Media release

VP Bank sees boost in operating income and significant net new money inflow in the first half of 2020

Vaduz, 18 August 2020

With a Group net income of CHF 14.4 million, net new money inflow of approximately CHF 1 billion, an improved cost structure and an increase in operating income of 2.5 per cent to CHF 166.8 million, VP Bank Group has proven its crisis resilience in the first six months of a year turned upside down by the coronavirus pandemic.

Key facts for the first half of 2020 at a glance

- **Another strong net new money inflow of approximately CHF 1.0 billion**
- **Group net income of CHF 14.4 million after one-off valuation adjustment announced previously**
- **Operating income increased by CHF 4.1 million to 166.8 million**
- **Stable cost structure with reduced personnel, general and administrative expenses**
- **Solid balance sheet with a high tier 1 ratio (core capital ratio) of 20.1 per cent**
- **Group Executive Management and organisation further strengthened**
- **Preparatory work for the upcoming strategy cycle progressing at pace**
- **Targets for the next strategy cycle confirmed, but postponed until 2026 as a result of coronavirus**

Strong net new money inflow

VP Bank recorded a strong **net new money inflow** of approximately CHF 1 billion for the first half of 2020. This influx of new client assets was achieved thanks to intensive market development and an increase in the ranks of our client advisors. VP Bank Group's **client assets under management** totalled CHF 45.6 billion as of 30 June 2020: that's a 4.2 per cent drop on the CHF 47.6 billion recorded as of 31 December 2019 (CHF –2.0 billion). This amount reflects a significant net new money inflow of roughly CHF 1.0 billion and a shortfall of CHF 2.9 billion triggered by the negative market performance caused by the coronavirus crisis.

As of 30 June 2020**, custody assets** amounted to CHF 6.4 billion, this represented a drop of CHF 0.5 billion from the level of 31 December 2019. As of 30 June 2020, **client assets** including custody assets totalled CHF 52.0 billion (31 December 2019: CHF 54.5 billion).

Positive development in almost all earnings positions

Even VP Bank Group did not escape the effects of the challenging market environment surrounding the coronavirus pandemic. Nevertheless, VP Bank succeeded in increasing its **operating income** by CHF 4.1 million (2.5 per cent) to CHF 166.8 million (previous-year period: CHF 162.7 million). This growth is attributable to an increase in income from commission business and services (6.7 per cent increase to CHF 71.5 million) as well as trading activities (11.1 per cent increase to CHF 32.5 million). Despite a sustained period of low interest, **net interest income** saw a CHF 2.8 million increase to CHF 57.4 million (5.1 per cent).

Improved operating cost structure

In the first half of 2020, VP Bank succeeded in stabilising its operating cost structure at a good level. VP Bank achieved a **cost/income ratio** of 66.1 per cent (68.6 per cent in the previous-year period), thus remaining below the strategic target value of 70 per cent. **Operating expenses** rose by CHF 23.6 million from CHF 122.7 million in the previous-year period to CHF 146.2 million (19.2 per cent increase). This increase is primarily associated with the valuation adjustment on a credit position announced in March. Without factoring in valuation adjustments on credit risks, operating expenses in the period under review would have been CHF 0.9 million lower than in the previous-year period (–0.7 per cent).

Personnel expenses fell by CHF 1.1 million or 1.3 per cent compared with the first half of the previous year to CHF 81.3 million. As of the end of June 2020, VP Bank Group employed roughly 908 members of staff in full-time equivalents, representing an increase in headcount of 32 employees compared with 30 June 2019 (3.7 per cent increase).

General and administrative expenses fell by 1.0 per cent to CHF 29.0 million (previous-year period: CHF 29.3 million). **Depreciation and amortisation** remained stable at CHF 14.2 million in the reporting period compared with the previous year (CHF 14.3 million). **Valuation adjustments, provisions and losses** amounted to CHF 21.7 million in the first half of 2020 compared with a net reversal of CHF 3.3 million the previous year.

Group net income and comprehensive income

Group net income for the first half of 2020 amounted to CHF 14.4 million (previous-year period: CHF 35.3 million). The decline is attributable to the valuation adjustment in the first half of the year. **Group net income per registered share A** was CHF 2.39 (first half of 2019: CHF 5.89).

Solid balance sheet and equity base

The first half of 2020 saw **total assets** increase by CHF 0.2 billion to CHF 13.6 billion compared with 31 December 2019. This increase in is primarily attributable to a CHF 0.5 billion increase in Other liabilities due to clients and a CHF 1.1 billion increase in receivables from banks alongside a simultaneous CHF 0.7 billion reduction in receivables from clients.

As of 30 June 2020, VP Bank Group had a very comfortable **liquidity structure** with liquid assets of roughly 20 per cent of total assets worth CHF 2.8 billion (CHF 2.9 billion as of 31 December 2019).

Preparatory work for 2025/26 strategy cycle is progressing at pace

The current strategy cycle (2020) is set to finish at the end of this year. VP Bank's new strategy cycle initiated as part of Strategy 2025/26 aims to achieve long-term, profitable growth within VP Bank Group. The strategy centres around the continuous development of existing business (**Evolve**), improving effectiveness, scaling and cost discipline (**Scale**), and seizing new business opportunities to generate additional income (**Move**).

The first half of 2020 saw the successful launch and progression of the organisational and structural preparatory work for the 2025 strategy cycle. Strategic measures were even further intensified in the first half of the year and aligned even more closely with the changing market environment.

The rapidly progressing digitisation of our financial business is one of the key cornerstones of Strategy 2025/26. In the first half of the year, VP Bank started work on the development of a future-oriented IT infrastructure which will form the basis for the ongoing digitisation of its services and offerings, as well as for the scaling of operational business processes. This will enable VP Bank to offer customised, data-supported consultancy and tailored finance solutions for intermediaries and private clients, and to thereby tap into new sources of income. The introduction of video consulting, digital online client events, web conferences, webinars, and live streams of annual results press conferences and the shareholder meeting in the first half of the year saw the first tangible steps taken towards meeting the rising demand for digital services.

Targeted strengthening of the organisation

Preparatory work for Strategy 2025 in the first half of the year saw the VP Bank Group's organisation transformed into something altogether more agile and resilient, existing processes optimised, and Group Executive Management further strengthened with key management and specialist expertise. The **Group Credit** division was reorganised, and a clearer distinction was made in the credit organisation between front-office activities and Credit Risk Management (CRM).

On 1 July 2020, Tobias Wehrli, an internal accomplished financial expert with long-standing experience in the asset management sector and intermediaries, joined Group Executive Management in the **Intermediaries & Private Banking division** of VP Bank. Furthermore, on 1 September 2020, Thomas von Hohenhau was appointed to the Group Executive Management and head of the newly established **division Client Solutions**. Using the existing centre of excellence for funds VP Fund Solutions as a basis, he will provide access to new investment opportunities and bring important expertise in the fields of digitisation and open banking platforms. Former head of the Banks division at the Liechtenstein Financial Market Authority (FMA) Patrick Bont was welcomed on board at Group Executive Management as the **Group Chief Risk Officer** as per 1 November 2020.

The first half of the year also saw work start on the development of **location strategies**. The aim of these location strategies is to intensify the development of VP Bank's locations in future, to boost competitiveness and attractiveness for clients on site, and to tap into new regional growth opportunities. One key step in this was the agreed takeover of the private banking division of Öhman Bank S.A. in Luxembourg, which sees the Bank press ahead with its international growth ambitions in the Nordics region.

Standard & Poor's (S&P) confirms "A" rating

Rating agency Standard & Poor's (S&P) confirmed the "A" rating for VP Bank again on 17 July 2020. The rating report cited the Bank's very strong capitalisation and solid refinancing position as the main reasons for the positive "A" rating given. At the same time, however, the outlook was changed from "stable" to "negative". The change is a direct consequence of the valuation adjustment to the tune of around CHF 20 million that was made in March 2020.
That said, the improvement measures initiated by VP Bank in its processes, duties, competencies and responsibilities were met with broad approval and acceptance in the latest audit report by S&P. The S&P ratings committee was confident that this has significantly strengthened the risk governance of VP Bank. VP Bank is confident that this will help it to fulfil the necessary conditions to quickly return the outlook to "stable".

Outlook

The first half of the year saw VP Bank succeed in responding quickly to the extraordinary challenges of the coronavirus pandemic in an agile, flexible and targeted manner. This has allowed it to operate to its usual high standard in 2020, even in incredibly challenging framework conditions.

The new strategy targets set with regard to growth (net new money inflow of at least 4 per cent), profitability (profit margin of more than 15 basis points and cost/income ratio of 70 per cent) and stability (tier 1 ratio greater than 20 per cent) will remain in place in spite of the changed market environment. Likewise, VP Bank intends to stick to its Group net income target of CHF 100 million, although this will be postponed until the end of 2026 given the difficult framework conditions prompted by the coronavirus situation.

With the new strategy cycle initiated, an ever-solid core capital ratio of 20.1 per cent and high liquidity, VP Bank Group is well equipped and looking to the future with confidence, crisis or not.

Paul H. Arni, Chief Executive Officer of VP Bank Group, appears satisfied with the semi-annual results: "We have worked efficiently and generated great operating results in an extraordinary market environment. The one-off valuation adjustment is very unfortunate, but we managed to react to the challenging situation quickly and effectively and have successfully launched important preparatory work for our new strategy cycle. We will use this as a basis to build on and advance the development and further transformation of VP Bank Group."

"VP Bank is well placed to take advantage of all the opportunities the financial industry has to offer. Strategy 2025/26 is the answer to the current challenges and opportunities on the market and a key pillar in the successful development of VP Bank", says Dr Thomas Meier, Chairman of the Board of Directors, looking to the future with confidence.

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Agenda

Media and analysts conference – 2020 Annual Results	9 March 2021
2021 Annual General Meeting of Shareholders	30 April 2021
Round Table – 2021 Semi-annual Results	17 August 2021

Facts & Figures VP Bank Group

VP Bank Ltd was founded in 1956 and is one of the largest banks in Liechtenstein with 979 employees at mid-year 2020 (full-time equivalent 908). It 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 30 June 2020, assets under management at VP Bank Group totalled CHF 45.6 billion. VP Bank is listed on the Swiss stock exchange SIX and has an "A" rating from Standard & Poor's.