

## MEDIA RELEASE

28 April 2015

### 2014 Valartis Group Consolidated Financial Statements

*The 2014 Valartis Group Consolidated Financial Statements, in accordance with International Financial Reporting Standards (IFRS), show a Group loss of CHF 73.3 m for continued operations and discontinued operations, taking into consideration non-recurring, exceptional factors (2013 on a comparable basis: Group profit of CHF 0.4 m). This is made up of the loss of CHF 19.6 m from discontinued operations resulting from divestment of Valartis Bank AG, Switzerland and Valartis Wealth Management S.A. plus a loss from continued operations of CHF 53.7 m. The loss from continued operations of CHF 53.7 m is mainly attributable to the following factors: necessary value adjustments on receivables from the 2012 sale of Eastern Property Holdings Ltd., impairment of goodwill positions, a decrease in income from interest and a significantly lower trading result in 2014 due to lower rouble valuations on private equity holdings and losses on the ENR Russia Invest S.A. bond portfolio.*

Due to divestment of Valartis Bank AG, Switzerland and Valartis Wealth Management S.A., the provisions of the International Reporting Standards (IFRS) for continued and discontinued operations (IFRS 5) apply for the Valartis Group 2014 Annual Report. The activities of these two companies are allocated to discontinued operations in 2014.

### Overview of continued operations

The Group loss from continued operations amounting to CHF 53.7 m is mainly attributable to the following factors:

- value adjustments which became necessary in 2014 on receivables from the 2012 sale of Eastern Property Holdings Ltd. amounting to CHF 27.5 m due to substantial value adjustments on real estate projects effected by that company as a result of the current economic situation in Russia on the back of international sanctions;
- impairment of goodwill positions amounting to CHF 10.6 m;
- a significant decrease in income from interest for continued operations amounting to CHF 8.3 m due to declining market interest rates and the lack of reinvestment in bonds in FY 2014;
- a significantly lower 2014 trading result due to lower rouble valuations on private equity holdings and losses on the ENR Russia Invest SA bonds portfolio amounting to CHF 8.1 m.

### Continued operations from an operational viewpoint

Valartis Group's continued operations comprise the Private Clients and Institutional Clients segments which include the Private Banking and Wealth Management units together with Asset Management, Private Equity, Corporate Finance, and Real Estate Management.

From a purely operational viewpoint, i.e. without taking non-recurring, exceptional factors into consideration, income from commission and services for continued operations remained stable at CHF 47.2 m (2013: CHF 47.1 m) in comparison with the previous year. In the Private Clients segment, the Valartis private banks performed very nicely. Income from commission and services was up by 19 percent to CHF 40.7 m (2013: CHF 34.3 m). In particular, the bank in Liechtenstein posted a robust annual profit for 2014.

Despite the challenging environment, continued operations achieved a net new money inflow of CHF 285 m (2013: CHF 438 m) and client assets rose by 9 percent to CHF 6.5 bn (2013: CHF 6.0 bn). This was largely attributable to the Private Clients segment which achieved a net new money inflow of CHF 530 m (2013: CHF 508 m) and a rise in client assets under management of 15 percent to CHF 6.1 bn (2013: CHF 5.3 bn). Valartis Bank (Liechtenstein) AG made the greatest contribution to this satisfactory result.

Despite the costs arising out of implementation of new regulatory requirements in 2014, overall costs for the financial year only rose by 2 percent to CHF 53.0 m (2013: CHF 52.0 m).

### **Equity capital base**

In summer 2014 Valartis Group incorporated Valartis Finance Holding AG in Liechtenstein in which the relevant operating activities of the Private Banking, Wealth Management and Private Equity units, together with financial holdings, are combined. Valartis Finance Holding AG is subject to the consolidated banking supervision by the Financial Market Authority in Liechtenstein (FMA). In Liechtenstein, as of 31 December 2014, risks are assessed using Basel II approaches. As at 31 December 2014, the hard core capital ratio according to Basel II for Valartis Finance Holding AG was 15 percent and the overall capital ratio in accordance with Basel III for Valartis Group was 16 percent. This equity capital base and the risk-bearing capacity thus cushion the above-mentioned business risks – primarily evaluation adjustments which are not cash-effective, or market movements – which have led to the overall Group loss.

### **2014 – A year of continued adjustment**

In financial year 2014, Valartis Group concentrated on implementation of the strategic decisions taken in 2013 and 2014. The main focus was on the sale of Valartis Bank AG, Switzerland to Banque Cramer & Cie S.A. at end-August 2014 and the reorganisation of Valartis Group AG with the incorporation of Valartis Finance Holding AG in Liechtenstein in summer 2014.

### **A look back**

In 2007, Valartis Group was realigned in order to focus strategically on the wealth management business with wealthy private clients and institutional investors. Despite the financial crisis which started in 2008, Valartis Group was able to further develop its private banking activities over the following three years through targeted acquisitions in that segment. Valartis Group intensified concentration on private banking by means of tactical divestments of non-private banking activities in 2011 and 2012 and, at the same time, by tightening its organisation in 2012 and 2013 by means of cost reduction measures.

After it had become apparent that the acquisition capacity of Valartis Bank AG, Switzerland could not be enhanced at the planned rate despite the 2012 newly aligned front-office organisation, and that the bank would not attain the appropriate critical mass within the foreseen timeframe, in 2013, Valartis Group decided to divest the Swiss 100-percent subsidiary. By retaining a 25-percent holding in Norinvest Holding S.A., the listed parent company of Banque Cramer & Cie S.A., the purchaser of the Swiss bank, Valartis Group maintains in 2014 its presence in the private banking market in Switzerland to a lesser extent.

**A look to the future**

Since the financial crisis, wealth management banks have found themselves in a difficult macroeconomic environment with record low interest rates and a challenging investment situation. In addition, implementation of a range of complex, national and international regulatory requirements is affecting banks' cost structures and margins. And these trends did not by-pass Valartis Group. This environment makes it increasingly difficult for the Group to generate sustainable operating profits. The critical mass for Valartis Group's private banking activities as a whole has not been enhanced in spite of the sale of the Swiss unit. The Group's results in the last few years were also influenced by the very volatile results from non-private banking activities.

Against this background, the Board of Directors of Valartis Group is now carefully examining the Group's strategy, business model, and structure in order to align it more expediently to the challenging environment with the aim of generating sustainable, appropriate yields from invested capital. In this context, the Board of Directors will implement the corresponding measures by summer 2015.

The 2014 Annual Report is available on the website [www.valartisgroup.ch](http://www.valartisgroup.ch) and can also be ordered in printed form from [corporate.communications@valartis.ch](mailto:corporate.communications@valartis.ch).

**Agenda**

|                               |                                                                                                |
|-------------------------------|------------------------------------------------------------------------------------------------|
| Results media conference 2015 | 28 April 2015                                                                                  |
| Registration:                 | <a href="mailto:corporate.communications@valartis.ch">corporate.communications@valartis.ch</a> |
| General meeting 2015          | 2 June 2015<br>SIX Exchange, SIX Convention Point, Zurich                                      |
| Half-year report 2015         | 25 August 2015                                                                                 |

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KEY FIGURES 2014

Key Figures – 2013 and 2014 shown as continued and discontinued operations

| In CHF million                                                   | 31.12.2010  | 31.12.2011   | 31.12.2012  | 31.12.2013   | 31.12.2014   |
|------------------------------------------------------------------|-------------|--------------|-------------|--------------|--------------|
| <b>Total operating income</b>                                    | <b>96.8</b> | <b>63.3</b>  | <b>70.7</b> | <b>73.7</b>  | <b>26.5</b>  |
| Income from interest and dividend                                | 49.6        | 41.2         | 18.3        | 17.5         | 9.2          |
| Income from commission and service fee                           | 46.9        | 52.2         | 41.5        | 47.1         | 47.2         |
| Income from trading book                                         | -6.9        | -20.3        | 6.3         | -3.6         | -31.5        |
| Other ordinary income                                            | 7.2         | -9.8         | 4.6         | 12.7         | 1.6          |
| Administrative expense                                           | -87.6       | -81.7        | -50.4       | -52.0        | -53.0        |
| Personnel expense                                                | -55.7       | -50.4        | -33.0       | -34.1        | -34.6        |
| General expense                                                  | -31.9       | -31.3        | -17.4       | -17.9        | -18.5        |
| Gross income/(loss)                                              | 9.2         | -18.4        | 20.3        | 21.7         | -26.6        |
| Depreciation, valuation adjustments and provisions               | -16.7       | -17.0        | -15.9       | -9.1         | -28.3        |
| Income taxes                                                     | 6.0         | 1.4          | 3.2         | 0.6          | 1.3          |
| <b>Net profit from concontinued operations</b>                   | <b>-1.5</b> | <b>-34.0</b> | <b>7.6</b>  | <b>13.2</b>  | <b>-53.7</b> |
| <b>Net profit from discontinued operations</b>                   | <b>12.2</b> | <b>14.5</b>  | <b>2.6</b>  | <b>-12.8</b> | <b>-19.6</b> |
| <b>Net profit</b>                                                | <b>10.7</b> | <b>-19.5</b> | <b>10.2</b> | <b>0.4</b>   | <b>-73.3</b> |
| attributable to shareholders of Valartis Group AG                | 10.9        | -14.8        | 6.7         | -2.5         | -69.2        |
| attributable to non controlling interests                        | -0.2        | -4.7         | 3.5         | 2.9          | -4.1         |
| Total assets                                                     | 2,437       | 2,631        | 3,175       | 3,027        | 2,886        |
| Total liabilities                                                | 2,100       | 2,322        | 2,859       | 2,707        | 2,646        |
| Total shareholders' equity (including non-controlling interests) | 337         | 309          | 316         | 319          | 241          |
| Return on shareholders' equity                                   | 3.0%        | n/a          | 3.3%        | 0.1%         | n/a          |
| Total client assets                                              | 6,277       | 6,835        | 7,798       | 7,957        | 6,459        |
| Continued operations                                             | 6,277       | 6,835        | 5,528       | 6,034        | 6,459        |
| Discontinued operations                                          |             |              | 2,270       | 1,923        | 0            |
| Net New Money                                                    | 220         | 862          | 929         | 242          | 285          |
| Continued operations                                             |             |              | 850         | 438          | 285          |
| Discontinued operations                                          |             |              | 79          | -196         | 0            |
| Commission margin, in basis points                               | 74.1        | 79.6         | 67.1        | 81.5         | 75.6         |
| Employees, as full-time equivalents (FTE)                        | 380         | 297          | 299         | 285          | 215          |
| Continued operations                                             |             |              | 220         | 217          | 215          |
| Discontinued operations                                          |             |              | 79          | 68           | 0            |
| Cost / Income Ratio                                              | 90%         | 129%         | 71%         | 71%          | 201%         |
| Closing price of VLRT bearer shares, in CHF                      | 26.00       | 17.25        | 20.00       | 17.70        | 15.40        |
| Dividend per share, in CHF                                       | 0.50        | 0.00         | 1.00        | 0.00         | 0.00         |
| Dividend yield                                                   | 1.9%        | n/a          | 5.0%        | n/a          | n/a          |

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**Valartis Group**

*Valartis Group is an international banking and finance group represented today with offices in Liechtenstein, Austria, Switzerland as well as Luxembourg and Moscow. The Group's holding company is domiciled in Switzerland and is listed on the SIX Swiss Exchange. Valartis Finance Holding AG in Liechtenstein comprises the operations of the private banking and wealth management divisions, together with the private equity operations of ENR Russia Invest. Valartis Finance Holding AG is subject to the consolidated banking supervision by the Financial Market Authority Liechtenstein (FMA). 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, Corporate Finance 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 certain countries in North and South America and Asia.*

[www.valartisgroup.ch](http://www.valartisgroup.ch)