valartisgroup

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MEDIA RELEASE

9 April 2014

Correction of the financial statements 2013 for Valartis Group

On 25 March 2014, Valartis Group published the 2013 financial results in an ad hoc disclosure that was affected mainly by nonrecurring, exceptional factors resulting from the planned sale or merger, respectively of Valartis Bank AG, Switzerland. The financial results 2013 shown at that time must be corrected due to a significant unforeseeable effect of value adjustments on real estate projects by Eastern Property Holdings Ltd. The consolidated net profit from continued and discontinued operations for Valartis Group now amounts to CHF 0.4 m (previous year: CHF 10.2 m).
In accordance with International Financial Reporting Standards (IFRS), net profit from continued operations (IFRS 5) was CHF 13.2 m (previous year, on a comparable basis: CHF 7.6 m).

In the course of its strategic focus on Private Banking and asset management, Valartis Group divested its holding in the associated company Eastern Property Holdings Ltd (EPH) on 20 December 2012. At that time, the holding was 40 percent. EPH is a property management company listed on the Swiss stock exchange SIX Swiss Exchange with a focus on Russia.

As part of the transaction, the Valartis Group disposes its entire position in EPH and is expected to receive a total of approximately USD 110 million in cash over a period of four years. This corresponds mostly to the valuation of the EPH stake as shown in the 2011 Valartis Group Annual Report. The payments will be received in several instalments and are partly linked to the successful completion of current EPH development projects. To date, Valartis Group has received cash settlements amounting to about CHF 60 m paid in 2012 and 2013. The remaining value was posted as “Escrow Accounts” at fair value under receivables.

At end-2012, Valartis International Ltd. continued to serve as the administrator of EPH so that EPH as a real estate development company could continue to use the industry and market expertise of Valartis Group’s experienced property specialists. However, with the divestment of the shareholding, Valartis International Ltd. also ceded overall operative responsibility to the new management in 2013.

EPH – Value adjustment on the real estate projects «Scandinavia Land» and «Turgenesvskaya Parking»

- On 4 April 2014, EPH informed all stakeholders that the company was expecting reduced profits for the financial year 2013 in comparison with the previous year and a total loss amounting to USD 34 m, mainly due to the value adjustment for 2013 on the real estate project Scandinavia Land in St. Petersburg as well as the loan impairment on Vestive owning the Turgenesvskaya Parking and foreign exchange losses.
- As a consequence of the sale agreement, EPH’s value adjustment for 2013 on its real estate projects also influences Valartis Group. It is reflected in the net calculation of project profit for the EPH Escrow Accounts arising out of the sale, which Valartis Group posted

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on 28 December 2012, and requires a corresponding correction for the financial year 2013 for Valartis Group.

Effect on FY 2013 for Valartis Group's continued operations

- The Board of Directors of Valartis Group currently expects to conclude the planned sale or merger, respectively of Valartis Bank AG, Switzerland during the course of 2014. For that reason, the provisions of the International Financial Reporting Standards (IFRS) for continued and discontinued operations (IFRS 5) apply for the 2013 annual statements.
- In accordance with International Financial Reporting Standards (IFRS), net operating profit from continued operations (IFRS 5) was CHF 13.2 m (previous year, on a comparative basis: CHF 7.6 m) due to the sale of a portion of the bond portfolio and despite the value adjustment on the EPH Escrow Accounts.
- Despite the challenging market environment, Valartis Group's continued operations achieved net new money amounting to CHF 438 m (previous year: CHF 850 m) and client assets rose from CHF 5.5 bn to CHF 6.0 bn.
- Operating profit was up 4.2 percent at CHF 73.7 m (previous year: CHF 70.7 m). Despite implementation costs arising from new regulations, costs rose only slightly by around 3 percent to CHF 52.0 m (previous year: CHF 50.4 m). The cost/income ratio is 70.6 percent (previous year: 71.3 percent).
- Gross profit increased by 7.1 percent to CHF 21.7 m (previous year: CHF 20.3 m).
- Capital requirements imposed by the Swiss Financial Market Supervisory Authority FINMA were tightened all round at end-2013 which also demanded corresponding adjustments by Valartis Group. Despite this, the core capital ratio on 31 December 2013 was 15.2 percent (previous year: 13.3 percent).

A decisive move to realign

After having established Private Banking operations, Valartis Group focused its business activities in 2011 and 2012 on asset management, within the framework of the strategy embarked on in 2008 and after making two divestments. In 2012 and 2013, Valartis Group's sustained strategic focus was center stage. The Board of Directors of Valartis Group made a consequent and decisive move through strategic decisions to realign the business model and to adjust it to the altered framework and market conditions.

Pursuit of a favorable resolution for Valartis Bank AG, Switzerland

In the course of the strategic realignment of the business model and the streamlining of structures, on 26 August 2013, the Board of Directors of Valartis Group decided to divest Valartis Bank AG, Switzerland; this was communicated to all stakeholders on the following day. During the first half-year 2013, it had become apparent that the acquisition capacity of Valartis Bank AG, Switzerland could not be increased at the planned rate, despite the newly aligned front office organization, and that the Bank would not attain the appropriate critical mass within the foreseen timeframe. The Swiss Bank's costs, together with costs stemming from measures from increasing regulatory changes, are accelerating and squeezing margins even further and, thus, significantly raising the level of the necessary critical mass for a Swiss Bank.

Valartis Bank AG, Switzerland is a wholly owned subsidiary of Valartis Group with offices in Zurich, Geneva, and Lugano.

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The Board of Directors of Valartis Group is, and remains, committed to the pursuit of the most favorable solution on behalf of shareholders, clients, and personnel and, based on current information, expects to reach the intended settlement during the course of 2014.

Realignment of the Group Executive Management for the transformation phase

In the course of its 2013 strategic realignment, Valartis Group is re-affirming its focus on the future with a newly streamlined management organization. With immediate effect, for the transformation phase during the planned divestment of the Swiss Bank, the Group Executive Management will be as follows: Gustav Stenbolt, Group CEO, Vincenzo Di Pierri, Deputy Group CEO and CEO of Valartis Bank AG, Switzerland and George M. Isliker, Group CFO & CRO. Following the successful spin-off of Valartis Bank AG from Valartis Group during the course of 2014, Valartis Group will then align its group executive organization in accordance to the new framework requirements.

Valartis Group proposes Stephan Häberle for election to the Board of Directors

At the General Meeting on 13 May 2014, Felix Fischer will no longer be available for re-election. Valartis Group would like to thank Mr. Fischer for the work he has done. The Board of Directors proposes Stephan Häberle for election to the Board at the General Meeting of 13 May 2014. From 1980 to 1998, Stephan Häberle (54) held various positions in Private Banking Switzerland and abroad at Bank Leu, Zurich – from 1996 as Chief of Staff, he headed various projects. From 1998 to 2006, Mr Häberle was Regional Market Manager for Austria and Central Europe at UBS AG, Wealth Management International. In 2006, he moved to LGT in Liechtenstein as Head of Private Banking International and member of the Senior Management, up to 2009. Further, he was Member of the Executive Management of LGT (Schweiz) AG. Between 2009 and 2012, he headed Centrum Bank in Liechtenstein as CEO and since 2010 as Group CEO. Since 2013 he has been CEO of MediBank in Zug.

Media Conference (incl. ConfCall), 9 April 2014, and 1-to-1 for Analysts

Gustav Stenbolt, CEO and George M. Isliker, CFO/CRO will present details of the adjusted Annual Report 2013 at the Media Conference (incl. ConfCall) on 9 April 2014:

Date:	9 April 2014
Location:	Valartis Bank AG, Switzerland Sihlstrasse 20, 8001 Zurich, 2nd floor
Time:	**10.30 Media Conference** Login for ConfCall will be forwarded after registration
Registration:	Mrs. Kim-My Schefer, corporate.communications@valartis.ch

1 to 1 meetings for Analysts:

Please contact Mrs. Kim-My Schefer, corporate.communications@valartis.ch, tel. 41 43 336 82 94

The Annual Report 2013 will be available on 17 April 2014 (www.valartisgroup.ch).

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Enclosure: Key Figures 2013 at a glance

Agenda

General Meeting	13 May 2014
Half-year Report	26 August 2014

For further information please contact:
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Valartis Group

Valartis Group is an internationally active banking and finance group represented today with offices in Zurich, Geneva, Lugano, Vienna, Liechtenstein, Luxembourg, Moscow, and Singapore. The Group's holding company is domiciled in Switzerland and is listed on the SIX Swiss Exchange.

Valartis Group focuses on the wealth management business for wealthy private clients and institutional investors in addition to traditional wealth management and investment advisory, it develops, manages and markets innovative niche investment products and offers specialized product packages. In doing so, Valartis Group combines a wide range of traditional private banking services with specialized advisory and classical banking services in the fields of Asset Management and Private Equity together with innovative investment products in the categories Stocks, Fixed Income, Alternative Investments and Real Estate. Valartis Group's core markets include Central and Eastern Europe, the Middle East and individual countries in North and South America and Asia.

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KEY FIGURES AT A GLANCE

Key Figures – 2012 and 2013 shown as continued and discontinued operations

In CHF million	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013
Total operating income	**162.7**	**96.8**	**63.3**	**70.7**	**73.7**
Income from interest and dividend	27.7	49.6	41.2	18.3	17.5
Income from commission and service fee	41.9	46.9	52.2	41.5	47.1
Income from trading book	77.4	-6.9	-20.3	6.3	-3.6
Other ordinary income	15.7	7.2	-9.8	4.6	12.7
Administrative expense	-71.5	-87.6	-81.7	-50.4	-52.0
Personnel expense	-45.8	-55.7	-50.4	-33.0	-34.1
General expense	-25.7	-31.9	-31.3	-17.4	-17.9
Gross income/(loss)	91.2	9.2	-18.4	20.3	21.7
Depreciation, valuation adjustments and provisions	-13.4	-16.7	-17.0	-15.9	-9.1
Income taxes	-11.2	6.0	1.4	3.2	0.6
Net profit from concontinued operations	66.6	-1.5	-34.0	7.6	13.2
Net profit from discontinued operations		12.2	14.5	2.6	-12.8
Net profit	**66.6**	**10.7**	**-19.5**	**10.2**	**0.4**
attributable to shareholders of Valartis Group AG	62.7	10.9	-14.8	6.7	-2.5
attributable to non controlling interests	3.9	-0.2	-4.7	3.5	2.9
Total assets	2,924	2,437	2,631	3,175	3,027
Total liabilities	2,567	2,100	2,322	2,859	2,707
Total shareholders' equity (including non-controlling interests)	357	337	309	316	319
Return on shareholders' equity	23.3%	3.0%	5.8%	3.3%	0.1%
BIS Tier-I Ratio	8.9%	10.5%	10.9%	13.3%	15.2%
Total client assets	6,378	6,277	6,835	7,798	7,957
Continued operations				5,528	6,034
Discontinued operations				2,270	1,923
Net New Money	1,761	220	862	929	242
Continued operations				850	438
Discontinued operations				79	-196
Commission margin, in basis points	78.3	74.1	79.6	80.4	81.5
Employees, as full-time equivalents (FTE)	249	380	297	299	285
Continued operations				220	217
Discontinued operations				79	68
Cost / Income Ratio	44%	90%	129%	71%	71%