



NEUE BANK

Liechtenstein Private Bank
independent and consistent since 1992

Review of Business Activities 2018



Governing Bodies and Auditors

Board of Directors

Lic.oec. Karlheinz Ospelt, Vaduz	Chairman
Josef Quaderer, Schaan	Vice Chairman
Lic.rer.pol. Alexander Jeeves, Schaan	Member
Dr.iur. Ernst Walch, Planken	Member
Mag.rer.soc.oec. Damian Wille, Vaduz	Member

Honorary Chairman of the Board of Directors

Georg Vogt, Balzers

Honorary Member of the Board of Directors

Jost Pilgrim, Schaan

Executive Committee

Willy Bürzle	Trading/Lending
Lic.oec. Claudia Jehle-Ospelt	Finance/Operations
Pietro Leone	Clients
Dr.iur. Mag.rer.soc.oec. Reinhard Malin	Legal/Risk Management/Compliance

Auditors

KPMG AG, Zürich

Board of Directors



Josef Quaderer, Ernst Walch, Karlheinz Ospelt, Alexander Jeeves, Damian Wille (from left)

Executive Committee



Willy Bürzle, Pietro Leone, Claudia Jehle-Ospelt, Reinhard Malin (from left)

Report of the Board of Directors and the Executive Committee

Fiscal 2018 will go down in history as a rather subdued year for the financial sector. The still challenging environment and the negative developments on the financial markets that arose in the second half of the year continued to be demanding for banks. After a gain of 14.1 % in the previous year, in 2018 the SMI fell by double digits for the first time since the crash year of 2008, namely by 10.2 %. The DAX performed even worse at minus 18.2 % – and even far more than minus 20 % when currency-adjusted in comparison to the SMI, i.e. based on the Swiss franc as reference currency. Even the Dow Jones dove 5.6 %, and the Nasdaq fell for the first time in 10 years, albeit with the comparatively smallest loss of 1 %.

Good business result in demanding fiscal year

Under these conditions, NEUE BANK AG generated a gross operating profit of CHF 13.0 million, exceeding the level of the previous year by 1.7 %. The net annual profit of CHF 10.4 million was CHF 0.2 million or 1.9 % lower than in the previous year. This is due to a special expense resulting from a one-time change in the way accruals and deferrals are calculated. Excluding this special charge of CHF 0.5 million, the annual result would have risen by CHF 0.3 million or about 2.6 %. The total client assets at NEUE BANK AG fell from a record high of more than CHF 5.8 billion in July 2018 to about CHF 5.5 billion in November 2018 – corresponding to the year-end figure for 2017 – and then to CHF 5.3 billion as of 31 December 2018. The CHF 5 billion mark for the total client assets was thus exceeded for the second year in a row.

NEUE BANK AG was able to attract new money in the amount of CHF 86.8 million in 2018 – after a net inflow of new funds in the amount of CHF 36.8 million in 2015, CHF 74.6 million in 2016, and CHF 170.6 million in 2017.

The regulatory challenges did not ease in fiscal 2018 either. Measures such as the General Data Protection Regulation (GDPR) and the EU-Regulation MiFID II (“Markets in Financial Instruments Directive”), which entered into force on 3 January 2018, further increased the administrative burden. For that reason and in line with our strategy of increased acquisitions, our number of employees will continue to grow. With the office space in our new bank building, which was acquired in spring 2016 and which we moved into on 14 September 2017 during our anniversary year, we laid the foundations for our future in good time.

Changes in the Executive Committee

There were no changes in the Board of Directors or the Executive Committee of NEUE BANK AG in 2018. However, preparations had to be made for the retirement of our last founder still active in operations, Willy Bürzle. He will leave the Executive Committee on 31 May 2019. The Board of Directors has appointed Thomas Hemmerle, Head of Investment Advisory, as a new member of the Executive Committee.

In 2018, new technologies such as blockchain and artificial intelligence were discussed several times by the Strategy Committee and the Board of Directors. For

us, the principle here is not to enter as a “first mover”, but rather to follow developments in the IT sector closely and take the necessary steps at the right time. We already did this successfully when we introduced e-banking in 2013 and our app in 2017. Our focus is always on protecting our clients and their data.

Awards: Fuchsbrieife and Elite Report

Once again, our portfolio management solutions PRIMUS-ACTIVE, PRIMUS-PASSIVE, and PRIMUS-ETHICS were convincing. As in previous years, NEUE BANK AG received awards from Fuchsbrieife and the Elite Report Handelsblatt in 2018. In its test report this year, Fuchsbrieife emphasised the core competencies of our advisors, which it said were “flawless and beyond reproach”. The report is rounded off by the investment proposal itself, which, according to the Fuchsbrieife report, was presented comprehensibly and completely. The Elite Report’s reasons for the repeat award included NEUE BANK AG’s portfolio management, which according to experts offers exemplary reliability with solid results. In addition, it cited the good advisory culture and expertise at NEUE BANK AG, which create a harmonious experience for the client. “It is therefore no wonder,” the Elite Report says, “that wealthy investors seeking security show such loyalty to NEUE BANK AG. And the bank continues to grow not least because of this. Well done.” The experts emphasised that NEUE BANK AG has every reason to venture more into the public eye, given its good performance.

Success through sustainable investment

For more than 10 years now, we have been offering our sustainable portfolio management mandate under the name PRIMUS-ETHICS. Here, the magic triangle of

liquidity, return, and risk is expanded by the important component of sustainability, creating a magic square. In this mandate, investments that do not meet the criteria of sustainability are excluded. Over the past 10 years, our PRIMUS-ETHICS portfolio management mandate has shown that we not only reach the returns of conventional investment forms with our strategy, but are even able to surpass them significantly.

The demand for sustainable investment opportunities is constantly increasing, not least because of ethical principles as well as regulatory developments such as the EU Action Plan on Sustainable Finance. Mostly institutional investors, such as pension schemes and insurers, are currently choosing this approach. Private investors are likewise slowly becoming aware that socially responsible investing also has an impact on the long-term success of assets.

Second-best result since 2008

Despite the flatter market trends towards the end of the 2018 year under review, we were able to increase our net interest income to CHF 7.8 million, which represents a gain of more than CHF 1.8 million, or 31.1 %, over the previous year, in which we already recorded growth of nearly 10 %. Our strategy of expanding our lending business since 2011, and within that not least of all our mortgage business, has thus proven to be correct. Loans in the form of mortgages rose from CHF 215.6 million at the beginning of 2018 to CHF 227.9 million at the end of 2018.

Net commission and fee income also increased by CHF 0.2 million, or 1.3 %, over the previous year to nearly CHF 15.2 million, while our income from

financial transactions fell by CHF 1.4 million, or 19.7%, from the record level of CHF 6.9 million in the previous year.

Personnel expenses and administrative expenses increased in line with our targets: personnel expenses by CHF 0.2 million or 2.1%, administrative expenses by CHF 0.3 million or 6.1%.

After depreciation and amortisation and after deducting tax expenses and other ordinary expenses, with the one-time special expenses due to the change in the way accruals and deferrals are calculated, the net annual profit for fiscal 2018 was about CHF 10.4 million, as already mentioned, or CHF 0.2 million below the result of the previous year. This is the second-best result since 2008.

Rewarding shareholder loyalty

In light of the result in fiscal 2018, the Board of Directors unanimously recommends to the General Meeting convened on 12 April 2019 to pay a dividend of 20%, as in the previous two years. Together with those two years, this is the highest dividend payment since 2007. The dividend corresponds to a distribution in the amount of 76.6% of the net profit. This sends a clear signal that NEUE BANK AG will continue to represent the interests of its loyal shareholders.

Subject to the approval by the General Meeting of the proposed distribution of dividends of 20% in the amount of CHF 8.0 million, CHF 2.4 million will be allocated to other reserves and CHF 0.2 million carried forward.

After appropriation of earnings, our bank will have equity capital amounting to CHF 137.1 million. The Tier 1 ratio is 33.9% at the end of 2018 – compared with 33.3% in the previous year – while the leverage ratio at the end of the year temporarily fell from 10.6% to 9.4%. With these impressive performance indicators as well as a cost/income ratio of 54.6% – compared with 54.1% in the previous year – NEUE BANK AG continues to be well positioned for the future.

Thanks to our clients, shareholders, and employees

Our thanks go to our shareholders and clients for their trust and loyalty. We would also like to express our sincere gratitude to our employees, who give their best every day in this challenging environment and show great commitment when facing changes that are not always easy.

Vaduz, February 2019



lic.oec. Karlheinz Ospelt
*Chairman of the
Board of Directors*



Willy Bürzle
*Member of the
Executive Committee*

Statement of Assets and Liabilities as at December 31, 2018

Assets

in thousands CHF	31.12.2018	31.12.2017	Change	
			absolute	in %
Liquid Funds	428'604	337'786	90'818	26.9
Due from Banks	509'574	438'495	71'079	16.2
a) on demand	193'589	126'845	66'744	52.6
b) other claims	315'985	311'650	4'335	1.4
Due from clients	363'214	366'333	-3'119	-0.9
of which mortgages	227'939	215'625	12'314	5.7
Bonds and other fixed interest securities	84'979	63'199	21'780	34.5
a) Money market instruments	25'428	8'753	16'675	190.5
aa) of public authority issuers	25'428	8'753	16'675	190.5
b) Bonds	59'551	54'446	5'105	9.4
ba) of public authority issuers	8'117	5'078	3'039	59.8
bb) of other issuers	51'434	49'368	2'066	4.2
Shares and other non-fixed interest securities	1'974	1'687	287	17.0
Intangible assets	48	108	-60	-55.6
Fixed assets	21'261	21'829	-568	-2.6
Other assets	4'896	6'613	-1'717	-26.0
Accrued and deferred items	2'195	2'182	13	0.6
Total assets	1'416'745	1'238'232	178'513	14.4

Liabilities

in thousands CHF	31.12.2018	31.12.2017	Change	
			absolute	in %
Due to banks	3'050	4'504	-1'454	-32.3
a) on demand	3'050	4'504	-1'454	-32.3
Due to clients	1'254'612	1'075'721	178'891	16.6
a) other liabilities	1'254'612	1'075'721	178'891	16.6
aa) on demand	911'433	944'946	-33'513	-3.5
ab) with agreed maturity or period of notice	343'179	130'775	212'404	162.4
Certified liabilities	1'469	3'374	-1'905	-56.5
of which medium term notes	1'469	3'374	-1'905	-56.5
Other liabilities	8'269	8'584	-315	-3.7
Accrued and deferred items	1'707	878	829	94.4
Provisions	2'534	2'507	27	1.1
a) tax provisions	2'534	2'507	27	1.1
Provisions for general banking risks	15'980	15'980	0	0.0
Capital subscribed	40'000	40'000	0	0.0
Capital surplus	78'554	75'854	2'700	3.6
a) legal reserves	8'000	8'000	0	0.0
b) other reserves	70'554	67'854	2'700	4.0
Surplus carried forward	130	189	-59	-31.2
Net income	10'440	10'641	-201	-1.9
Total liabilities	1'416'745	1'238'232	178'513	14.4

Off balance sheet transactions

in thousands CHF	31.12.2018	31.12.2017	Change	
			absolute	in %
Contingent liabilities	8'392	8'043	349	4.3
of which liabilities arising from guarantees and performance contracts as well as liabilities arising from collateralizations	8'392	8'043	349	4.3
Credit risks	0	12'732	-12'732	N/A
of which irrevocable commitments	0	12'732	-12'732	N/A
Derivative financial instruments				
- volume of contracts	1'013'890	1'235'065	-221'175	-17.9
- positive replacement values	4'847	6'550	-1'703	-26.0
- negative replacement values	7'549	7'345	204	2.8
Fiduciary transactions	179'486	330'479	-150'993	-45.7

Income statement from 2018

in thousands CHF	2018	2017	Change	
			absolute	in %
Interest income				
Interest earned	10'695	6'403	4'292	67.0
of which from fixed interest securities	1'162	781	381	48.8
Interest paid	-2'901	-457	-2'444	534.8
Net interest income	7'794	5'946	1'848	31.1
Income from securities	1	3	-2	-66.7
a) Shares and other non-fixed interest securities	1	3	-2	-66.7
Commission and fee income				
Commission and fee income	17'320	17'809	-489	-2.7
a) loan related commission income	72	76	-4	-5.3
b) securities and investment related income	15'480	15'816	-336	-2.1
c) other commission and fee income	1'768	1'917	-149	-7.8
Commission paid	-2'162	-2'852	690	-24.2
Net commission and fee income	15'158	14'957	201	1.3
Income from financial transactions	5'550	6'915	-1'365	-19.7
of which from trading activities	5'654	6'746	-1'092	-16.2
Other ordinary income	92	25	67	268.0
Income from real estate	56	25	31	124.0
Other ordinary income	36	0	36	N/A
Business expenses	-15'604	-15'071	-533	3.5
a) personnel expenses	-9'896	-9'689	-207	2.1
of which:				
aa) salaries	-8'236	-8'150	-86	1.1
ab) social levies and pension contributions	-1'588	-1'467	-121	8.2
of which for pension contributions	-818	-758	-60	7.9
b) administrative expenses	-5'708	-5'382	-326	6.1
Gross operating profit	12'991	12'775	216	1.7
Amortisation of intangible assets and depreciation of fixed assets	-830	-887	57	-6.4
Other ordinary expenses	-486	-54	-432	N/A
Result of ordinary operations	11'675	11'834	-159	-1.3
Income taxes	-1'235	-1'193	-42	3.5
Net profit	10'440	10'641	-201	-1.9

Our solutions



PRIMUS-ACTIVE

- Actively managed
- Daily monitoring of market movements
- Optimisation of investment opportunities



PRIMUS-ETHICS

- Consideration of environmental and social aspects
- Investment in companies which are ethically and morally beyond reproach
- Positive effects of sustainability on economic success



PRIMUS-PASSIVE

- Long term asset management mandate with a strategic asset allocation
- Automatic rebalancing
- Attractive all-in fee

Distribution of available earnings 2018

Proposal of the Board of Directors to the ordinary General Meeting of Shareholders on April 12, 2019

2018

The Board of Directors proposes to the General Meeting to appropriate available earnings for fiscal 2018 consisting of:

Net profit	CHF	10'440'205
Carry-forward	CHF	130'362
Total	CHF	10'570'567

as follows:

Distribution of a dividend of 20 %	CHF	8'000'000
Allocation to other reserves	CHF	2'400'000
Carry-forward to the new fiscal year	CHF	170'567

Significant shareholders and groups of shareholders linked by voting rights

in thousands CHF	31.12.2018		31.12.2017	
	nominal	voting share in %	nominal	voting share in %
with voting right:				
Hermann Wille Family Foundation	12'421	33.8	11'891	33.2
Peregrinus Family Foundation	2'179	10.3	2'160	10.3
Elmar Bürzle	1'700	8.2	1'700	8.2
Fanama Foundation	1'670	8.2	1'670	8.2
Dylai Foundation	3'228	6.2	3'228	6.2

The statutory auditors issued an unqualified audit opinion on the Annual Report 2018, established in accordance with Liechtenstein Banking Law and Regulations. The complete German language Annual Report 2018 will be filed in the Office of Justice of Liechtenstein (Number FL-1.502.960).



Securities Administration: Michael Kesseli, Karin Meier, Ricardo Maia de Sousa, Christine Eberle, Mathias Marxer, Angelika Beck, Rita Schädler, Mario Kressig (from left)

“We offer our clients optimal and efficient back office services.”

