Consolidated semi-annual report of VP Bank Group

Consolidated results

In what continues to be a challenging environment, VP Bank Group generated group net income of CHF 25.5 million in the first half of 2023. This represents an increase of 19 per cent compared to the previous-year period (first half of 2022) and an increase of 35 per cent compared to the second half of 2022.

Client assets

As of 30 June 2023, client assets under management amounted to CHF 47.2 billion. This represents an increase of 2 per cent recorded as of the end of 2022, which is primarily due to the positive market environment.

Positive new money inflows compensated for forced outflows due to adjustments to client portfolios as well as outflows from clients with a connection to Russia. Net new money inflow was CHF 0.1 billion.

Average client assets under management fell by 4 per cent compared to the previous-year period, and increased by 2 per cent compared to the second half of 2022.

Custody assets decreased by CHF 0.3 billion to CHF 5.6 billion compared to the end of December 2022, representing a decrease of 5 per cent. On the whole, client assets including custody assets totalled CHF 52.8 billion as of 30 June 2023.

Income statement

Operating income

VP Bank generated operating income of CHF 188.3 million. This represents an increase of 17 per cent compared to the previous-year period and an increase of 8 per cent compared to the second half of 2022.

Net interest income rose to CHF 72.1 million, representing an increase of 30 per cent compared to the previous-year period and an increase of 9 per cent compared to the second half of 2022. Interest rates rose considerably across the various currencies in 2022 and increased again slightly in 2023. Interest income therefore rose by 133 per cent compared to the previous-year period to CHF 150.2 million, and interest expenses increased by 772 per cent to CHF 78.1 million.

Net income from commission business and services amounted to CHF 69.8 million. Compared to the previous-year period, this corresponds to a decrease of 3 per cent; compared to the second half of 2022, it represents an increase of 3 per cent. Recurring commission income amounted to CHF 56.2 million, which is 3 per cent lower than in the previous-year period but 1 per cent higher than the second half of 2022, developing in parallel with average AuM. Transaction-based commission income amounted to CHF 13.6 million, representing a 4 per cent decrease compared to the previous-year period but a 12 per cent increase compared to the second half of 2022.

Income from trading activities amounted to CHF 38.7 million, an increase of 43 per cent compared to the previous-year period and an increase of 1 per cent compared to the second half of 2022. The increase is mainly related to the increase in the USD/CHF interest rate differential in the second half of 2022; during the reporting period, the interest rate differential remained stable.

Income from financial investments made a positive contribution of CHF 5.3 million to the semi-annual results, as did other income totalling CHF 2.5 million.

Operating expenses

Operating expenses increased to CHF 158.2 million, representing a 14 per cent increase compared to the previous-year period and a 4 per cent increase compared to the second half of 2022.

Personnel expenses increased by 2 per cent compared to the second half of 2022 to CHF 89.8 million, which reflects inflation-related wage increases and higher average FTEs.

Compared to the second half of 2022, general and administrative expenses increased by 3 per cent to CHF 40.9 million. This increase is mainly due to higher advisory fees for the analysis of client relationships with a connection to Russia and to ongoing costs for IT infrastructure outsourcing.

Depreciation and amortisation increased in line with expectations to CHF 22.3 million. Strategy-related depreciation and amortisation is expected to peak in 2024.

Against the backdrop of the current economic environment, provisions were created during the reporting period. Valuation adjustments, provisions and losses therefore increased to CHF 5.2 million.

Balance sheet

Total assets amounted to CHF 12.6 billion. Compared to 31 December 2022, this figure has remained stable.

Deposits

On the liabilities side, client funds amounted to CHF 10.6 billion, which represents a decrease of 2 per cent. Obligations due to banks nearly doubled, amounting to CHF 0.4 billion.

Short-term financial assets

On the asset side, the total in cash or deposits at the Swiss National Bank amounted to CHF 2.2 billion. A further CHF 1.9 billion are due from banks or are money market papers, both with short terms. This CHF 4.1 billion covered 38.7 per cent of client deposits.

Loans

VP Bank had CHF 5.4 billion in outstanding loans, of which CHF 3.2 billion were mortgage loans. Loan volume decreased by 5 per cent because many clients paid back their Lombard loans due to the changes in the interest-rate environment.

Equity capital and liquidity

VP Bank Group has a very strong capital base and high liquidity. As of 30 June 2023, the tier 1 ratio was 23.4 per cent and the liquidity coverage ratio was 202.2 per cent.