

## MEDIA RELEASE

27 August 2013

### **Valartis Group closes the first half of 2013 with a slight profit**

*Valartis Group closed the first half of 2013 with a profit of CHF 0.1 million. In an on-going challenging market environment, client assets rose by CHF 125 million to CHF 7.9 billion, and commission income was up 4 per cent. At the same time, Valartis Group was able to keep interest income steady and to lower administrative expense by 7 per cent. While there were solid gains in the "results of core operating activities" compared to the prior year, market value adjustments of CHF -2.2 million on the bond portfolio weighed on net profit. Due to the continued dissatisfactory growth of Valartis Bank AG, Switzerland, a fully owned subsidiary of Valartis Group AG, managing about one fifth of the client assets of the Valartis Group with its roughly 70 employees, the Board of Directors and Group Executive Management have decided that a new solution has to be found for the private banking business of the Swiss bank. A prioritised solution will be the merger of Valartis Bank AG, Switzerland with another Swiss financial institution or the outright sale of this subsidiary.*

#### **First half-year shaped by on-going uncertainty on the financial markets**

Valartis Group closed the first half of 2013 with a small profit of CHF 0.1 million (30 June 2012: CHF 3.9 million). While the "results of core operating activities" – i.e. net profit excluding non-operational valuation adjustments and amortisation of intangible assets from acquisitions – were solid compared to the prior year at CHF 5.9 million (30 June 2012: CHF 4.4 Mio.), Group profit was negatively impacted by CHF -2.2 million in market value adjustments on the bond portfolio. This was primarily due to market speculation about an early end to the U.S. Federal Reserve's bond purchases towards the end of the first half of the year, which created a high degree of uncertainty in the global bond, equity and currency markets and had a negative impact on the market valuations of bonds.

#### **Inflow of client assets continues**

Valartis Group continues to develop its focus on private client business, albeit at a slower pace due to the further restructuring of its front-office organisation. Valartis Group saw net new money inflows for the first half of 2013 of CHF 125 million (30 June 2012: CHF 491 million). Including negative market trends of CHF -26 million, client assets thus increased to CHF 7.9 billion, an increase of 1.3 per cent compared to the end of 2012. As at 30 June 2013, client assets of Valartis Group were allocated between the two business segments as follows: Private Clients: CHF 6.8 billion or 86 per cent (30 June 2012: 84 per cent) and Institutional Clients: CHF 1.1 billion or 14 per cent (30 June 2012: 16 per cent). The net new money inflows of CHF 125 million stem entirely from the Private Clients segment.

#### **Positive development of core operating activities**

Net commission income was pleasingly higher in all earnings components of wealth management business compared to the same period last year. Valartis Group's total net commission income rose by 4 per cent to CHF 26.9 million as at 30 June 2013 (30 June 2012: CHF 26.0 million). With CHF 17.3 million, interest income remained at a stable level (30 June 2012: CHF 16.9 million).

On the cost side, Valartis Group was able to lower its administrative expense compared with the prior-year period – for the third time in a row – by 7 per cent to CHF 36.9 million (30 June

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2012: CHF 39.4 million). Personnel expense was reduced by 8 per cent to CHF 24.2 million (30 June 2012: CHF 26.3 million) and general expense by a further 4 per cent to CHF 12.7 million (30 June 2012: CHF 13.1 million). As at 30 June 2013, Valartis Group employed 288 people on a full-time equivalent basis, which represents a reduction of 3.7 per cent compared to the end of 2012.

#### **Business segment results excluding any one-off effects**

The business segment result before amortisation for Private Clients in the first half of 2013 totalled CHF 7.8 million (30 June 2012: CHF 5.5 million), and the result for Institutional Clients CHF 0.1 million (30 June 2012: CHF 5.5 million). The Corporate Center posted a result of CHF -2.4 million (30 June 2012: CHF -2.2 million).

#### **Strategic focussing to continue**

In addition to increasing client assets in the Private Clients segment, strict cost controls will be part of the core strategy going forward for the Group's strategic focus on the wealth management business for wealthy private clients and institutional investors ("Private Banking Plus"). Valartis Group aims to accomplish this by targeting its core strategic markets, adjusting its product and service offering to the needs of its international client groups, as well as revising its business models and revamping its group structures, enabling the implementation of a strict profitability focus. In order to obtain today a sustainable and reasonable cost base of the Group for the future, further steps need to be taken, especially regarding its fully owned subsidiary Valartis Bank AG, Switzerland, managing about one fifth of the client assets of the Valartis Group with its roughly 70 employees and causing approximately 30 per cent of the overall general and administrative costs of the Group. As acquisition strength of the Swiss bank could still not be increased substantially during the first half of 2013 in spite of a new front organisation, and as it is foreseeable that Valartis Bank AG, Switzerland will not reach its critical size in due course, the Board of Directors instructed its Group Executive Management to find a new solution for the private banking business of the Swiss subsidiary. The prioritised solution here will be the merger of Valartis Bank AG, Switzerland with another Swiss financial institution or the outright sale of this subsidiary. The declared objective is to find a path in the next months which is the best possible solution for the shareholders of Valartis Group AG, as well as for the clients and the employees of Valartis Bank AG, Switzerland.

#### **If you have any questions, please contact:**

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The 2013 Half-Year Report can be downloaded in PDF format from our homepage at [www.valartisgroup.ch](http://www.valartisgroup.ch).

## KEY FIGURES

In CHF million	1.1.-30.6.2013	1.1.-30.6.2012	Δ %
Total operating income	44.4	50.5	-12%
Income from interest and dividend	17.3	16.9	2%
Income from commission and service fee	26.9	26.0	4%
Income from trading book	-2.5	5.0	-150%
Other ordinary income	2.7	2.5	6%
Administrative expense	-36.9	-39.4	-7%
Personnel expense <sup>1)</sup>	-24.2	-26.3	-8%
General expense	-12.7	-13.1	-4%
Gross income/(loss)	7.6	11.1	-32%
Depreciation, valuation adjustments and provisions	-7.0	-7.2	-3%
Income taxes	-0.4	0.0	
Net profit <sup>1)</sup>	0.1	3.9	-96%
Commission margin, in basis points <sup>2)</sup>	69	71	-3%
Cost/income ratio	83%	78%	
Operating income per FTE, in CHF 1,000	151	169	-10%
Average personnel expense per FTE, in CHF 1,000 <sup>2)</sup>	165	176	-6%
Employees, as full-time equivalents (FTE)	288	302	-5%

In CHF million	30.6.2013	31.12.2012	Δ %
Total assets <sup>1)</sup>	3,083	3,175	-3%
Total liabilities <sup>1)</sup>	2,766	2,859	-3%
Total shareholders' equity (including non-controlling interests) <sup>1)</sup>	317	316	0.3%
Capital adequacy coverage ratio II	191%	181%	
BIS Tier-1 ratio	14.6%	13.3%	
Total client assets	7,898	7,798	1%
Net new money (1.1.-30.6.)	125	491	-74%

1) Restated due to retrospectively implementation of IAS 19 revised.

For further details we refer to page 19 in the 2013 Valartis Group Half-year Report.

2) annualised

### Valartis Group – Private Banking Plus

Valartis Group is an internationally active banking and finance group with offices in Zurich, Geneva, Lugano, Vienna, Liechtenstein, Luxembourg, Moscow, and Singapore. The Group's holding company, Valartis Group AG, is domiciled in Baar, canton of Zug, and is listed on the Swiss stock exchange SIX Swiss Exchange.

Valartis Group focuses on the wealth management business for wealthy private clients and institutional investors: "Private Banking Plus". In addition to traditional wealth management and investment advisory, Valartis Group develops, manages and markets innovative niche investment products and provides specialised advisory and banking services within corporate and structured finance. The Group's core markets include Central and Eastern Europe, the Middle East and selected countries in North and South America as well as Asia.