

## VP Bank continues dynamic growth

Vaduz, March 11, 2008 – The VP Bank Group can look back on an outstanding 2007 financial year. Net income (including minority interests) rose significantly by 19.7 percent to CHF 161.5 million. Client assets recorded a marked 18.1 percent increase (+CHF 6.4 billion) to a total of CHF 41.9 billion, of which CHF 3.0 billion was net new money. A proposal will be submitted at the Annual General Meeting for shareholders to approve a dividend increase to CHF 11.00 per bearer share and CHF 1.10 per registered share. In addition, Dr. Daniel H. Sigg will be proposed for election as a new member of the Board of Directors. By having realigned its organizational structure, the VP Bank Group has reinforced its market development efforts.

### The key figures in brief:

- 19.7 % increase in net income to CHF 161.5 million, including minority interests (2006: CHF 134.9 million)
- Client assets totaling CHF 41.9 billion at the end of 2007 (2006: CHF 35.5 billion)
- Net new money of CHF 3.0 billion (2006: CHF 2.9 billion)
- Stable cost/income ratio of 46.7 % (2006: 46.6 %)
- Return on equity (ROE) of 15.8 % (2006: 14.2 %)
- Tier 1 ratio of 16.0 % (2006: 15.5 %)

The 2007 financial statements of the VP Bank Group show a **net income** (including minority interests) of CHF 161.5 million. Compared to the prior-year total of CHF 134.9 million, this represents an increase of 19.7 percent. **Gross operating income** rose versus the prior year by 17 percent, from CHF 326.3 million to CHF 380.6 million, while **operating expenses** were contained within budgeted limits and recorded a 17 percent increase to CHF 177.8 million.

The **cost/income ratio** nevertheless remained essentially unchanged versus the previous year and stood at 46.7 percent at the end of 2007 (2006: 46.6 percent). **Client assets** rose by CHF 6.4 billion to CHF 41.9 billion, an impressive 18.1 percent increase, with the inflow of **net new money** to the VP Bank Group amounting in 2007 to CHF 3.0 billion. **Total assets** grew by 10 percent or CHF 1.0 billion in 2007 to reach a level of CHF 10.5 billion. **Shareholders' equity** rose by CHF 52.7 million to CHF 1.1 billion. The **equity ratio** for the period under review stood at 10.1 percent and the Bank's **return on equity** amounted to 15.8 percent.

### **Proposals to the annual general meeting**

The Board of Directors will propose at the annual general meeting on April 25, 2008, that the **dividend** be increased to CHF 11.00 per bearer share and CHF 1.10 per registered share (previous year: CHF 10.00 per bearer share and CHF 1.00 per registered share). "This increase reflects the long-term dividend policy of our bank as well as the gratifying development of our business in the past year," noted **Hans Brunhart, Chairman of the Board**. This results in a dividend yield of 3.9 percent (based on the CHF 280.25 closing price of the bearer share on December 31, 2007) and a pay-out ratio of 41.2 percent (based on 2007 net income).

After twelve years of activity, Dr. Matthias Donhauser will be stepping down from the Board of Directors. VP Bank would like to thank Dr. Donhauser for his dedicated collaboration, which was marked by his competence in commercial law. The Board of Directors will propose at the April 25, 2008, annual general meeting that Dr. Daniel H. Sigg be elected as a new member of the Board. Dr. Sigg is a Principal at DHS International Advisors, New York, and is a consultant to financial services providers.

### **VP Bank Group on target**

In a volatile financial market environment that became even more difficult as 2007 drew to a close, VP Bank achieved its targets to the greatest extent: the cost/income ratio of 46.7 percent once again came in below 50 percent, the return on equity of 15.8 percent modestly exceeded the target range of 12 to 15 percent, and the tier 1 ratio of 16.0 percent was in line with expectations. The significant increase in client assets witnessed in 2007 provides a solid foundation for reaching the goal of CHF 44 billion in client assets under management by the end of 2009 (excluding acquisitions). The fact that both business units, Private Clients and Trust Banking, developed

favorably and all market segments contributed to the Group's overall results, is something that VP Bank views as a confirmation of its business model and broadly based growth. The newly opened asset management companies in Dubai and Hong Kong are already making a positive contribution.

VP Bank made further notable progress in terms of its goal of successfully participating in the finals for the Swiss "Esprix" award for quality. The parent bank was certified under ISO and, with four of five possible stars, received the "Recognized for Excellence" commendation of the European Foundation for Quality Management (EFQM).

#### **Unaffected by subprime crisis**

As 2007 drew to a close, developments relating to the subprime crisis put an end to the favorable trend in the financial markets and also changed the outlook for the current year. The fallout from the financial crisis is also having an increasing impact on economic developments in all industrialized nations, mainly the USA. Although the VP Bank Group has in no way been involved in the subprime area, weakness in the financial markets during the final quarter of 2007 also influenced the business circumstances for the Bank. Apart from the negative effects the crisis has on national economies, it is mainly the lack of trust in the banking system that has led to profound uncertainties among investors.

#### **Challenges for the Liechtenstein financial center**

In mid-February 2008, German authorities voiced demands aimed at curtailing banking secrecy in Liechtenstein and other countries that recognize the protection of personal data. For years now, the VP Bank Group has diversified its business activities broadly on a geographical scale as well as in terms of client segments and financial products. Regardless of regulatory developments, the Bank will continue to attach the greatest priority to protecting the privacy of its clients.

#### **A time of expansion and reorganization**

For VP Bank, 2008 will be characterized and shaped by important projects. Opening up the Middle and Far Eastern markets involves the founding of a bank in Singapore. Accordingly, an application for a banking concession was submitted to the MAS (Monetary Authority of Singapore) in March 2007. In this connection, VP Wealth Management (Singapore) Ltd. was founded in the second half

of 2007. This company has the status of a "license-exempt" entity and serves as a precursor of the company that will ultimately have the banking concession: upon grant of the license, VP Wealth Management (Singapore) Ltd. will be converted into VP Bank (Singapore) Ltd.

On January 1, 2009, the new banking software application Avaloq is scheduled to be introduced at all banking locations of the VP Bank Group with the exception of Luxembourg, where introduction will take place a year later. The project is progressing according to plan.

### **Reinforcing competence and closeness to the client**

In conjunction with the international expansion of its business activities, VP Bank has adapted its structures and thereby created optimal circumstances for successful long-term growth. With its two business units, "Private Banking Clients" and "Intermediaries", VP Bank has a market organization that is more sharply focused on the different needs of both client segments. Moreover, centralized centers of competence are being built and will act on a Group-wide scale. An important step in this regard is the hiring of a team of 20 specialists in the area of wealth engineering and consulting. Starting in the third quarter of 2008, the team will commence its activities in Zurich. An additional VP Bank center of competence for Group-wide fund solutions is in the process of being established. **Adolf E. Real, Chief Executive Officer of the VP Bank Group**, explained these new structures: "In all of its markets, VP Bank will in future offer wealthy individuals holistic advice and accompaniment in financial matters and related areas, as well as cater to the needs of intermediary clients, particularly external asset managers, with regard to all banking-specific topics and issues pertaining to asset structuring."

### **Outlook**

Last year's financial results, the growth in client assets, the hiring of numerous excellently qualified employees, the continual improvement in service quality, as well as the Bank's firm foothold in various markets and client segments, represent key cornerstones for the further gratifying development of the VP Bank Group. Therefore, long-term targets of a cost/income ratio of 50 percent, a return on equity of 12 to 15 percent, a tier 1 ratio of at least 16 percent are being maintained. The target for client assets under management is CHF 44 billion by the end of 2009. Given supportive conditions, these goals are achievable if the unfavorable financial market impact of the subprime crisis eases during the course of the year.

### **Facts & Figures VP Bank Group**

Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank) was founded in 1956 and is one of the largest banks in Liechtenstein. Today, it has subsidiaries in Zurich, Luxembourg and the British Virgin Islands, as well as asset management companies in Munich, Dubai and Hong Kong, and representative offices in Moscow and Hong Kong.

The Bank is comprised of the "Private Banking Clients" and "Intermediaries" business units, the "Banking Services" service unit, as well as the "Corporate Center". As at December 31, 2007, the VP Bank Group employed 681.4 individuals based on full-time equivalents. Total assets stood at CHF 10.5 billion, while client assets amounted to CHF 41.9 billion. The VP Bank Group received an "A" (A/ stable/A-1) rating from Standard & Poor's, thus making it one of the few officially rated private banks in Liechtenstein and Switzerland.

### **Enclosures**

Key figures VP Bank Group

Consolidated Income statement

Consolidated Balance sheet

This media release can be accessed on the Internet at [www.vpbank.com](http://www.vpbank.com) under the rubric Investor & Media Relations.

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### **Agenda**

Annual general meeting: April 25, 2008

2008 half-year results: August 28, 2008