

# VP Bank's Asia Expansion: Inspired by Market Understanding Allied with Strategic Focus

**Bruno Morel likes adventure. He loves scuba diving and is just at home on the ski slopes of his native France. For him, VP Bank is another exciting challenge. In less than two years since he joined the bank as CEO for Asia, the Singapore regional HQ has almost doubled in size and has also become a full branch. Morel met with Hubbis to explain how the bank is enjoying rapid growth in its core intermediary business, and how its private client business is being bolstered by the bank's new ability to extend credit.**

## Executive summary

Asia, says Bruno Morel, CEO of VP Bank in the region, is the single market where the bank has a major presence outside Europe, and it is a part of the world where the bank's leaders are clearly dedicated to expansion. The mission, Morel told Hubbis in a recent interview, is to grow the bank under both pillars, the private client side and the intermediaries business. "We see great growth potential in these two key areas," he reported, "in both our key locations of Singapore and Hong Kong."

Morel highlighted the importance of the intermediary business, which he says accounts for more than half of the bank's Asia-wide activities. He explained that the bank has carved out a significant niche for smaller, independent asset managers and family offices seeking to leverage VP Bank's infrastructure, devotion to service and open architecture.

"The key differentiation factor is that we offer these clients highly individualised service and attention," he remarked. "We are a bank which is ready, which has the tools, which has made the investment, which has the product to service intermediaries in the right way."

For the private client side of the business, Morel conceded that it is perhaps less easy for VP Bank to differentiate itself from other private bank competitors. However, Morel observed that the true character and advantages of using VP Bank for private clients soon become clearer to those clients, as they realise that, over time, they obtain a high level of service, attention and consistency from VP Bank, as well as access to high-quality product. He said that in the medium- and longer-term these clients often see this reflected in the performance of their portfolios.

VP Bank has operated out of Singapore since 2008 and in September last year was granted full branch status. This is helping the bank make a quantum leap forward in the region. Armed with its 21% Tier 1 Capital Ratio, single-A credit rating and the total commitment of the group's management and shareholders, VP Bank is using its balance sheet to push into lending for its private Asian clients and for intermediaries and their clients.

Key priorities for Morel and his Asia team are now to expand organically - more team members, more private clients, more intermediaries and increased lending - and at the same time further improve profitability. And if the right opportunity presents itself, VP Bank is also ready with money and management desire to make a sizeable acquisition.



**“A** SIA,” MOREL BEGAN, “is the single most important focus of expansion for the whole group, not Europe, not the US, not any other region. Asia is where the bank sees great growth potential for the intermediary business, for the private client activities and for the lending activities.”

On the latter point, the decade-old Singapore office has been upgraded since September 2018 to full branch status, in other words it now holds a full wholesale banking license. Armed with an immensely strong group balance sheet and huge liquidity, and also seeing little lending growth or opportunity in Europe, Asia is, therefore, the bank’s central point of focus for its credit operations.

### **A clear focus on Asia**

VP Bank established itself in Singapore in 2008 as the Asian subsidiary of the bank and as a branch today it boasts more than 75 employees and continues to build its presence in the region. From this Singapore base, VP Bank provides specialised wealth management solutions and family office services for high-net-worth clients and professional asset managers, as well as for independent and external asset managers (IAMs and EAMs) and other financial intermediaries. Singapore is also the booking centre for the region.

The bank also has a smaller Hong Kong operation with eight team members and also benefits there from an asset management license. From Singapore and Hong Kong, VP Bank is primarily targeting the ASEAN markets of Indonesia, Malaysia, Thailand and Singapore, as well as Hong Kong, and selectively China and Taiwan.

### **VP Bank - At a Glance**

VP Bank AG was founded in 1956 in Liechtenstein, where it is today one of the largest banks with 868 full-time staff at the end of 2018. The bank currently has offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong and Road Town in the British Virgin Islands.

In its literature, VP Bank Group states that it offers tailor-made asset management and investment advice for private individuals and for intermediaries. The bank explains that thanks to its open architecture, clients benefit from independent advice, with recommendations including both the products and services of leading financial institutions as well as proprietary investment solutions.

The bank notes that it is listed on the Swiss SIX Exchange and that its anchor shareholders have a long-term outlook and thus represent continuity, independence and sustainability.

VP Bank secured the upgrading of its Singapore operation to a full branch status in September 2018. The firm’s literature describes VP Bank Ltd Singapore Branch as a boutique private bank with a client-centric business philosophy. It provides specialised wealth management solutions and family office services for high-net-worth clients and professional asset managers, explaining that the branch is dedicated to the protection and growth of its clients’ wealth.

The branch offers what the bank describes as comprehensive services for asset managers and other financial intermediaries. The service offering comprises a trading platform, banking services including ebanking and mobile banking, as well as operational support. Partnership arrangements with professionals include tailormade investment advisory, discretionary management solutions and custodian services.

Singapore’s location-specific advantages include a broad array of services relating to private banking, insurance and wealth management; a global reputation as an important forex trading hub; a stable and business-friendly government; a reliable legal system based on English (common) law; stringent banking secrecy rules; and a strong local currency. Globally the bank boasts shareholders’ equity of CHF 981.6 million and group net income of CHF 54.7 million, both figures at the end of 2018.

VP Bank likes to highlight how its streamlined, client-oriented management hierarchy and open architecture are designed to appeal to both the private clients and the intermediaries with which the bank partners.

### **Traditional values, tailored solutions**

Morel believes that its concept of advice is embedded deeply in the bank's DNA. "It starts with listening to the client, not putting that client in a box, giving them access to senior management or different people, as required," he explains. "It is the old way of doing private banking, sitting with the client, listening, finding what they are truly interested in achieving. We avoid the product-pushing, quota-driven style that has been widely given by many banks to their RMs."

He expounds on this by adding that the traditional concerns such as life events, children and legacy can be built upon to help the client focus on wealth planning and then VP Bank can progressively introduce the services and the products that answer the unique situation of the client. "We aim to be the master tailor that looks at the customer as he or she is, that starts from scratch and designs something unique. Yes, we use the same fabrics, the same materials, but what we achieve is tailored precisely to the clients' unique form and situation. That is what we call service."

### **Impartiality leads to excellence**

Closely aligned with this management style, Morel highlights the bank's truly open architecture as another key differentiating factor. "We are not an investment bank, we are a pure private banking operation," he explains, "so we are dedicated to identifying the best

products at the best price, without any constraints from our organisation. This might not seem like a huge difference at first glance, but it still sometimes offers a critical advantage compared to a bank that only claims open architecture and that in practice has entire asset classes which are captive to that bank. That is why I emphasise that we have a true open architecture."

Morel explains why the intermediary business is so important to the bank in Asia. "This is a dynamic growth region for private

of VP Bank Group ever since.

Morel says there are few other institutions that value these relationships as much as VP Bank, which is clearly committed to investing in ideas and infrastructure to hone the intermediary business for today and the future, offering tailor-made, boutique services and a highly personalised relationship. Open architecture, impartiality of advice and a solutions-oriented approach are all vital elements for the success in this business area.

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### **VP Bank's DNA**

Historically, the VP Bank intermediary business was an integral part of the bank's DNA at the time of its inception. Founder Guido Feger was himself one of the most successful fiduciaries in Liechtenstein, and the intermediary business has been a core activity

"The firm has a true commitment to the intermediary business, and today this accounts for roughly half of the firm-wide revenues and AUM," Morel reports. "In Asia, we have 14 dedicated team members focusing only on servicing intermediaries, which means that the bank's coverage of these IAMs, including family offices, is as intensive as some of the very largest global private banks."

These intermediaries, Morel reports, are relatively small firms, all based in Hong Kong or Singapore where the markets are developed, and where the licensing regulation is both well-structured and compliant. However, these firms will be representing private wealth from across the region, be

that from Indonesia, or Malaysia or another country.

He adds that VP Bank also consolidates the banking relationships for these intermediaries. “If we use three or four custodian banks, we can also consolidate all the required banking relationships for them,” he remarks. “We can thereby give them the capability to trade on several accounts at the same time and then we distribute the orders and send this automatically and digitally to their systems. Accordingly, for these intermediaries, often with a small infrastructure, we bring a lot of quality and value, we really help them.”

**Understand, then react**

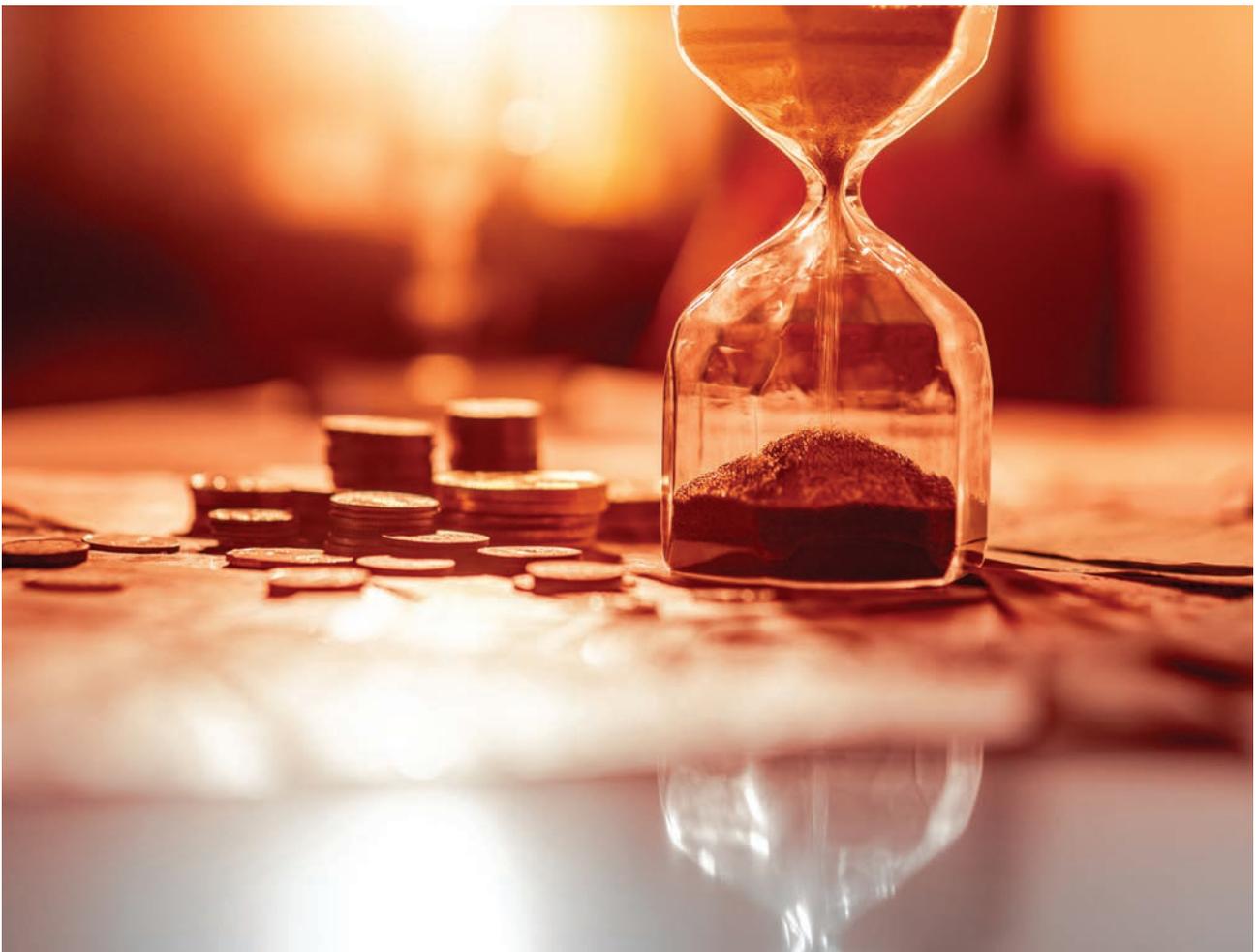
Morel reports that the bank’s expansion plan for the region has been built on a clear perception of market trends and necessities. “Competing against the top players is tough as smaller banks find they are too small, and it is difficult to differentiate,” he observes. “We know we can never move into the top ten in traditional private banking in the region, but as a boutique, with a clear strategy we can focus on our niche, so for us that is the intermediaries, where we have become such a sizeable, significant player.”

He adds that the digital innovations the bank has embraced, including internet banking for

both direct clients and also for intermediaries, allow access to a lot of services, including for investments, thereby simplifying their operations and providing them with a huge advantage to book through VP Bank.

**Time to appreciate**

Turning to the private client business, Morel observes that the true character and advantages of using VP Bank are perhaps less easy to identify at the outset, as there is less distinct differentiation from competitors. However, he explains that it becomes clearer to those clients over time that they obtain a high level of service from VP Bank, as well as access to high-



quality product. In the medium- and longer-term, he explains that they often see this reflected in the performance of their portfolios.

Morel is also excited by the opportunity to now extend credit to both the private clients, to intermediaries and to other credible borrowers. “Since becoming a full branch,” he explains, “the ability to offer credit to our clients here in Asia has become a key component of the services we offer here. The loans might be classic credit, or insurance financing, or Singapore

and for investments, there is often intensive competition and clients switch banks all too often. “But the core of wealth in the region outside the top of this pyramid is in property,” he explains, “and we realised the need to also encompass this in our offer. To achieve that we now have the balance sheet, the structure, the license and the commitment to boost our lending.”

He explains that aside from the mortgage lending, most of the loans VP Bank extends in Asia are in the form of typical Lombard

achieve success and who are happy working within this model.”

### **An acquisition on the horizon?**

VP Bank would also like to further accelerate growth through a strategic acquisition. “We have the money ready, we are actively looking for acquisitions,” he reports. “We are seeking a good fit for our profile in terms of size, but also in terms of the business culture. Organic growth remains a key priority, but an acquisition would help us make a more dramatic leap forward. We are actively looking.”

These acquisitive aspirations have been crystallised follow the upgrading of the Singapore operation to a full branch in September last year. Morel would like to see the Group achieve a medium-term goal of reaching CHF50 billion in assets under management (AUM) globally by 2020, while AUM stood at a shade under CHF41.5 billion at the end of 2018.

Nevertheless, the reality is that there are others seeking acquisition growth in the region and the availability of strategically sound targets whose business models and cultures fit VP Bank’s requirements are likely to be thin on the ground.

VP Bank has been in operation more than six decades and Morel is clearly excited by the prospects for Asia in the years ahead. His clear attention to the client, his focus on traditional values, on quality, on impartiality and on service, aligned with a deep understanding of the products and markets on which the bank is concentrating its efforts should stand the bank in good stead. The organic growth is certainly shining through, and if the right target comes in sight, an acquisition might even further boost the bank’s rising profile. ■

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### **Strong balance sheet**

As it expands its loan book, the Singapore branch enjoys its status as a part of VP Bank, which boasts a very strong balance sheet, with a single-A rating from Standard & Poor’s, and with a near 21% tier one capital ratio. “Moreover,” Morel reports, “credit demand is limited for us in Europe, so the branch here is structurally ideal as it makes excellent use of the massive liquidity that we have group-wide, by opening this to our Asian clients here. Singapore is an ideal location for this activity, as there is so much regional activity centred here.”

Morel explains that where VP Bank focuses only on the top echelons of private wealth in the region for the financial side

credit, in other words credit against pledged and eligible assets, mostly in the form of marketable securities or life insurance policies.

### **Priorities: growth and profitability**

Morel has two core priorities for the foreseeable future, growth and profitability. “Growing the number of people via recruitment, growing the assets, growing the revenue, growing the loan book, growing in all these dimensions while maintaining profitability because all of these areas of expansion come with associated costs,” he elucidates.

Bringing new people onboard involves a particular type of pitch and a particular type of individual. “We are not the bank for RMs who need a big brand name behind them,” he says. “We appeal to those RMs who are independent, who can work on their own, who know how to use the products and the services that we have. Those who understand that we can offer them the tools to

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## Getting Personal

Morel is French, hailing from La Tour du Pin, a small village in a wonderful region of the country between Lyon and Geneva. His education saw him achieve two leading qualifications, the first from the University of Rouen a degree in engineering, with specialisation in applied mathematics, the second a master's degree in international finance, from the renowned international business school, HEC in Paris.

His early career was as a currency options trader for the French bank called Credit Industriel et Commercial, first briefly in Paris and then in Singapore. "That was 23 years ago when I moved here," he recalls, "how time flies."

He was with CIC for a further 12 years after moving to Singapore, moving into risk management shortly after the Asian crisis of 1997-1998. Following his stint in risk management, he moved into asset management of Asian equities, with the firm's strategies aimed at French retail customers. CIC was later acquired by the cooperative bank Credit Mutuel after which Morel moved into the private banking side.

"My boss at that time said: 'Ok, you understand currencies, trading, equities, risk management, so why don't you take care of my advisory and products on the private banking side', and that in short is how I started in private banking."

Married for the past 12 years to a Singaporean Chinese lady and without children, Morel and his wife have time to enjoy their favourite hobby of scuba diving. "That is how we first met, actually," he recalls, "and we are lucky enough to live in the most beautiful region for scuba diving, in places such as Indonesia, Philippines, Malaysia and others."

A favourite destination for diving is deep in remote Indonesia, amongst the 1500 or so islands of Raja Ampat to the west of Papua. "It is almost completely off-the-grid there," he notes.

When not under water, Morel enjoys snow skiing in a favourite resort of Alpe D'Huez, a resort spanning 1,250 to 3,330 metres in the Central French Western Alps, in the Isere Departement of the Auvergne-Rhone-Alpes region. "It is also famous for cycling in summer and one of the few ski resorts in the French Alps which is facing south and therefore very sunny."

Slightly less robust urban outdoor pursuits in Singapore see the Morels walking or roller skating. "There is still plenty of nature and many parks here in Singapore," he remarks, "and you can still enjoy the outdoor life here. In fact, the other day I was in Labrador Park and spotted a cockatoo and some other wonderful birds."

