 2020 brought about by an impaired loan.
- This raised the **cost/income ratio** to 69.3 per cent (previous year 67.6 per cent).
- **Operating income** slipped 2.7 per cent to reach CHF 319 million, while **income from commission business and services** increased by 2.1 per cent.
- **Personnel expenses** fell by 2.0 per cent. **Operating expenses** excluding valuation adjustments fell by CHF 1.4 million to reach CHF 250.1 million (minus 0.6 per cent).
- **Client assets under management** rose by 1.4 per cent to reach CHF 47.4 billion.
- Thanks to continued inflows, **net new money** totalled CHF 1.4 billion.
- The **tier 1 ratio** amounted to 20.8 per cent and the **leverage ratio** was 7.1 per cent.
- A **dividend of CHF 4.00** per registered share A will be proposed at the annual general meeting on 30 April 2021.

### Reduced income figures in persistently low interest environment

In the year 2020 operating income at VP Bank fell by CHF 8.7 million to reach CHF 319.0 million (previous year: CHF 327.8 million). This was brought about by lower interest and trading income as well as reduced revenues from financial assets, due to reduced USD and EUR interest rates. The reductions were partially offset by the CHF 2.8 million (2.1 per cent) improvement in income from **commission business and services**. In year-on-year terms **interest income** fell to CHF 113.6 million (previous year: CHF 115.1 million). **Income from trading activities** declined by 7.1 per cent to reach CHF 56.6 million.

## Moderate decline in operating expenses

**Operating expenses** excluding valuation adjustments slipped by CHF 1.4 million from CHF 251.6 million in the previous year (minus 0.6 per cent) to reach CHF 250.1 million, while operating expenses including valuation adjustments rose by CHF 24.7 million from CHF 244.8 million in the previous year to reach CHF 269.5 million. This increase was brought about largely by the valuation adjustment reported in March 2020 on a loan item amounting to around CHF 20 million.

**General & administrative expenses** rose by 4.6 per cent to reach CHF 58.9 million (previous year: CHF 56.3 million). The increase is linked to one-off costs incurred to strengthen the organisation as well as higher IT costs. Depreciation and amortisation of CHF 28.8 million during the period under report was slightly lower than in the previous year (CHF 29.3 million).

**Personnel expenses** fell CHF by 3.3 million or by minus 2.0 per cent to reach CHF 162.1 million. At the end of December 2020, VP Bank Group had around 917 employees in full-time equivalent terms.

**Valuation adjustments, provisions and losses** during the year under report amounted to CHF 19.8 million, in comparison to a net dissolution of CHF 6.2 million in the previous year. The change is due mainly to the approx. CHF 20 million valuation adjustments on a loan item that was reported in March 2020.

The **cost/income ratio** rose to 69.3 per cent (previous year 67.6 per cent).

With a **tier 1 ratio** of 20.8 per cent (previous year: 20.1 per cent), VP Bank continues to have an extremely comfortable equity base on an industry comparison. Relative to the end of December 2019, **total assets** rose by CHF 0.1 billion to reach CHF 13.5 billion.

## Further rise in client assets

The growth strategy of VP Bank Group saw further progress in 2020. As a result, **client assets under management** increased to CHF 47.4 billion, despite the difficult market environment. Relative to the previous year, this corresponds to a moderate increase of 1.4 per cent or CHF 0.7 billion respectively.

**Net new money** totalled CHF 1.4 billion. The negative shift in market valuation led to a moderate reduction in client assets amounting to CHF 0.7 billion. The inflow of client assets was achieved thanks to intensive market development and the recruitment of new client advisors.

**Custody assets** fell slightly from CHF 0.3 billion to reach CHF 7.4 billion (previous year: CHF 7.8 billion). **Client assets** including custody assets as at 31 December 2020 amounted to CHF 54.9 billion (previous year: CHF 54.5 billion).

## Strategy 2026 – seize opportunities

2021 marks the beginning of the new strategy cycle for VP Bank, which will last until the end of 2026. With this, VP Bank is following up on the successful growth phase of recent years, while continuing to focus on stability, innovation and profitable growth. Within the framework of its “Strategy 2026”, VP Bank Group will continue to develop into a comprehensive wealth management service provider for intermediaries and high net worth individuals on the basis of its Liechtenstein roots, existing business fields, internationality, excellent networks and strong focus on the topic of sustainability.

Ecosystems or networks with an open wealth management approach are used to achieve a rigorous client focus and to pool in-house and third-party services into innovative, bespoke financial solutions. These solutions are made available both through personal advisory contacts as well as via digital

customer interfaces. Its clear focus on intermediaries enables VP Bank Group to leverage a significant multiplication effect and to accelerate the development of innovative solutions. **In short: VP Bank is to become the international open wealth service pioneer.**

Strategy 2026 takes account of current social and economic developments and creates scope for the further development of VP Bank Group. Strategic measures are carried out in clearly defined core initiatives, divided into the three main directions "Evolve", "Scale" and "Move". Evolve measures focus on the further development of the existing business; with its Scale measures, VP Bank is aiming to boost effectiveness and efficiency within the group; and the measures under the Move heading serve to tap into new and future-oriented business opportunities. Details of these measures are described in the 2020 annual report.

VP Bank also used the year 2020 to conduct important preparatory work for Strategy 2026 and to position the bank more resolutely. Foundations for the next strategy cycle were successfully laid in 2020.

Based on the strategic measures and sound results in the 2020 financial year, VP Bank is working hard to achieve a number of financial goals. The core goal is to achieve a profit of **CHF 100 million** by the end of 2026. This goal is supported by:

- Growth: at least 4 per cent net new money for client assets under management per annum throughout the entire 2021-2026 cycle
- Profitability: Profit margin higher than 15 basis points as at the end of 2026
- Profitability: Cost/income ratio of a maximum of 70 per cent as at the end of 2026
- Stability: Tier 1 ratio higher than 20 per cent as at the end of 2026

Paul Arni, CEO of VP Bank: "Based on our DNA in intermediary services and private clients, our 2026 strategy is building on the opportunities we have thanks to key trends such as digitalisation, sustainability and growth in the Asia region. I am firmly convinced that in the years ahead, thanks to our specialised knowledge, excellent networking and the opening up of new and promising business segments, we will succeed in further developing our client focus and successfully meeting changing client needs with innovative solutions - thereby further increasing the productivity and growth of VP Bank."

## VP Bank signs partnership agreement with Hywin

Building on the memorandum of understanding announced on 11 July 2019, VP Bank Ltd (Liechtenstein), Hywin Wealth Management Co, Ltd (China) and its subsidiary Hywin Asset Management (Hong Kong) Limited signed a partnership agreement on 26 February 2021 jointly to establish a cooperation platform through Hywin's Hong Kong branch with the aim of meeting demand from wealthy Chinese for sophisticated offshore wealth management services. The cooperation is part of VP Bank's Strategy 2026 and is strengthening VP Bank Group's presence in Asia.

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

The Board of Directors is set to propose paying a dividend of CHF 4.00 per registered share A and of CHF 0.40 per registered share B to the annual general meeting of 30 April 2021. At 58 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.

The Board of Directors is proposing the re-election of Dr Thomas R. Meier as a member of the Board of Directors for a three-year term of office. Thomas R. Meier has been a member of the Board of Directors of VP Bank since 2018, and has been its Chairman since 2020. He will closely oversee implementation of Strategy 2026.

Fredy Vogt, member of the Board of Directors of VP Bank, is stepping down from the Board and will not be standing for re-election at the forthcoming annual general meeting on 30 April 2021. Fredy Vogt has held a variety of positions at VP Bank since 1987, and since 1996 has been a member of the Group Executive Management. In 2012, Fredy Vogt was elected to the Board of Directors and as its Chairman. He chaired the Board until 2020, and then handed over the chair to Dr Thomas R. Meier.

In addition, the Board of Directors is proposing, subject to the approval of the Liechtenstein Financial Market Authority (FMA), to elect Philipp Elkuch (Liechtenstein citizen, born 1969) to the Board of Directors. Philipp Elkuch has been Global Head of Digital Strategy & Transformation at Sulzer since 2019. He is also Chairman of the Board of Directors of Liechtensteiner Kraftwerke and a member of the Board of digitalliechtenstein.li. With Philipp Elkuch, digital expertise on the Board of Directors will be strengthened and the link with the Liechtenstein domestic market will be upheld.

Dr Thomas R. Meier, Chairman of the Board of Directors of VP Bank: "On behalf of the entire Board of Directors, I would like to thank Fredy Vogt for the outstanding service he rendered to the benefit of VP Bank as Chief Financial Officer of VP Bank and subsequently as a member of the Board of Directors. With his extensive know-how and extraordinary commitment, he has contributed significantly to the positive development of the bank. We wish him all the best for the future. In addition, I am also pleased to announce the nomination of Philipp Elkuch. He brings significant expertise and experience in the field of digital transformation."

## Outlook for 2021

Although it is difficult to forecast figures for 2021 due to the ongoing pandemic, VP Bank will continue successfully to drive forward its business in its core divisions in 2021, even under the changed conditions impacted by coronavirus. Asia will significantly shape the development of the banking centre in 2021.

When implementing its IT strategy, the bank will be focusing on two main tasks. On the one hand, the outsourcing of infrastructure services is being finalised. On the other hand, work is being done on the future IT architecture for the integration of fintech solutions, data-supported bespoke client advisory services and the further optimisation of internal processes. Having already introduced the consistent consideration of ESG criteria throughout VP Bank's portfolio offering at the turn of the year as part of the "Investing for Change" initiative, opportunities will now be created by mid-2021 to enable clients

to consider additional focal points in their portfolios, such as "impact investing" solutions. The new Client Solutions Division will wrap up the preparatory work for market launch during the first half of 2021 and will begin active market development during the second half of the year. Furthermore, the transformation of the risk and credit organisation is being finalised. Finally, VP Bank is planning to reduce significantly the duration of the onboarding process for clients by the end of 2021.

**For further information, please contact:**

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**Agenda**

Annual Media Conference - 2020 annual results	09 March 2021
Annual General Meeting 2021	30 April 2021
Round Table - 2021 Interim Results	17 August 2021

**Facts & Figures VP Bank Group**

VP Bank Ltd was founded in 1956 and, with its 990 employees (917 in full-time equivalents) at the end of 2020, ranks amongst the largest banks in Liechtenstein. VP Bank is present with offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong and Road Town (British Virgin Islands). VP Bank Group offers tailor-made asset management and investment advisory services to private clients and financial intermediaries. As of 31 December 2020, client assets under management of VP Bank Group amounted to CHF 47.4 billion. VP Bank is listed on the SIX Swiss Exchange and has received an "A" rating from Standard & Poor's.